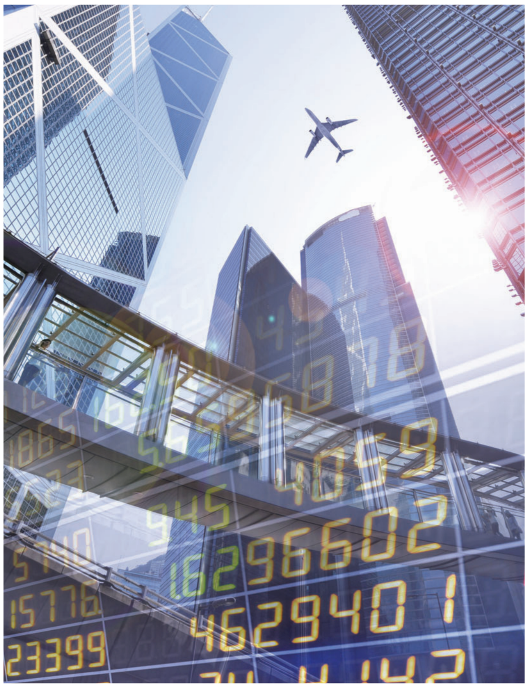
South China Financial Holdings Limited
南華金融控股有限公司

Incorporated in Hong Kong with limited liability

Stock Code : 00619



2018

ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Hung Sang *(Chairman)*
Ms. Cheung Choi Ngor *(Vice Chairman)*
Ms. Ng Yuk Mui Jessica
(Executive Vice Chairman and Chief Executive Officer)

Independent Non-executive Directors

Hon. Raymond Arthur William Sears, Q.C.
Mrs. Tse Wong Siu Yin Elizabeth
Mr. Tung Woon Cheung Eric

AUDIT COMMITTEE

Mr. Tung Woon Cheung Eric
(Chairman of the Committee)
Hon. Raymond Arthur William Sears, Q.C.
Mrs. Tse Wong Siu Yin Elizabeth

REMUNERATION & NOMINATION COMMITTEE

Mrs. Tse Wong Siu Yin Elizabeth
(Chairman of the Committee)
Hon. Raymond Arthur William Sears, Q.C.
Mr. Tung Woon Cheung Eric

REGISTERED OFFICE

28th Floor
Bank of China Tower
1 Garden Road
Central
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants

BANKERS

Standard Chartered Bank (Hong Kong) Limited
Bank of Communications Co., Ltd.
Chong Hing Bank Limited
Bank of China (Hong Kong) Limited
Nanyang Commercial Bank, Limited
Hang Seng Bank, Limited
The Bank of East Asia, Limited
Dah Sing Bank, Limited
Industrial and Commercial Bank of China (Asia) Limited
OCBC Wing Hang Bank Limited
China Construction Bank (Asia) Corporation Limited
DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
China CITIC Bank International Limited
Fubon Bank (Hong Kong) Limited
Chiyu Banking Corporation Limited
CIMB Bank Berhad

SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

00619

WEBSITE

http://www.sctrade.com

Chairman's Statement and Management Discussion and Analysis

I am pleased to report the activities of South China Financial Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2018.

FINANCIAL SUMMARY

The results of our core business segments, including broking, margin financing and money lending, corporate advisory and underwriting, asset and wealth management and media business improved during the year with a reduction in operating loss of 19% from HK$79.7 million in the previous year to HK$64.6 million in the current year. The Group recorded revenue of HK$143.9 million (2017: HK$254.3 million) and loss after tax of HK$228.0 million for the year ended 31 December 2018 as compared with the profit after tax of HK$52.5 million for the corresponding period last year from continuing operations.

DIVIDEND

No interim dividend was paid (2017: Nil). The board of directors of the Company (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

BUSINESS REVIEW

Brokerage

The year of 2018 kicked off with a strong global economy and bullish stock markets. The Hang Seng Index climbed to a record high in January and trading volume was steadily rising. However, unexpected disruption came in June as the United States started a trade war with China and trade disputes with a number of its other trading partners. The tariff hike imposed by the U.S. and China on imported goods from each other clouded economic growth of the two countries. Stock markets worldwide fluctuated dramatically in the second half of 2018 as a result of monetary policy tightening in the U.S., uncertainty in trade negotiations between U.S. and China and signs of deceleration of the Chinese economy. Most investors cashed out from the market and took a wait-and-see attitude in the second half of the year. Market turnover dropped significantly from an average of HK$127 billion per day in the first half of the year to an average of HK$88.8 billion in the second half of the year whilst the average daily market turnover for the year ended 31 December 2018 increased by 21% to HK$107 billion from HK$88 billion in the corresponding period last year. The Group's brokerage commission income decreased from HK$52.7 million for the year ended 31 December 2017 to HK$42.5 million for the year ended 31 December 2018 and the operating loss of this business segment decreased from HK$25.4 million in 2017 to HK$24.3 million in 2018.

From November 2018 onwards, the Group launched a series of marketing campaigns to promote brand visibility through its unique media platform. This included digital advertising, using promotion trucks for recruiting new retail customers to open accounts and organising various kinds of seminars. The response was encouraging with an increase in the number of newly opened accounts. These newly opened accounts form a solid foundation for our brokerage business when the market turnover turns around and we will continue these marketing efforts.

Margin financing and money lending

This segment recorded income for the year ended 31 December 2018 of HK$28.9 million compared with income of HK$28.1 million in the corresponding period last year. Earnings from this segment decreased from HK$9.3 million in 2017 to HK$3.8 million in 2018. Under the Group's prudent risk management policy, the Group has made adequate provisions against money lending business for the year ended 31 December 2018.

Due to the loss of momentum in the equities market in the second half of 2018, the aggregate carrying value of the Group's margin loan portfolio reduced from HK$374.8 million at the year end of 2017 to HK$264.2 million at the year end of 2018 whilst the carrying value of the loan portfolio of the Group's other money lending businesses increased from HK$13.4 million at the year end of 2017 to HK$33.1 million at the year end of 2018 as a result of diversifying the business into the mortgage loan business and an increase in the Group's PRC finance lease loan portfolio.

Corporate advisory and underwriting

In terms of the initial public offering (IPO) market, Hong Kong regained its championship in global IPO financing in 2018. The number of newly listed companies stood at 218 during the year which represented an increase of 25% compared with 174 companies for the previous year. Funds raised by IPOs increased from HK$128 billion in 2017 to HK$288 billion in 2018.

The Group's investment banking team completed two IPO deals in the first half of 2018 in which it acted as the sponsor and underwriter. The revenue of this segment increased from HK$26.1 million in 2017 to HK$30.0 million in 2018 and recorded a profit of HK$0.5 million for the year ended 31 December 2018 as compared with a loss of HK$5.4 million for the year ended 31 December 2017. Although no IPO deals were completed by the Group in the second half of the year as a result of the tightening of liquidity of the market since July 2018, it has submitted multiple IPO deal applications with Hong Kong Stock Exchange and Clearing Limited ("HKEx") as at 31 December 2018. We believe that revenue will be crystalized from these submitted IPO deals in 2019.

Asset and wealth management

During the year, the Group restructured the asset and wealth management teams in order to achieve operating efficiency. The loss for this business segment was significantly reduced by 38% to HK$15.5 million for the year ended 31 December 2018 from HK$25.0 million for the year ended 31 December 2017. The Group continued to maintain a prudent approach to cost management whilst also investing in key strategic initiatives for future growth.

During 2018, we redefined our strategy and reallocated resources towards client-first approach customising products for their specific needs. This change of business model in 2018, resulted in achieving Assets-under-management ("AUM") of HK$42.0 million in January 2019 which was a milestone of the Asset Management business.

Media and financial public relations

The acquisition of the financial media group engaged in the publication of the "Capital" series of magazines in January 2017 followed by the acquisition of a lifestyle media group in March 2018 has resulted in a comprehensive media platform for the Group. South China Media is one of the top players of financial and lifestyle media brands magazines in Hong Kong and provides a broad spectrum of media related services from print and digital media platforms to event and marketing services. In the last quarter of 2018, the Media group commenced its collaboration with the Financial Services group in some brokerage promotion campaigns with a very positive response from existing and target clients. We believe such a synergy will continue to grow and bring value to our clients and shareholders in the future.

The revenue and operating loss of the media publications and financial public relation business segment for the year ended 31 December 2018 were HK$54.9 million and HK$29.1 million respectively. The loss included one-off transaction costs amounting to HK$3.0 million incurred in relation to the acquisition of the lifestyle media group. The management has directed its strategy and resources towards events marketing, quality branded content and digital and multi-media services.

Trading and investment

The Group's investment portfolio, which was mainly booked under financial assets at fair value through profit or loss, decreased from HK$625.2 million as at 31 December 2017 to HK$431.2 million as at 31 December 2018. The major investment holdings and their fair value gains or losses are listed below:

Stock code	Name of security	Carrying amount as at 31 December 2018	Percentage of shareholding interest	Fair value gain/(loss) during the year
		HK$'000		HK$'000
992	Lenovo Group Ltd.	100,838	0.159	17,578
670	China Eastern Airlines Corporation Limited	99,752	0.158	(29,981)
3988	Bank of China Limited	43,105	0.004	(4,875)
1033	Sinopec Oilfield Service Corporation	34,452	0.302	(40,367)
1097	i-CABLE Communications Limited	30,668	4.188	(28,016)
Others		122,352		(61,250)
		431,167		(146,911)

The Hang Seng Index decreased by 13.6% from 29,919 at 31 December 2017 to 25,846 at 31 December 2018 and the Hang Seng China Enterprises Index decreased by 13.5% from 11,709 at 31 December 2017 to 10,125 at 31 December 2018. As a result, there was an unrealized fair value loss of HK$146.9 million for the year ended 31 December 2018 resulting from the decreased mark-to-market of the financial assets as opposed to the unrealized gain of HK$11.0 million for the year ended 31 December 2017. Such losses were subject to market sentiment and it is anticipated that such sentiments will change over time.

Property investment

The strong demand from PRC companies for high-end office premises in core districts continued to drive up the commercial properties market. A revaluation gain of HK$49 million, representing 10% of the fair value of our investment property as at 31 December 2017, was recorded for the year ended 31 December 2018. The fair value of the investment properties increased from HK$480 million as at 31 December 2017 to HK$529 million as at 31 December 2018. The Group's rental income rose by 12% to HK$11.9 million in the year ended 31 December 2018 from HK$10.6 million in the year ended 31 December 2017 and an operating profit of HK$59.7 million was recorded for the year ended 31 December 2018 (2017: HK$49.9 million).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEGES

As at 31 December 2018, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

CAPITAL STRUCTURE

Use of proceeds update

As disclosed in the 2016 Annual Report dated 28 March 2017, the unutilized net proceeds from rights issue completed on 11 August 2016 amounted to HK$391.2 million as at 28 February 2017, of which (i) approximately HK$280 million was intended to be used to set up a securities joint venture in mainland China, (ii) HK$87.2 million earmarked for use towards the lending business, and (iii) HK$24 million for use as seed capital in fund products by the Company and the costs incidental to setting up of fund products.

The Group has continued to use the unutilized funds according to the revised intended use. As at 31 December 2018, the unutilized net proceeds have been reduced to HK$302.6 million, of which (a) the amount of HK$280 million was designated for setting up of a securities joint venture in Mainland China and (b) HK$22.6 million towards asset management related business. During the year, the Company has actively identified parties for the purpose of establishing a securities joint venture in mainland China, but no such initial negotiations came to fruition. The Company shall continue to actively seek appropriate partners but believes that the process is unlikely to complete in the imminent future.

Consistent with the long term goal of supporting the sustainable and healthy development of the Company's principal operating activities, the Company follows the prevailing practice and continues to apply the following capital management and interim deployment strategies in respect of the abovementioned unutilized proceeds of approximately HK$302.6 million, pending the identification and conclusion of a securities joint venture and subject to the progress of business and the launch of the fund products under asset management business:

1. used as standby capital to support the securities brokerage business, the securities financing business and lending business when needed; and

2. for better effectiveness and returns in respect of the Company's capital management, and to improve cash flow management, the Company shall adopt a treasury management model that may involve (but shall not be limited to) repayment of revolving bank loans, holding fixed income instruments, high grade equity instruments and other financial investments.

EVENT AFTER THE YEAR END

On 1 February 2019, the Company (as vendor) and South China Industries (BVI) Limited (as purchaser), a direct wholly-owned subsidiary of South China Holdings Limited entered into a conditional sale and purchase agreement (the "S&P Agreement"), pursuant to which the Company has agreed to dispose of one share of US$1.00 in the capital of Year Blossom Limited, a direct wholly-owned subsidiary of the Company (the "Sale Share") and the purchaser has agreed to acquire the Sale Share subject to and in accordance with the terms and conditions of the S&P Agreement.

Upon completion of the disposal of the Sale Share, Year Blossom Limited and its subsidiaries will no longer be the subsidiaries of the Company and hence the continuing connected transactions (the "CCT") will cease accordingly.

Details of the cessation of the CCT were disclosed in the announcement of the Company dated 1 February 2019.

The tenancy agreement dated 28 August 2018 entered into between 南京華鑫 (as lessee) and 南京微分 (as lessor) in relation to the leasing of the premises situated at 中國南京市鼓樓區雲南北路28號1號樓104–2室 (the "Premises"), and the consolidated management services agreement dated 29 August 2018 entered into between 南京華鑫 and 南京世豐 in relation to the provision of property management services for the premises situated at the Premises were terminated on 27 February 2019.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had obtained short term bank credit facilities which were reviewed on a yearly basis and a long term mortgage loan. The facilities for the share margin finance operations were secured by the securities of the Group and its margin clients. The outstanding credit facilities were guaranteed by the Company.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank borrowings, other borrowings, less cash and bank balances while capital represents total equity. As at 31 December 2018, net debt and capital amounted to HK$531.4 million (2017: HK$370.4 million) and HK$914.4 million (2017: HK$1,166.7 million) respectively, represented a gearing ratio of approximately 36.8% (2017: 24.1%).

The Group had a cash balance of HK$108.5 million at the end of the year (2017: HK$241.3 million). The Group had sufficient working capital to meet its operational needs.

CHARGES ON ASSETS

As at 31 December 2018, the Group's investment properties, inventories and listed securities held in trading and investment portfolio were pledged to banks for banking facilities.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no material contingent liabilities.

INVESTMENTS

For the year ended 31 December 2018, the Group's portfolio of Hong Kong listed securities decreased due to net disposal and the revaluation loss during the year.

EMPLOYEES

As at 31 December 2018, the total number of employees of the Group was 280 (31 December 2017: 235). Employee's cost (including directors' emoluments) amounted to approximately HK$119.5 million for the year (2017: approximately HK$118.8 million).

In addition to salary, other fringe benefits such as medical subsidies, life insurance, provident fund and subsidized external training are offered to employees. Continuous professional training will continue to be arranged for those staff who are registered with the Securities and Futures Commission. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employee may also receive a discretionary bonus at the end of each year based on performance. Selected employees may also be granted share option and share award under the share option scheme and share award scheme adopted by the Company.

ENVIRONMENTAL POLICIES

We are committed to building an environmental-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. We also promote the services of e-statement to our clients which help to reduce on paper usage.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, which have significant impact on the Group. Updates on the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees

Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly import. The Group continues to be an attractive employer for recognizing and reward the contribution of the employees to the growth and development of the Group through various incentive means.

Customers

The Group has the mission to provide excellent customer service whilst maintaining long term profitability, business and asset growth. Various means have been established to strengthen the communications between the customers and the Group in the provision of excellent customer service towards market penetration and expansion.

Suppliers

We firmly believe that our suppliers are equally important in building high-quality business. We proactively communicate with our suppliers to ensure they are committed to delivering high-quality and sustainable products and services.

Shareholders

One of the corporate goals of the Group is to enhance corporate value to shareholders. The Group is poised to foster business developments for achieving the sustainability of earnings growth and rewarding shareholders taking into account capital adequacy levels, liquidity positions and business expansion needs of the Group.

POSSIBLE RISKS AND UNCERTAINTIES

The Group has reviewed the possible risks and uncertainties which may affect its business, financial condition, operations and prospects based on its risk management and internal control systems and considered that the major risks and uncertainties that may affect the Group include (i) fluctuations of fair value gain or loss on financial assets, foreign exchange and investment properties; (ii) changes in market interest rates may expose the Group to high interest expense on its net debt obligations carrying floating interest rates; (iii) credit risk and recoverability of provision of finance which may incur bad debts during the downturn of economy; and (iv) the uncertainties of fiscal, political and monetary policy developments would contribute partly to the high volatility of global markets which may directly affect the performance of the Group. In response to the above mentioned possible risks, the Group has a series of risk mitigation controls and risk management policies to cope with the possible risks and has serious scrutiny over the selection of quality customers. The Group has formed various committees to develop and review strategies, policies and guidelines on risk control; which enable the Group to monitor and respond to risk effectively and promptly.

PROSPECTS

According to the World Bank's estimate, growth in the global economy is anticipated to slow down to 2.9 percent in 2019. The world's financial markets will continue to experience bouts of volatility and investor sentiment will be dominated by uncertainties at least in the first half of the coming year.

In response to a rapidly changing landscape in the financial industry and rising competition in brokerage business, the Group will continue to make use of its unique media platform to promoting the business. At the same time, the Group will recruit more staff so as to strengthen the Group's sales force and provide better clients services. The PRC government is now promoting the economic integration and growth of the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA") and the country's the Belt and Road Initiative which are all providing us enormous opportunities to penetrate into the PRC market. We will leverage our competitive advantages deriving from the media platform of the Group and organize more targeted events to attract additional PRC clients in the future.

In view of the uncertainly of the equities market in 2019, the margin loan business is expected to remain stagnant. On the other hand, the properties market continues its upward trend as a result of the expectation of the end of US interest rate hike in 2019. The demand for mortgage loans is anticipated to remain strong. The Group will allocate more resources in developing the mortgage loan businesses in order to have a more diversified loan portfolio, in addition to the margin loan business.

The Group expects that the development to GBA will provide many opportunities in the financial services sector. Furthermore, the Belt and Road Initiative allows Hong Kong to perform its "super-connector" role giving rise to opportunities for the Group to facilitate UK/Europe and China dealflow.

HKEx implemented a significant listing reform to facilitate listing of companies from emerging and innovative sectors with weighted voting right structures and pre-revenue biotech companies. In addition, HKEx and China's National Equities Exchange and Quotations ("NEEQ") have agreed to open the door for NEEQ-listed companies to have public float in Hong Kong under a dual-listing model in 2018. These initiatives have established a more open and multi-layered capital markets and promote mutual access between the financial markets of the Mainland China and Hong Kong. With these favorable policies, we are cautiously optimistic for our corporate advisory and underwriting business.

We will dynamically realign our business model in asset management and wealth management business segment. In 2019, we have already successfully established our AUM, we will continue to use our expertise and connections in the industry to attract more investors to our asset management platform. Regarding the wealth management business, we will utilize our client base in different business units to expand into corporate insurance businesses, such as assisting corporates in selecting Mandatory Provident Fund services providers, group life and medical insurance products.

The Media Group will continue to act as the strategic media partners with clients and to provide the total media solutions by utilizing our skills and technology in events management, print, digital and multimedia offerings. In addition, we will continue to reinforce the elements of GBA, the Belt and Road Initiative, Green and Corporate Social Responsibility (CSR) into our business. By leveraging the resources advantages of South China Finance and South China Media team, Financial Public Relations team dedicated to provide tailor-made, comprehensive and integrated public relations as well as marketing services to our corporate clients at different development stage.

Leveraging our Group's long history and good reputation in the industry, the Group aims to create synergies across its business segments and secure its niche segment in a highly competitive market. We believe our strong foothold in Hong Kong provides a firm foundation for us to keep moving forward and hone our capabilities so as to better adapt to the increasingly sophisticated demands of our clients and to create long term value for our shareholders.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our customers and shareholders for their continued support and all our staff members for their hard work and dedicated service.

Ng Hung Sang
Chairman

Hong Kong, 19 March 2019

Directors' Biographical Details

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 69, is an Executive Director, the Chairman and a member of the Executive Committee of the Company. He is actively involved in the overall corporate policies, strategic planning and business development of the Group. He is also an executive director and the chairman of South China Holdings Company Limited, being listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and South China Assets Holdings Limited, being listed on the GEM of the Stock Exchange. He also holds several directorships in certain subsidiaries of the Group. He holds a Master degree in Marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. He was appointed as a Director of the Company on 7 December 1988. He is the father of Ms. Ng Yuk Mui Jessica, an Executive Director, the Executive Vice Chairman and Chief Executive Officer of the Company, and a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Cheung Choi Ngor, aged 65, is an Executive Director, the Vice Chairman and a member of the Executive Committee of the Company. She is also an executive director, the vice chairman and the co-chief executive officer of South China Holdings Company Limited, being listed on the Main Board of the Stock Exchange and an executive director of South China Assets Holdings Limited, being listed on the GEM of the Stock Exchange. She also holds several directorships in certain subsidiaries of the Group. She holds a Master degree in business administration from University of Illinois in the United States of America. She is a member of 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference. She was appointed as a Director of the Company on 7 December 1988.

Ms. Ng Yuk Mui Jessica, aged 40, is an Executive Director, the Executive Vice Chairman, Chief Executive Officer and a member of the Executive Committee of the Company. She is also a non-executive director of South China Holdings Company Limited, being listed on the Main Board of the Stock Exchange and an executive director and the executive vice chairman of South China Assets Holdings Limited, being listed on the GEM of the Stock Exchange. She is the executive vice chairman of South China Media Limited. She also holds several directorships in certain subsidiaries of the Group. She holds a Bachelor degree in Law from King's College London, University of London in the United Kingdom and was admitted to the Hong Kong Bar in 2006. She is an associate member of the Chartered Institute of Management Accountants and a member of 12th Hebei Provincial Committee of the Chinese People's Political Consultative Conference. She was appointed as a Director of the Company on 12 November 2015. She is the daughter of Mr. Ng Hung Sang, an Executive Director, the Chairman and a substantial shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Hon. Raymond Arthur William Sears, Q.C., aged 86, is an Independent Non-executive Director, a member of the Audit Committee and the Remuneration and Nomination Committee of the Company. He is a retired High Court Judge and holds a Master's degree in Law from Cambridge University in the United Kingdom. He became a Queen's Counsel in 1975 and was a former vice-chairman of the Judicial Section of the International Bar Association. In the United Kingdom, he had been a leading Counsel in England to the Government and large Authorities on redevelopment and construction projects and to the General Medical Council. In 1986 and 1987, he was a Justice of the Supreme Court of Hong Kong and the Commissioner to the Sultan of Brunei, respectively. From 1994 to 1999, he was a Senior Civil High Court Judge. He was appointed as a Director of the Company on 24 March 2000.

Mrs. Tse Wong Siu Yin Elizabeth, aged 61, is an Independent Non-executive Director, a member of the Audit Committee and the chairman of the Remuneration and Nomination Committee of the Company. She is also an independent non-executive director of South China Holdings Company Limited, being listed on the Main Board of the Stock Exchange. She is also the chairman of the Hong Kong Flower Retailers Association, the convenor of Youth Skills Competition in Floristry of Vocational Training Council, the technical advisor of the Environmental Services Industry of Employees Retraining Board, a member of the judge panel of Hong Kong Flower Show and a member of Small and Medium Enterprises Committee. She received an award of the Hundred Outstanding Women Entrepreneur in China in 2009. She holds a Bachelor degree of Science from the University of Western Ontario in Canada. She was appointed as a Director of the Company on 25 November 1992.

Mr. Tung Woon Cheung Eric, aged 48, is an Independent Non-executive Director, the chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company. He is the assistant president and general manager of the finance department of Beijing Enterprises Holdings Limited, a company listed on the Main Board of the Stock Exchange; an executive director, the chief financial officer and company secretary of Beijing Enterprises Water Group Limited, a company listed on the Main Board of the Stock Exchange; an independent non-executive director of GR Properties Limited, a company listed on the Main Board of the Stock Exchange; the company secretary of Biosino Bio-Technology and Science Incorporation, a company listed on the GEM of the Stock Exchange. He graduated from York University, Toronto, Canada with a bachelor honours degree in administrative studies. He is a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants and a U.S. Certified Public Accountant of The American Institute of Certified Public Accountants. He was appointed as a Director of the Company on 21 September 2004.

Directors' Report

The directors (the "Directors") of South China Financial Holdings Limited (the "Company") have pleasure in submitting their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The principal activities of the subsidiaries consist of securities, commodities, bullion and forex broking and trading, margin financing and money lending, provision of corporate advisory and underwriting services, asset and wealth management, property investment, media publications and financial public relation services, sales of jewellery products and investment holding.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the possible risks and uncertainties to which the Group is facing and an indication of likely future developments in the Group's business, can be found in the section headed "Chairman's Statement and Management Discussion and Analysis" in this annual report. This discussion forms part of this Directors' Report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The board of Directors (the "Board") has overall responsibility for the Group's environmental, social and governance ("ESG") strategy and reporting. The Board is responsible for the Group's ESG risk management and internal control systems to ensure that the ESG strategies and reporting requirements are met.

In addition, discussion on the Group's environmental policies and performance are contained in the section headed "Environmental, Social and Governance Report" in this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 and the financial position of the Group at that date are set out in the financial statements on pages 65 to 188 of this annual report.

No interim dividend was paid (2017: Nil). The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company (the "Shareholders").

Objectives

The Dividend Policy sets out the guidelines for the Board of the Company to determine (i) whether dividends are to be declared and paid; and (ii) the amount of dividend to be paid to the shareholders of the Company.

It is the policy of the Company to distribute its net profits by way of dividends to its shareholders after retaining adequate reserves for future growth as return to its shareholders' investment.

Basic Criteria

In deciding to propose a dividend and in determining the dividend amount, the Board shall take into account the actual and expected financial results of the Group, business performance and strategies, financial and economic factors, capital commitments, liquidity position and any other factors that the Board considers appropriate.

Subject to the conditions and factors set out above, dividends may be proposed and/or declared by the Board for a financial year or period as interim dividend, final dividend, special dividend and any distribution of net profits that the Board considers appropriate.

Payment of dividend by the Company is also subject to any criteria and restrictions under the Hong Kong laws and the Company's Articles of Association.

Form of Dividend

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate.

Approval of Dividend

The Board may from time to time determine and pay to the Company's shareholders such interim dividends as it considers appropriate.

The Board may recommend the payment of final dividends which are required to be approved by shareholders of the Company in general meetings.

Approval of the Dividend Policy

The Dividend Policy has been reviewed by the audit committee (the "Audit Committee") of the Company and approved by the Board. The Dividend Policy shall be reviewed by the Audit Committee and any subsequent amendment of the Dividend Policy shall be submitted to the Board for approval.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER

Annual General Meeting of the Company will be held on Tuesday, 18 June 2019 (the "AGM"). The register of members of the Company will be closed from Wednesday, 12 June 2019 to Tuesday, 18 June 2019 (both days inclusive) during which period no share transfer will be registered. To be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates of the Company must be lodged for registration with the Company's Share Registrar, Union Registrars Limited of Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Tuesday, 11 June 2019. The notice of the AGM will be published on the websites of the Company and the Stock Exchange and despatched to the shareholders of the Company in due course.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company has no reserves available for distribution.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated/reclassified as appropriate, is set out on pages 189 to 190 of this annual report.

SHARE CAPITAL AND EQUITY-LINKED AGREEMENT

Details of movements in the ordinary shares, share options and share awards (if any) of the Company during the year are set out in notes 34, 35 and 23 to the financial statements.

Details of equity-linked agreement are included in the section "Share Option Scheme" below.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, the aggregate turnover attributable to the Group's five largest customers and the aggregate purchases from the Group's five largest suppliers accounted for less than 30% of the total turnover and purchases, respectively, for the year.

DIRECTORS

The Directors during the year and up to the date of this Directors' Report were:

Executive Directors:

Mr. Ng Hung Sang *(Chairman)*
Ms. Cheung Choi Ngor *(Vice Chairman)*
Ms. Ng Yuk Mui Jessica *(Executive Vice Chairman) (Appointed as Chief Executive Officer on 17 October 2018)*
Dr. Wang Wei Hsin *(Chief Executive Officer) (Resigned on 17 October 2018)*

Independent Non-executive Directors:

Hon. Raymond Arthur William Sears, Q.C.
Mrs. Tse Wong Siu Yin Elizabeth
Mr. Tung Woon Cheung Eric

A full list of the names of the directors of the Group's subsidiaries can be found on the Company's website at www.sctrade.com.

In accordance with article 116 of the Articles of Association of the Company, Mr. Ng Hung Sang and Hon. Raymond Arthur William Sears, Q.C. will retire from office by rotation, and being eligible, offer themselves for re-election at the AGM. Save as disclosed, all other remaining Directors continue in office.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange from each of the Independent Non-executive Directors, namely Hon. Raymond Arthur William Sears, Q.C., Mrs. Tse Wong Siu Yin Elizabeth and Mr. Tung Woon Cheung Eric, and considers all the Independent Non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors up to the date hereof are set out in the section headed "Directors' Biographical Details" in this annual report.

DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the AGM has an unexpired service contract with the Company and/ or its subsidiaries, which is not determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The remuneration payable to each of Executive Directors was determined by the Remuneration and Nomination Committee with reference to the prevailing market practice, the Company's remuneration policy, the respective Directors' duties and responsibilities and their contributions to the Group. The Board considers and, where it thinks fit, approves the remuneration of the Non-executive Directors as recommended by the Remuneration and Nomination Committee based on the abovementioned factors. No Director shall be involved in the decision of his or her own remuneration.

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

As at 31 December 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Long positions in ordinary shares of the Company

		Number of ordinary shares held				
Name of Director	**Capacity**	**Personal interests**	**Family interests**	**Corporate interests**	**Total interests**	**Approximate percentage of total interests to total issued shares** *(Note 1)*
Mr. Ng Hung Sang ("Mr. Ng")	Beneficial owner/ Interest of controlled corporations	11,133,264 *(Note 2)*	–	77,328,343 *(Notes 3 & 4)*	88,461,607	29.36%
Ms. Cheung Choi Ngor ("Ms. Cheung")	Beneficial owner	12,300,311 *(Note 5)*	–	–	12,300,311	4.08%
Hon. Raymond Arthur William Sears, Q.C. ("Mr. Sears")	Interest of spouse	–	53,000 *(Note 6)*	–	53,000	0.02%

Notes:

1. On 8 November 2018, the Company implemented the share consolidation on the basis that every fifty (50) issued shares in the share capital of the Company were consolidated into one (1) consolidated share in the share capital of the Company (the "Share Consolidation"). The issued ordinary shares of the Company were decreased from 15,063,853,500 shares to 301,277,070 shares as a result of the Share Consolidation.

2. The personal interests of Mr. Ng changed from 556,663,200 shares to 11,133,264 shares following the completion of the Share Consolidation.

3. The corporate interests of Mr. Ng changed from 3,866,417,184 shares to 77,328,343 shares following the completion of the Share Consolidation.

4. Following the completion of the Share Consolidation, the 77,328,343 shares of the Company held by Mr. Ng through controlled corporations included 23,526,030 shares held by Fung Shing Group Limited ("Fung Shing"), 44,623,680 shares held by Parkfield Holdings Limited ("Parkfield"), 1,999,872 shares held by Ronastar Investments Limited ("Ronastar") and 7,178,761 shares held by Uni-spark Investments Limited ("Uni-spark"). Fung Shing, Parkfield and Ronastar were directly wholly owned by Mr. Ng. Uni-spark was indirect wholly-owned by Mr. Ng.

5. The personal interests of Ms. Cheung changed from 615,015,578 shares to 12,300,311 shares following the completion of the Share Consolidation.

6. The family interests of Mr. Sears changed from 2,650,000 shares to 53,000 shares following the completion of the Share Consolidation.

Save as disclosed herein, as at 31 December 2018, none of the Directors or chief executive of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which was required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, entered in the register referred to therein; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company adopted a share option scheme in June 2012 ("2012 Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, who contribute to the success of the Group's operations, and retaining such participants for their continuing support to the Group. The share options granted under the above scheme are unlisted. Further details of the abovementioned share option schemes are disclosed in note 35 to the financial statements.

Apart from those listed below, no share options were granted, exercised, cancelled or lapsed in accordance with the terms of the 2012 Share Option Scheme during the year ended 31 December 2018. Particulars of the outstanding options at the beginning and at the end of the financial period are as follows:

			Number of share options							
Name or category of participant	**Date of grant of share options** (DD/MM/YYYY)	**Exercisable period of share options** (DD/MM/YYYY)	**Outstanding at 1 January 2018**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Number of share options before the Share Consolidation**	**Adjusted number of share options after the Share Consolidation and outstanding at 31 December 2018** *(Note 1)*	**Exercise price per share before the Share Consolidation** HK$	**Adjusted exercise price per share after the Share Consolidation** *(Note 1)* HK$
Employees	09/06/2015	09/06/2016–08/06/2018	10,358,974	–	–	(10,358,974)	–	–	0.195	N/A
	09/06/2015	09/06/2017–08/06/2019	10,358,975	–	–	–	10,358,975	207,177	0.195	9.750
	09/06/2015	09/06/2018–08/06/2020	10,358,975	–	–	–	10,358,975	207,180	0.195	9.750
Total			**31,076,924**	**–**	**–**	**(10,358,974)**	**20,717,950**	**414,357**		

Notes:

1. On 8 November 2018, the exercise price and the number of shares entitled to be subscribed for under the outstanding share options granted under the 2012 Share Option Scheme have been adjusted following the completion of the Share Consolidation.

2. A total of 414,357 shares available for issue under the 2012 Share Option Scheme, representing approximately 0.137% of the shares in issue as at 31 December 2018.

N/A: not applicable

Details of the 2012 Share Option Scheme are set out in note 35 to the financial statements.

EMPLOYEES' SHARE AWARD SCHEME

On 10 June 2015, the Company adopted the Company's employees' share award scheme (the "Share Award Scheme") whereby the Company may grant share awards to selected employees in recognition of their contributions to the Group and as incentive to retain them to support the operations and ongoing development of the Group and attract suitable personnel for the Group's further development. Pursuant to the terms and the conditions of the Share Award Scheme, the Company shall settle a sum up to and not exceeding HK$20 million for the purchase of shares of the Company and/or other shares listed on the Main Board or the GEM of the Stock Exchange from market. Such shares shall form part of the capital of the trust fund set up for the Share Award Scheme. The Board may, from time to time, select employees for participation in the Share Award Scheme and cause to be paid an amount to the trustee from the Company's resources for the purpose of purchase of shares as referred to in the above.

During the year ended 31 December 2018, no shares were granted to an employee of the Group.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section "Share Option Scheme", at no time during the year was the Company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, the chief executives or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

RETIREMENT SCHEMES

Details of the retirement schemes of the Group are set out in note 2.4 to the financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Details of the transactions during the year between the Group and connected persons (as defined in the Listing Rules) in which a Director has beneficial interest are set out in the sections "Connected Transactions" and "Continuing Connected Transactions" of this Directors' Report and note 43 to the financial statements.

Save as disclosed above, no transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or any connected entity thereof had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACT

The Company has not entered into any contract by which a person undertakes the management and administration of the whole or any substantial part of the business of the Company and there was no such contract subsisted at any time during the year.

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

As at 31 December 2018, substantial shareholders and other persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follow:

Long position in the ordinary shares

		Number of ordinary shares held				
Name of Shareholder	**Capacity**	**Personal interests**	**Family interests**	**Corporate interests**	**Total interests**	**Approximate percentage of total interests to total issued shares** *(Note 1)*
Ms. Ng Lai King Pamela	Interest of spouse	–	88,461,607 *(Notes 2 and 3)*	–	88,461,607	29.36%
Fung Shing Group Limited ("Fung Shing")	Beneficial owner *(Note 4)*	–	–	23,526,030 *(Note 5)*	23,526,030	7.81%
Parkfield Holdings Limited ("Parkfield")	Beneficial owner *(Note 6)*	–	–	44,623,680 *(Note 7)*	44,623,680	14.81%

Notes:

1. On 8 November 2018, the Company implemented the share consolidation on the basis that every fifty (50) issued shares in the share capital of the Company were consolidated into one (1) consolidated share in the share capital of the Company (the "Share Consolidation"). The issued ordinary shares of the Company were decreased from 15,063,853,500 shares to 301,277,070 shares as a result of the Share Consolidation.
2. Ms. Ng Lai King Pamela is the spouse of Mr. Ng. By virtue of the SFO, Ms. Ng Lai King Pamela is deemed to be interested in the 88,461,607 shares which Mr. Ng is interested in.
3. Number of ordinary shares changed from 4,423,080,384 to 88,461,607 following the completion of the Share Consolidation.
4. Fung Shing is wholly-owned by Mr. Ng.
5. Number of ordinary shares changed from 1,176,301,512 to 23,526,030 following the completion of the Share Consolidation.
6. Parkfield is wholly-owned by Mr. Ng.
7. Number of ordinary shares changed from 2,231,184,000 to 44,623,680 following the completion of the Share Consolidation.

Save as disclosed herein, as at 31 December 2018, the Company was not notified by any persons (other than Directors or chief executive of the Company as discussed above) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

The Company and South China Assets Holdings Limited ("SCAH"), a company listed on the GEM of the Stock Exchange, have certain common directors. The principal activities of SCAH include property investment and development in the People's Republic of China, money lending, provision of investment advisory and asset management services and dealing in securities.

Mr. Ng, Ms. Cheung and Ms. Ng Yuk Mui Jessica, all being Executive Directors of the Company, are also the executive directors of SCAH during the year.

Mr. Ng is also the chairman of the board and controlling shareholder of SCAH. Ms. Cheung is one of the directors and substantial shareholders of a controlled corporation of Mr. Ng which holds 10.29% interest in SCAH directly and 9.74% indirect interest in SCAH through its wholly-owned subsidiary as at 31 December 2018. Mr. Ng together with his associates hold 64.92% interest in SCAH as at 31 December 2018.

The Group undertakes a wide range of financial services businesses of sizable scale in operations and with solid client portfolio while SCAH is in the course of diversifying into the financial services businesses.

The above-mentioned common directors declare their interests in competing business and abstain from voting in transactions in which the Company and SCAH compete or is likely to compete with each other and, therefore, do not control the Board as far as transaction in relation to competing business is concerned. To the best of the knowledge of the Directors, the Group is capable of carrying on its businesses independently and at arm's length from the businesses of SCAH. Given the difference in business focus as referred to in the preceding paragraph, the competition between the businesses of the Company and SCAH is considered to be relatively remote.

CHANGES IN INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes in information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the course of the Directors' terms of office for the period from the date of publication of the Company's latest interim report up to the date of this Annual Report are set out below:

Ms. Ng Yuk Mui Jessica was appointed as Chief Executive Officer of the Company on 17 October 2018.

INDEMNITY OF DIRECTORS

Pursuant to the Company's Articles of Association, every Director of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings in which judgement is given in his favour, or in which he is acquitted. The Company has taken out directors' and officers' liability insurance to protect the Directors against potential costs and liabilities arising from the claims brought against them, if any.

SUFFICIENCY OF PUBLIC FLOAT

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

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

The following transactions between certain connected persons (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which the relevant announcements, if required under Chapter 14A of the Listing Rules, had been made by the Company.

CONNECTED TRANSACTIONS

Set out below is the information in relation to the connected transactions involving the Company and/or its subsidiaries during the year.

1. Pursuant to the sale and purchase agreement dated 14 July 2017, Perfect Mind Ventures Limited, a direct wholly-owned subsidiary of the Company, as purchaser agreed to acquire, and Nicemate Investments Limited, Jessica Publications (BVI) Limited, Win Gain Investments Limited and Ace Market Investments Limited, indirect subsidiaries of Mr. Ng, as vendors agreed to sell the entire issued share capital of Perfect Riches Limited, Super Bellax Ltd., Great Ready Assets Limited and Jade Fountain Limited at a cash consideration of HK$52 million (the "Acquisition"). Given each of the vendors is an associate of Mr. Ng, it is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the Acquisition constituted a connected transaction for the Company and was subject to announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Acquisition and the transactions contemplated thereunder were duly approved, ratified and confirmed by the independent shareholders of the Company on 28 March 2018. The Acquisition was completed on 29 March 2018. Details of the Acquisition were disclosed in the announcements of the Company dated 14 July 2017, 11 September 2017, 10 November 2017, 11 December 2017 and 15 February 2018 and in the circular of the Company dated 9 March 2018.

2. On 23 July 2018, the Company (as Purchaser) entered into the sale and purchase agreement with Orient Victory Travel Group Company Limited (as Vendor) in relation to the acquisition of 85 fully paid-up ordinary shares of King Link Investments Limited ("King Link"), representing 85% issued share capital of King Link at a total consideration of HK$4,800,000.

   Mr. Ng is an executive director, the chairman of the Board and a substantial shareholder of the Company, indirectly holds 15% issued share capital of King Link, is a connected person of the Company and King Link under Chapter 14A of the Listing Rules. Details of the transaction were disclosed in the announcement of the Company dated 23 July 2018.

CONTINUING CONNECTED TRANSACTIONS

1. On 1 July 2018,

   (i) a tenancy agreement and a property management services agreement were entered into between 南京華鑫餐飲管理有限公司 (Nanjing Huaxin Catering Management Company Limited*) ("南京華鑫"), an indirect wholly-owned subsidiary of the Company (as lessee) and 南京微分電機有限公司 (Nanjing Weifen Electrical Company Limited*)("南京微分"), an indirect wholly-owned subsidiary of South China Holdings Company Limited ("SCHC")(as lessor) in relation to the leasing of the premises situated at 中國南京市鼓樓區雲南北路28號1號樓3樓 (3rd Floor, No. 1 Building, 28 Yunnan Bei Lu, Gulou District, Nanjing City, PRC*)(the "Premises A") for a period from 1 July 2018 to 30 June 2020 (both days inclusive) at a monthly rental of RMB7,665 and provision of property management services for the Premises A for the initial set up period at a fee of RMB1,304,728 respectively; and

   (ii) a consolidated management services agreement was entered into between 南京華鑫 and 南京世豐物業管理有限公司 (Nanjing Shifeng Property Management Company Limited*)("南京世豐") an indirect wholly-owned subsidiary of SCHC in relation to the provision of property management services for the Premises A for a period from 1 July 2018 to 30 June 2020 (both days inclusive) at a monthly rental of RMB5,110;

2. On 28 August 2018,

   (i) a tenancy agreement was entered into between 南京華鑫 (as lessee) and 南京微分 (as lessor) in relation to the leasing of the premises situated at 中國南京市鼓樓區雲南北路28號1號樓104室 (Room 104, No. 1 Building, 28 Yunnan Bei Lu, Gulou District, Nanjing City, PRC*)(the "Premises B") for a period from 28 August 2018 to 27 August 2020 (both days inclusive) at a monthly rental of RMB25,550; and

   (ii) a consolidated management services agreement was entered into between 南京華鑫 and 南京世豐 in relation to the provision of property management services for the Premises B for a period from 28 August 2018 to 27 August 2020 (both days inclusive) at a monthly rental of RMB17,033;

3. On 28 August 2018,

   (i) a tenancy agreement was entered into between 南京華鑫 (as lessee) and 南京微分 (as lessor) in relation to the leasing of the premises situated at 中國南京市鼓樓區雲南北路28號1號樓104-2室 (Room 104-2, No. 1 Building, 28 Yunnan Bei Lu, Gulou District, Nanjing City, PRC*)(the "Premises C") for a period from 28 August 2018 to 27 August 2020 (both days inclusive) at a monthly rental of RMB120,596; and

   (ii) a consolidated management services agreement was entered into between 南京華鑫 and 南京世豐 in relation to the provision of property management services for the Premises C for a period from 28 August 2018 to 27 August 2020 (both days inclusive) at a monthly rental of RMB80,397;

4. On 1 July 2018,

   (i) a tenancy agreement was entered into between 南京華鑫 (as lessee) and 南京電力電容器有限公司 (Nanjing Power Capacitor Company Limited*) (as lessor) in relation to the leasing of the premises situated at 中國南京市白下區升州路292號C樓1層房號7-01.005、007至009、014至019 (Room Nos. 7-01.005, 007 to 009, 014 to 019, 1st Floor, Block C, 292 Shengzhou Lu, Baixia District, Nanjing City, PRC*)(the "Premises D") for a period from 1 July 2018 to 30 June 2019 (both days inclusive) at a monthly rental of RMB13,715; and

   (ii) a consolidated management services agreement was entered into between 南京華鑫 and 麗景(南京)物業管理有限公司 (Lijing (Nanjing) Property Management Company Limited*), an indirect wholly-owned subsidiary of SCHC in relation to the provision of property management services for the Premises D for a period from 1 July 2018 to 30 June 2019 (both days inclusive) at a monthly rental of RMB3,429.

* *Denotes an English translation of a Chinese name and is for identification purpose only.*

Details of the above continuing connected transactions (the "CCT") were disclosed in the announcement of the Company dated 28 August 2018.

Mr. Ng is an executive director, the chairman of the Board and a substantial shareholder of each of the Company and SCHC, and hence is a connected person of the Company. Accordingly, the transactions contemplated under the aforesaid tenancy, property management services and consolidated management services agreement constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The above continuing connected transactions have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 14A.56 of the Listing Rules.

The tenancy agreement and the property management services agreement both dated 1 July 2018 entered into between 南京華鑫 (as lessee) and 南京微分 (as lessor) in relation to the leasing of the Premises A, and the consolidated management services agreement dated 1 July 2018 entered into between 南京華鑫 and 南京世豐 in relation to the provision of property management services for the Premises A were terminated on 30 September 2018.

EVENTS AFTER THE REPORTING PERIOD

On 1 February 2019, the Company (as vendor) and South China Industries (BVI) Limited (as purchaser), a direct wholly-owned subsidiary of SCHC entered into a conditional sale and purchase agreement (the "S&P Agreement"), pursuant to which the Company has agreed to dispose of one share of US$1.00 in the capital of Year Blossom Limited, a direct wholly-owned subsidiary of the Company (the "Sale Share") and the purchaser has agreed to acquire the Sale Share subject to and in accordance with the terms and conditions of the S&P Agreement.

Upon completion of the disposal of the Sale Share, Year Blossom Limited and its subsidiaries will no longer be the subsidiaries of the Company and hence the CCT will cease accordingly.

Details of the cessation of the CCT were disclosed in the announcement of the Company dated 1 February 2019.

The tenancy agreement dated 28 August 2018 entered into between 南京華鑫 (as lessee) and 南京微分 (as lessor) in relation to the leasing of the Premises C, and the consolidated management services agreement dated 28 August 2018 entered into between 南京華鑫 and 南京世豐 in relation to the provision of property management services for the Premises C were terminated on 27 February 2019.

CORPORATE GOVERNANCE

The corporate governance principles and practices are set out in the Corporate Governance Report in this annual report.

AUDITOR

Messrs. Ernst & Young will retire and, being eligible, will offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Ng Hung Sang
Chairman

Hong Kong, 19 March 2019

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize accountability and transparency to the shareholders of the Company (the "Shareholders"). Periodic review will be made to the corporate governance practices to comply with the regulatory requirements.

CORPORATE GOVERNANCE CODE

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2018 except the following as they had other business engagements, which deviated from code provisions E.1.2 and A.6.7 of the CG Code:

1. Mr. Ng Hung Sang ("Mr. Ng"), the chairman of the board of directors and an executive director of the Company, Ms. Cheung Choi Ngor ("Ms. Cheung"), the vice chairman of the board of directors and an executive director of the Company and Mr. Tung Woon Cheung Eric ("Mr. Tung"), an independent non-executive director of the Company were unable to attend the annual general meeting of the Company held on 14 June 2018;

2. Mr. Ng, Ms. Ng Yuk Mui Jessica, the executive vice chairman of the board of directors and an executive director of the Company, Hon. Raymond Arthur William Sears, Q.C. ("Mr. Sears"), an independent non-executive director of the Company and Mr. Tung were unable to attend an extraordinary general meeting of the Company held on 28 March 2018; and

3. Mr. Ng, Ms. Cheung and Mr. Sears were unable to attend an extraordinary general meeting of the Company held on 7 November 2018.

MODE CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its code of conduct regarding the directors' securities transaction. In addition, the board of directors (the "Board") of the Company has established similar guidelines for relevant employees who are likely to possess inside information in relation to the Company, its subsidiaries or its securities.

Specific enquiries were made to all executive directors (the "Executive Directors"), non-executive directors (the "Non-executive Directors") and independent non-executive directors (the "Independent Non-executive Directors") of the Company (collectively, the "Directors") who confirmed that they had complied with the required standard set out in the Model Code regarding securities transactions by Directors during the year ended 31 December 2018.

CORPORATE GOVERNANCE FUNCTIONS

The Board delegated the responsibilities of the corporate governance functions to the Audit Committee for compliance with the requirements of the CG Code. Under the terms of reference of the audit committee of the Company (the "Audit Committee"), it is responsible for carrying out at least the following:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

2. to review and monitor the training and continuous professional development of the Directors and senior management (if any);

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

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

5. to review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

During the year ended 31 December 2018 and up to the date of this annual report, the Audit Committee has reviewed and performed the aforesaid corporate governance functions.

BOARD OF DIRECTORS

The Board is responsible for the overall leadership and control of the Company and its subsidiaries (collectively, the "Group"), and is collectively responsible for promoting the Group's success by directing and supervising its affairs. In addition, the Board should take decisions objectively in the best interests of the Group. Day-to-day management of the business of the Group including implementation of strategies has been delegated to the executive committee of the Company (the "Executive Committee") which comprises all Executive Directors. The Executive Committee reports its work and business decisions to the Board periodically. In addition to the Executive Committee, the Audit Committee and the remuneration and nomination committee (the "Remuneration and Nomination Committee") have been established with their respective specific written terms of reference.

The chairman of the Board (the "Chairman") has encouraged all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Group. The Chairman has also encouraged Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that the Board decisions fairly reflect the Board's consensus.

Every Director was given sufficient time and attention to the Group's affairs during the year ended 31 December 2018.

The Company has arranged the Directors appropriate insurance coverage in respect of any legal action against any of them.

During the year under review, the Board was provided with (i) sufficient explanation and information to enable it to make an informed assessment of financial and other information put before it for approval, and (ii) monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail.

Composition of the Board

The composition of the Board during the year ended 31 December 2018 and up to the date of this report is as follows:

Executive Directors

Mr. Ng Hung Sang *(Chairman)*
Ms. Cheung Choi Ngor *(Vice Chairman)*
Ms. Ng Yuk Mui Jessica *(Executive Vice Chairman) (Appointed as Chief Executive Officer on 17 October 2018)*
Dr. Wang Wei Hsin *(Chief Executive Officer)(Resigned on 17 October 2018)*

Independent Non-executive Directors

Hon. Raymond Arthur William Sears, Q.C.
Mrs. Tse Wong Siu Yin Elizabeth
Mr. Tung Woon Cheung Eric

The biographical details of the Directors and the relevant relationships amongst them, if any, are set out in section headed "Directors' Biographical Details" of this annual report. An updated list of the Directors identifying the Independent Non-executive Directors, and the roles and functions of each Director is also maintained on the respective websites of the Stock Exchange and the Company.

The Board composition is reviewed regularly to ensure that it has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the businesses of the Group. A balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors) is maintained to enable the Board to exercise independent judgment effectively.

Chairman and Chief Executive

Mr. Ng Hung Sang served as the Chairman throughout the year, who is responsible for providing leadership and management of the Board apart from taking primary responsibility for ensuring good corporate governance practices and procedures are established. The role of the Chairman is separate from that of the chief executive for achieving a clear division of separate responsibility and a balance of power and authority which in turn avoid concentrating of power in any one individual. Ms. Cheung Choi Ngor, the vice chairman and Ms. Ng Yuk Mui Jessica, the executive vice chairman, have taken up the role of chief executive, who are responsible for the day-to-day management of the business of the Group.

The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the Company Secretary. With the assistance of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and have received adequate and reliable information in a timely manner.

Board Diversity

The Company is committed to equality of opportunity and does not discriminate on the grounds of race, gender, age, disability, nationality or any other factors. It also recognizes and embraces the benefits of diversity in Board members. The Company has adopted a board diversity policy (the "Board Diversity Policy") since August 2013. Under the Board Diversity Policy, a range of diversity perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service are taken into account when considering the nomination of candidates for directorship, and all Board appointments are based on meritocracy.

Candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board and the ultimate decision is based on merit and contribution that the selected candidates will bring to the Board. The Remuneration and Nomination Committee monitors the implementation of the Board Diversity Policy and review the same as appropriate. The Remuneration and Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The appointment of Directors is recommended by the Remuneration and Nomination Committee and approved by the Board based on the formal written procedures and policy for the appointment of new directors. When selecting potential candidates for directorship, their skills, experience, expertise, devotion of time and conflicts of interests are the key factors to consider.

Board and Board Committee Meetings

The Board meets at least four (4) times a year. At least fourteen (14) days' notice is given to all Directors for each regular Board meeting. All Directors are given the opportunity to include matters for discussion in the agenda for the regular Board meeting. Agenda and Board papers are sent to all Directors at least three (3) days before the date on which each regular Board meeting (or other agreed period).

Directors can attend meetings in person or through other means of electronic communication in accordance with the articles of association of the Company (the "Articles of Association").

The Company Secretary ensures that the procedures and all applicable rules and regulations are complied with. Minutes of Board meetings and meetings of Board committees have recorded in sufficient detail the matters considered and decisions reached, including any concerns raised or dissenting views expressed by the Directors. Draft and final versions of minutes are circulated to the Directors for comments and records respectively within a reasonable time after each Board meeting is held.

Minutes of Board meetings and meetings of Board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

If a matter to be considered by the Board involves conflict of interests of any substantial or controlling shareholder of the Company or a Director and if the Board considers that the matter is material, it would be dealt with by a physical meeting rather than a written resolution of the Directors.

The Board ensures that there are sufficient Independent Non-executive Directors (who, and whose close associates, have no material interests in the transaction) participating in discussing and voting on the resolution for the transaction at the Board meeting.

Attendance at Board Meetings

Four (4) Board meetings, two (2) Audit Committee meetings, one (1) Remuneration and Nomination Committee meeting, one (1) annual general meeting ("AGM") and two (2) extraordinary general meetings ("EGMs") were held during the year ended 31 December 2018. The attendance records of all Directors for these meetings are set out below:

	Number of Meetings attended/Eligible to attend				
Name of Directors	**Board**	**Audit Committee**	**Remuneration and Nomination Committee**	**AGM[1]**	**EGMs[2]**
Executive Directors					
Mr. Ng Hung Sang *(Chairman)*	2/4	N/A	N/A	0/1	0/2
Ms. Cheung Choi Ngor *(Vice Chairman)*	4/4	N/A	N/A	0/1	1/2
Ms. Ng Yuk Mui Jessica *(Executive Vice Chairman and Chief Executive Officer)*	4/4	N/A	N/A	1/1	1/2
Dr. Wang Wei Hsin *(Chief Executive Officer)* *(Resigned on 17 October 2018)*	3/3	N/A	N/A	1/1	1/1
Independent Non-executive Directors					
Hon. Raymond Arthur William Sears, Q.C.	3/4	2/2	1/1	1/1	0/2
Mrs. Tse Wong Siu Yin Elizabeth	4/4	2/2	1/1	1/1	2/2
Mr. Tung Woon Cheung Eric	4/4	2/2	1/1	0/1	1/2

Notes:

1. AGM for 2018 was held on 14 June 2018.

2. EGMs were held on 28 March 2018 and 7 November 2018.

N/A: not applicable

Access to Information

The Directors may seek independent professional advice in appropriate circumstance, at the Company's expense. The Company will, upon request, provide separate independent professional advice to Directors to assist them to discharge their duties to the Company.

The Board or Board committee is supplied with relevant information by the Company's senior management pertaining to matters to be brought before the Board or Board committee for decision as well as reports relating to the operational and financial performance of the Group before the Board or Board committee meeting. All such information supplied is complete and reliable. In the event that a Director does not rely purely on information provided voluntarily by the Company's senior management, such Director has the right to separately and independently access to the Company's senior management to make further enquiries where necessary.

Directors are entitled to have access to Board papers and related materials in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it. A prompt and full response to a Director's enquiries is given if possible.

Appointments and re-election of Directors

All Non-executive Directors (including Independent Non-executive Directors) are appointed for a specific term of three (3) years, subject to re-election.

Pursuant to the Articles of Association, all newly appointed Directors (including Non-executive Directors) shall hold office only until the next following AGM after his appointment (in the case of filling a casual vacancy) or until the next following AGM (in the case of an addition to the Board), and shall be eligible for re-election at that meeting.

All Directors, including those appointed for a specific term, are subject to retirement by rotation at least once every three (3) years.

Pursuant to Code Provision A.4.3, any further appointment of an independent non-executive director serving more than nine years should be subject to a separate resolution to be approved by the shareholders of the Company. Notwithstanding that Hon. Raymond Arthur William Sears, Q.C. ("Mr. Sears"), Mrs. Tse Wong Siu Yin Elizabeth ("Mrs. Tse") and Mr. Tung Woon Cheung Eric ("Mr. Tung") have served as an Independent Non-executive Directors of the Company for more than nine years, (i) the Board has assessed and reviewed their annual confirmation of independence under Rule 3.13 of the Listing Rules and affirmed that all of them remains independent; (ii) the remuneration and nomination committee of the Company has assessed and is satisfied with the independence of Mr. Sears, Mrs. Tse and Mr. Tung; and (iii) the Board considers that Mr. Sears, Mrs. Tse and Mr. Tung remains independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. Despite the length of service of Mr. Sears, Mrs. Tse and Mr. Tung, the Company believes that they will continue to make their independent judgements in all related matters for the benefit of the Company and the shareholders as a whole.

Independent Non-executive Directors

During the year ended 31 December 2018, the Board all the time met the requirements of the Listing Rules of having at least three (3) Independent Non-executive Directors, and the number of which representing at least one-third of the Board, with at least one (1) of them possessing appropriate professional qualifications or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The views of the Independent Non-executive Directors carry weight in the Board's decisions, and their participation helps the Board exercise independent judgment, make decisions and act objectively in the interests of the Company and the Shareholders as a whole.

The Company has received from each Independent Non-executive Director a written annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-executive Directors are independent pursuant to Rule 3.13 of the Listing Rules.

During the year under review, the Chairman met once with the Independent Non-executive Directors without the presence of other Directors.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of risks it is willing to take in achieving the Group's strategic objectives, ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems, and also reviewing their effectiveness to safeguard the interests of shareholders, customers and employees, and the Group's assets. Such systems are designed to manage rather than to eliminate the risks of failure to achieve business objectives of the Group, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems, and management provides a confirmation to the Board on the effectiveness of these systems. The management under the supervision of the Board has established an on-going process for developing a group risk profile, identifying, evaluating and managing the significant risks faced by the Group. This process includes enhancing the risk management and internal control systems from time to time in response to the changes of business environment or regulatory guidelines. During the year of 2018, the Group has revised and implemented Guideline on the Prevention of Money Laundering and Terrorist Financing for improving its risk management and internal control.

Management assists the Board in the implementation of the Group's policies, procedures and limits within the Board's approved risk appetite by identifying and assessing the risks faced, and designing, operating and monitoring suitable internal control measures to mitigate these risks. Management reviews the adequacy and effectiveness of risk management and internal control systems on an on-going basis and report to the Board at least twice a year on new or changing risks, risk levels and risk mitigation actions taken to resolve material internal control deficiencies identified. The review covers all material controls, including financial, operational and compliance controls. The Board also reviews the adequacy of resources, staff qualifications and experience, training programmes and budgets of the Group's accounting, internal audit and financial reporting functions.

The Company regulates the handling and dissemination of inside information as set out in the Policy on Disclosure of Inside Information to ensure compliance with the disclosure obligations under the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance. Director, manager or secretary, or any other persons involved in the management of the Company who become aware of any inside information should promptly bring it to the attention of the Company Secretary of the Company who will assess the likely impact of any event that may impact the price or trading volume of the shares of the Company and decide whether the relevant information is considered as inside information which is required to be disclosed as soon as reasonably practicable.

The Internal Audit Department checks for compliance with statutory or regulatory requirements, internal policies and procedures, and reviews the work flows for ensuring their efficiency and effectiveness. It also formulates audit plan periodically, agrees the same with the Audit Committee and highlights any significant findings and improvement recommendations to the Audit Committee and the Board. The audit plan covers key controls of the major business units on a rotation basis. The Internal Audit Department also conducts ad-hoc reviews in light of concerns expressed by management or the Audit Committee from time to time, if any. Apart from the above-mentioned duties, the Audit Committee also performs on-going review of the internal audit function with particular emphasis on the scope and quality of the internal audits and independence of the function.

The Board has received a confirmation from management on the adequacy and effectiveness of the Group's risk management and internal control systems. The Board is satisfied that the risk management and internal control systems are in place for the year under review. There were no significant control failings or material deficiencies that have been identified during the year. Moreover, no material impact was found which have resulted in unforeseen outcomes or contingencies in the future on the Group's financial performance or condition.

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board should present a balanced, clear and understandable assessment in the annual and interim reports of the Company and other financial disclosures required under the Listing Rules, and report to regulators as well as information required to be disclosed pursuant to applicable statutory requirements.

The Board has acknowledged its responsibility for the preparation of the consolidated financial statements of the Company for the year ended 31 December 2018. In preparing the financial statements for the year, the Company's senior management provided sufficient explanation and information to the Board for making an informed assessment of financial and other information put before it for approval. In addition, the Board should prepare the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Board was not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by the external auditor of the Company about its reporting responsibilities in the financial statements of the Group is set out in the Independent Auditor's Report in this annual report.

AUDITOR'S REMUNERATION

The fees paid/payable to the external auditor of the Company for the year ended 31 December 2018 in respect of the audit and non-audit services provided to the Company and its subsidiaries amounted to HK$2,333,000 and HK$979,000 respectively. The non-audit services were related to professional fees for share consolidation and taxation services.

AUDIT COMMITTEE

The Board has established an Audit Committee with written terms of reference that complies with the CG Code, which has been published on the respective websites of the Stock Exchange and the Company. The Audit Committee currently consists of three Independent Non-executive Directors, namely Mr. Tung Woon Cheung Eric (Chairman of the Audit Committee), Hon. Raymond Arthur William Sears, Q.C. and Mrs. Tse Wong Siu Yin Elizabeth.

The principal roles and functions of the Audit Committee include but are not limited to:

1. to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

3. to develop and implement policy on engaging an external auditor to supply non-audit services;

4. to monitor integrity of the Company's financial statements and the annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them, and the members of the Audit Committee should liaise with the Board and the Company's senior management (if any) and the Audit Committee must meet with the Company's external auditor at least twice a year;

5. to review the Company's financial controls, and unless expressly addressed by the Board itself, to review the Company's risk management and internal control systems;

6. to discuss the risk management and internal control systems with the management to ensure that the management has performed its duty to have effective systems;

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

8. to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

9. to review the financial and accounting policies and practices of the Group;

10. to review the external auditor's management letter, any material queries raised by the auditor to the management about accounting records, financial accounts or systems of control and management's response;

11. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; and

12. to review the Company's compliance with the CG Code and disclosures in the corporate governance report.

During the year under review, the Audit Committee met with the Company's senior management and the external auditor twice, where relevant, to review the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, and performed the following:

1. Reviewed whistleblowing policy and system for employees and parties dealing with the Company to raise complaints, in confidence, to the Audit Committee about improprieties or irregularities relating to the Company and/or the Directors, the Company's senior management, employees or advisers.

2. Reviewed the appointment and remuneration of Messrs. Ernst & Young, the external auditor of the Company and its non-audit services provided to the Group.

3. Reviewed the audit plans, scopes, methods and reporting formats proposed by Messrs. Ernst & Young.

4. Reviewed the internal and external audit reports, and the response of the Company's senior management to the reported findings.

5. Reviewed the interim and annual financial statements, reports, and results announcement of the Group for the year under review prior to publication.

6. Reviewed the internal audit reports on risk management and internal control system.

7. Reviewed the Company's policies and practices on corporate governance.

8. After due deliberation, recommended the appropriate outcomes of the above reviews for the Board's approval.

There were two private sessions between the Audit Committee and the external auditor without the presence of management in the Audit Committee meetings held in 2018.

REMUNERATION AND NOMINATION COMMITTEE

The Board has established the Remuneration and Nomination Committee with written terms of reference that complies with the CG Code, which has been published on the respective websites of the Stock Exchange and the Company. The Remuneration and Nomination Committee currently consists of three (3) Independent Non-executive Directors, namely Mrs. Tse Wong Siu Yin Elizabeth (chairman of the Remuneration and Nomination Committee), Hon. Raymond Arthur William Sears, Q.C. and Mr. Tung Woon Cheung Eric.

The principal roles and functions of the Remuneration and Nomination Committee include but are not limited to:

Remuneration function

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

2. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objective;

3. to determine, with delegated responsibility, the remuneration packages of individual Executive Director and the senior management (if any). This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. to make recommendations to the Board on the remuneration of Non-executive Directors;

5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

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

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

8. to ensure that no Director or any of his associates is involved in deciding his own remuneration.

Nomination function

9. to review the structure, size and diversity of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

10. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

11. to assess the independence of the Independent Non-executive Directors;

12. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive; and

13. to monitor the implementation of the Board Diversity Policy, review the Board Diversity Policy, as appropriate and make relevant recommendations to the Board for consideration and approval.

During the year under review, the Remuneration and Nomination Committee had performed the following:

1. Made recommendations to the Board on the remuneration packages of individual Executive Directors.

2. Reviewed the remuneration of Non-executive Directors (including Independent Non-executive Directors).

3. Reviewed the Group's remuneration policy.

4. Reviewed the structure, size and diversity of the Board.

5. Considered the skill, experience, expertise and personal quality of Ms. Ng Yuk Mui Jessica and recommended the Board to appoint her as a chief executive officer of the Company.

6. Reviewed the confirmation of independence by the Independent Non-executive Directors.

7. Reviewed the re-election of the retiring Directors at the AGM held on 14 June 2018.

8. After due deliberation, recommended the appropriate outcomes of the above reviews for the Board's approval.

The Remuneration and Nomination Committee reviews the remuneration package annually, taking into consideration market practice, competitive market position and individual performance.

The Remuneration and Nomination Committee has adopted the model described in code provision B.1.2(c)(ii) of the CG Code to make recommendations to the Board on the remuneration packages of Executive Directors and the Company's senior management.

The remuneration of each of the Non-executive Directors and Independent Non-executive Directors is determined by the Board under the recommendation of the Remuneration and Nomination Committee by reference to such Director's duties and responsibilities in the Group, time involvement and the prevailing market conditions.

NOMINATION POLICY

Objectives

The nomination policy (the "Nomination Policy") aims to provide the key selection criteria and principles for the Remuneration and Nomination Committee of the Company to identify and evaluate a candidate for recommendation to the Board for selection and appointment of a director of the Company, whether as an additional director or for replacement or otherwise.

Selection Criteria

The Remuneration and Nomination Committee shall consider a number of the factors in assessing the suitability of a proposed candidate to the Board, including but not limited to the following:

1. reputation for integrity;

2. balance of skill, experience, expertise and personal qualities that will be best complement the relevant business sectors of the Company and the overall effectiveness of the Board;

3. capability to devote adequate time for participation in meetings of the Board and all committees as delegated by the Board and attention to the Company's businesses, and commitment to the role;

4. diversity in all aspects, including but not limited to gender, age, cultural, educational and professional background, skills, knowledge and experience;

5. compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules of the Stock Exchange for the appointment of an independent non-executive director; and

6. any other relevant factors as may be determined by the Remuneration and Nomination Committee or the Board from time to time.

Nomination Procedures

1. If the Board determines that an additional or replacement director is required, the Board will notify the Remuneration and Nomination Committee the criteria and deploy various channels (including but not limited to referral from the current directors and shareholders) to source directorship candidates.

2. The Remuneration and Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company for election to the Board and the appointment or re-appointment of Directors and succession plan for Directors are subject to the final approval of the Board.

3. On making recommendation, the Remuneration and Nomination Committee may submit the candidate's personal profile and a proposal to the Board for consideration. The proposal must clearly indicate the nominating intention; and the candidate's consent to be nominated and biographical details that are required to be disclosed under the Listing Rules, including the information and/or confirmation required under Rule 13.51(2) of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time.

4. The Board shall observe its Board Diversity Policy and shall, subject to merit and suitability, continue in its endeavours to introduce more diversity into the Board, taking into account professional experience and qualifications, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and any other factors that the Board might consider relevant and applicable from time to time towards achieving diversity of the Board.

5. Any eligible shareholder of the Company who desires to nominate a person to stand for election as a Director at a general meeting must lodge a written nomination of the candidate together with such person's consent to be nominated and biographical details to the attention of the Board within the lodgment period as more particularly set out in the circular to the shareholders of the Company.

6. Where a retiring Director, being eligible, offers himself for re-election, the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.

Monitoring and Review and Amendment of this Policy

1. The Remuneration and Nomination Committee will from time to time review the Nomination Policy and monitor its implementation to ensure its effectiveness and compliance with regulatory requirements and good corporate governance practice.

2. The Nomination Policy has been approved by the Board. Any subsequent amendment of the Nomination Policy shall be reviewed by the Remuneration and Nomination Committee and approved by the Board.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Every newly appointed Director should receive a formal, comprehensive and tailored induction on appointment for ensuring that he has a proper understanding of the business and operations of the Group and that he is fully aware of his duties and responsibilities as a Director under applicable statute and common law, the Listing Rules, legal and other regulatory requirements as well as the Company's business and governance policies.

All Directors are provided with regular updates on the performance and financial position of the Group to enable the Board as a whole and each Director to discharge their duties. In addition, updates on the latest developments regarding the Listing Rules and other applicable regulatory requirements are provided to each Director to ensure compliance and enhance his awareness of good corporate governance practices.

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills for ensuring that their contribution to the Board remains informed and relevant. According to the training records maintained by the Company, the types of trainings received by the Directors during the year ended 31 December 2018 are summarized as follows:

	Type of Trainings	
	Attending seminars/ E-training/ conferences and/ or similar events	**Reading materials and updates**
Executive Directors		
Mr. Ng Hung Sang *(Chairman)*	✓	✓
Ms. Cheung Choi Ngor *(Vice Chairman)*	✓	✓
Ms. Ng Yuk Mui Jessica *(Executive Vice Chairman and Chief Executive Officer)*	✓	✓
Dr. Wang Wei Hsin *(Chief Executive Officer)(Resigned on 17 October 2018)*	✓	✓
Independent Non-executive Directors		
Hon. Raymond Arthur William Sears, Q.C.	✓	✓
Mrs. Tse Wong Siu Yin Elizabeth	✓	✓
Mr. Tung Woon Cheung Eric	✓	✓

COMPANY SECRETARY

Mr. Watt Ka Po James ("Mr. Watt") has been appointed as the company secretary of the Company (the "Company Secretary") pursuant to Rule 3.28 of the Listing Rules.

The Board has acknowledged that a company secretary plays a key role in advising the Company on corporate governance and other regulatory compliance matters. For discharging the aforesaid matters effectively and professionally, the Company Secretary must keep up-to-date with regulatory and legal developments relevant to the Company by means of continuous training and professional development. In addition, the Company Secretary has been regarded as a crucial conduit of communications between the Board and the senior management; the Company and the Shareholders; and the Company and the regulators.

Mr. Watt has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training during the year under review.

COMMUNICATION WITH SHAREHOLDERS

The Company uses general meeting, annual report, interim report, announcement, circular and its website as communication tools to keep the Shareholders informed of the matters of significance and latest development of the Group.

Shareholders are provided with contact details of the Company to enable them to make enquiries with respect to the Company's affairs. Shareholders can also send their enquiries to the Company through these channels or contact Union Registrars Limited, the share registrar of the Company, in case of enquiries about shareholdings.

AGM is one of the channels on which the Directors meet with the Shareholders whose views can be addressed to the Board directly. At the AGM, separate resolution will be proposed by the chairman in respect of each substantially separate issue, and voting on each resolution will be conducted by poll. The chairman of the AGM ensures that an explanation is provided of the detailed procedures for conducting voting by poll and answers any questions from the Shareholders. The notice of AGM is distributed to the Shareholders at least twenty (20) clear business days prior to the AGM. The accompanying circular sets out the details of each proposed resolution and other relevant information as required under the Listing Rules. Voting results are posted on the websites of the Stock Exchange and the Company respectively on the day of the AGM.

Executive Directors, members of the Audit Committee and the Remuneration and Nomination Committee and the external auditor will be available to attend the AGM to answer questions from the Shareholders and to gain and develop a balanced understanding of the views of from the Shareholders.

The Company has adopted a dividend policy, details of which are disclosed in the section headed "Dividend Policy" in the Directors' Report of this annual report.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting

Shareholder(s) holding at least 5% of the total voting rights of all the shareholders of the Company can make a request to convene a general meeting pursuant to Section 566 of the Companies Ordinance of Hong Kong, Chapter 622 (the "Ordinance"). The request must state the general nature of the business to be dealt with at the meeting, and may be sent to the Company in hard copy form or in electronic form and must be authenticated by the person or persons making it. Besides, Section 580 of the Ordinance provides that (i) shareholder(s) representing at least 2.5% of the total voting rights of all shareholders of the Company or (ii) at least 50 shareholders can request the Company to circulate a statement, which may be sent to the Company in hard copy form or in electronic form, and must be authenticated by the person or persons making it and received by the Company at least seven (7) days before the general meeting to which it relates.

Procedures for Shareholders to send enquiries to the Board

The Shareholders may send their enquiries, in written form, to the Board by addressing them to the Company Secretary at the Company's registered office at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

Procedures for putting forward proposals at a shareholders' meeting

There is no provision allowing the Shareholders to make proposals or move resolutions at the AGMs under the Articles of Association. The Shareholders who wish to make proposals or move a resolution may, however, convene an EGM in accordance with the "Procedures for Shareholders to Convene an Extraordinary General Meeting" set out above.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2018, there was no change in the Company's constitutional documents. The Articles of Associations of the Company are available on the websites of the Stock Exchange and the Company.

INVESTOR RELATIONS

The Company keeps on promoting good investor relations and enhancing communication with the Shareholders and potential investors of the Company. The website of the Company contains the latest data and information of the Group so that the Shareholders, the investors and the public can get the information about the Company in a timely manner. The Company's website address is www.sctrade.com.

Environmental, Social and Governance Report

It is the Group's commitment to continuously reviewing and updating its Environmental, Social and Governance ("ESG") strategy and report by reference to the provisions set forth in Appendix 27 (Environmental, Social and Governance Reporting Guide) of the Listing Rules.

During the year under review, the Group continued to focus on four (4) key areas: (a) Environment; (b) Employment and Labour Practices; (c) Operation Practices; and (d) Community Investment, and to strive to balance the impacts of environmental protection and social responsibility in the Group's strategic plans for the purpose of driving sustainable value for the Group's stakeholders and the communities in which the operations of the Group are located. There were no significant changes in the Group's businesses, operation location and share capital structure during the year under review. This ESG Report was approved by the board of directors.

Risk management is crucial for maintaining the Group's stable daily operation and quick response to the changing environment. With the support of the relevant business unit managers, the Board identifies and assesses the key risks, and formulates strategies and measures to mitigate such relevant risk exposures. A risk register is prepared to facilitate the management of key risks of the Group, including those relating to ESG, which will be reviewed by the Board or any committee delegated by the Board as part of the risk management and internal control process.

The material aspects under the four (4) key areas: 1. Environment; 2. Employment and Labour Practices; 3. Operation Practices; and 4. Community Investment are set out as follows:

1. ENVIRONMENT

1.1 Emission:

Environmental protection plays a crucial role for a corporation's sustainability. It is the strategy of the Group to keep reducing the environmental impact from its operations, and to promote environmental protection within the Group, its marketplace and the communities in which the Group's operations are located. Notwithstanding the nature of business of the Group does not consume much energy and cause severe air and water pollution, the Group keeps minimizing the environmental impacts from its operations by means of:

(a) Control of emission of greenhouse gases ("GHG"):

The Group has encouraged staff to (a) use environmentally-friendly public transportation, e.g. MTR for local travelling; (b) use video/audio conferences for business meetings for reducing the frequency of business travel by air so as to reduce direct and indirect emissions of GHG; and (c) use electronic messages, especially internal communications, for the purpose of reduction of paper consumption which in turn will be helpful for reduction of indirect emission of GHG.

Paper consumption is another main source of indirect GHG emissions. The Group has continuously implemented such guides as "Energy Efficiency of Lightings, Air Conditioning and Office Machines Services Guide" and "Recycle Paper and Toner Cartridge Services Guide" to manage the efficient use of resources in the Group's daily operations. In addition, the Group has implemented administrative measure to reduce paper consumption, e.g. e-leave system (application and approval of leave), e-pay slip (salary payment notification), e-internal communications, e-reports, printing on duplex mode, paperless storage and regular waster paper collection for recycling etc. In addition, the Group has encouraged its customers to use e-statements. For giving greater efforts in reduction of GHG emissions, the Group has arranged an independent recycling paper collector to collect used papers from the offices of the Group at regular intervals.

Emission summary:

Indicators	**2018**	2017	Note
Total GHG emissions (tonnes)	**280.2**	306.0	#
Direct emissions (tonnes):			
– Company cars[1]	**–**	–	
Indirect emissions (tonnes):			
– Electricity	**197**	223.6	
– Business travel[2]	**50.9**	66.5	
– Paper consumption	**25**	15.9	
GHG emissions avoided by recycling of used papers (tonnes)	**7.3**	4.9	

1 It is based on kilometers travelled and liters of gasoline consumed.
2 It is based on the International Civil Aviation Organization Carbon Emissions Calculator.

Note:

Total GHG emissions decreased by approximately 8.4% due to reduction in consumption of electricity and business travel.

(b) *Control of production of hazardous and non-hazardous wastes:*

In view of the nature of the Group's operations, it did not generate any hazardous wastes. Areas are designated in the offices of the Group for disposal of electronic equipment. The Group will arrange an independent third party collector to collect all scrapped electronic equipment for proper treatment. Water consumption during the year under review was approximately 93.6 m^3 and the total fee paid was approximately HK$702. The management fee of each of the leased premises paid to the respective building management includes charges for water supply and discharge.

Waste summary:

Indicators	**2018**	2017	Note
Electronic equipment (pieces)	**–**	–	#

Note:

No electronic equipment was disposed of during the year under review.

1.2 Use of Resources:

(a) Fuel (unleaded petrol) consumption and electricity consumption is respectively the main source of direct and indirect energy consumption. Both fuel and electricity consumptions are the main sources of GHG emissions. The Group issued an e-notice of "Save Our World and Build our Green Office" to all employees for promoting awareness of saving of water, energy and paper at work. In addition, an office of the Group has been using LED energy saving light tubes during the year under review. The results achieved by such improvements are reflected in the energy consumption summary below:

Energy consumption summary:

Indicators	**2018**	2017
Total energy consumption (KWh)	**312.7**	282.6
Direct energy consumption (unleaded petrol) (KWh)[1]	**–**	–
Indirect emissions (electricity) (KWh)	**312.7**	282.6
Expenses on energy consumption (HK$'000)	**382.3**	345.5

1 No company vehicle so no consumption of unleaded petrol.

(b) The Group is committed to conserving clean water. "Save Water" labels are placed in such water consumption areas as pantries and lavatories to remind employees not to waste water. As mentioned above, the Group is operating in several leased office premises of which the respective building management is responsible for both water consumption and discharge, and data in relation to volume of water consumed and discharged would not be provided for any occupants. The management fee of each of the leased premises paid to the respective building management includes charges for water supply and discharge.

(c) The Group engages various regulated activities, e.g. dealings in securities and futures, advising securities; margin finance and money lending; leveraged foreign exchange trading; advice on corporate finance; asset and wealth management; property investment; and media business. All businesses of the Group do not involve packaging materials.

1.3 Environmental and Natural Resources:

Environmental protection is a continuous process, including management of energy and water consumption, and waste production. During the year under review, such environmental protection measures as using energy saving fluorescent tubes and LED light tubes in office areas; and a notice of "Environmental Initiative and Cost Saving" to all staff to keep office area temperature at 25°C was issued, which would be monitored and reviewed regularly pursuant to the environmental and legal requirements.

2. EMPLOYMENT AND LABOUR PRACTICES

2.1 Employment:

"People Oriented" is the Group's persistent notion. In conformity with the principle of harmonious sustainable development, the Group continuously invests its available resources in providing a supportive, comfortable and healthy workplace for employees, and in fostering a caring community in the working environment.

The Group recognizes that attracting competent talents is important for its sustainable growth, so it is committed to providing fair and competitive remuneration package in form of salary and fringe benefits, e.g. personal and life insurance, paid leave and education sponsorship etc. apart from those mandatory employment-related benefits. It is the policy that salary of employees will be reviewed on an annual basis in December, and the eligible employees will be subject to performance appraisal evaluation to be carried out by the respective department heads and then endorsed by such employees, and all such evaluations are subject to the final approval by the relevant executive director or to whom that the director delegates. The Group Human Resources Department will provide a guideline of salary range of each category in light of the current market rate to each department head for reference for ensuring that the salary for each category of the Group remains competitive. In addition, the Group is committed to compliance with the code provisions set out in Appendix 14 of the Listing Rules, regarding of remuneration of directors and senior management.

In order to provide a framework and guidance for ensuring (a) fairness in recruitment; (b) maximization of diversity of applicants; and (c) high caliber candidates are attracted and selected by taking into account of equal opportunities, anti-discrimination, non-harassment and prohibition of child and forced labour, such policies as "Recruitment Policy", "Equal Opportunities and Anti-Discrimination Policy" and "Code of Conduct" have been in force.

For (a) providing basic understanding of the Group's background, organization structures and business objectives; (b) safeguarding the agreed employment terms and conditions, e.g. working hours, probation period, rest periods, termination of employment, other fringe benefits; and (c) adherence to the relevant policies, systems and procedures etc., an orientation training will be provided for all newcomers by the Human Resources Department, and the Staff Handbook and the aforesaid policies are available in the Group's intranet folder (paperless for upholding of environmental protection) for reference at any time by the employees.

The Group explicitly opposes any discrimination on the grounds of age, gender, marital status, pregnancy, family status, race, nationality, religion and disability, and from time to time observes the provisions of such relevant laws as Employment Ordinance, Cap. 52, Employees' Compensation Ordinance, Cap. 282, Sex Discrimination Ordinance, Cap. 480 in Hong Kong, Disability Discrimination Ordinance, Cap. 487 and Race Discrimination Ordinance, Cap. 602.

The Group had 280 employees as at 31 December 2018 of which 162 male and 118 female. Indicators of employment type of each gender, employees' age group of each gender, geographical region of employment of each gender and turnover rate of each gender during the years of 2017 and 2018 are as follows:

(a) Employment type and gender:

Number of employees:	**2018**		2017	
	Male	**Female**	Male	Female
Management and Department Head	**27**	**9**	29	4
Managerial	**18**	**8**	12	10
Supervisory	**35**	**17**	28	11
General Staff	**82**	**84**	77	64

(b) Employees' age group and gender:

Number of employees:	**2018**		2017	
	Male	**Female**	Male	Female
18–below 30	**17**	**24**	14	15
30–below 50	**97**	**73**	87	56
50 and over	**48**	**21**	45	18

(c) Geographical region and gender:

Number of employees:	**2018**		2017	
	Male	**Female**	Male	Female
Hong Kong	**153**	**111**	132	79
PRC	**6**	**7**	11	9
Others	**3**	**0**	3	1

(d) Turnover rate:

2017: The average turnover rate for the year of 2017 was about 3.18%

2018: The average turnover rate for the year of 2018 was about 3.47%

2.2 Health and Safety:

The Group is committed to providing employees a safety and healthy working environment by reference to such occupational safety and health publications issued by Occupational Safety and Health Council as Office Lighting, Design of Office Station, Office Stretching Exercises, Work Stress, Work Postures, Correct Use of Display Screen Equipment and OSH Guides for Computer Workstation.

All office premises of the Group are well-equipped with typical safety facilities, e.g. first-aid boxes, fire exits, fire extinguishers, fire detectors and sprinklers and emergency lights. In addition, employees are encouraged to participate to annual fire drill for emergency evacuation organized by the building management.

The Group Human Resources Department oversees the occupational health and safety matters. All occupational health and safety-related accidents must be reported to the Group Human Resources Department which will report all serious injuries and occupational diseases to the Board or any committee delegated by the Board as and when necessary. Staff has been notified that any potential or suspected occupational health and safety-related issues may be notified to the Group Human Resources Department by means of email to the designated email address. The Group Human Resources Department will carry out investigation and remedial actions as and when necessary.

During the year under review, the Group did not have any work-related fatalities. Number of reportable injuries, reportable occupational diseases and lost days due to work-related injury and occupational diseases are as follows:

Number of cases and lost days:	**2018**	2017
Number of reportable injuries[1]	**1**	–
Number of reportable occupational diseases[2]	**0**	–
Number of lost days due to reportable injuries	**7**	–
Number of lost days due to occupational diseases	**0**	–

1 Any work-related injury resulting in incapacity, which is required to notify the Commissioner for Labour pursuant to the Employees' Compensation Ordinance in Hong Kong.

2 Any occupational disease resulting in incapacity, which is required to notify the Commissioner for Labour pursuant to the Employees' Compensation Ordinance in Hong Kong.

2.3 Development and Training:

For sustainable development of the Group and its employees, Employees Training and Development Policy continued playing a key role during the year under review. The Group has arranged in-house training courses, e.g. induction orientation and on-the-job trainings, and other training courses and seminars conducted by third party providers in light of the employees' job requirements and the business objectives of the Group.

For compliance with the continuous professional training ("CPT") requirements for both corporations and persons carrying on regulated activities set out by the Securities and Futures Commission ("SFC"), the Group is committed to evaluate its training programs annually and to make commensurate adjustments, if necessary, to cater for the training needs of the relevant employees. In development of the training programs, such factors as the Group's size, organizational structure, risk management system, scope of business activities, regulatory framework and market development are taken into consideration. For ensuring each license representative of the Group remains "fit and proper" at all times, each licence representative of the Group completed at least 5 CPT hours during the year under review for each regulated activity that the employee engaged.

For compliance with Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance, Cap. 615, and the Guideline on Anti-Money Laundering and Counter-Terrorist Financing ("AML Guideline") issued by the SFC, the Group provided appropriate Anti-Money Laundering and Counter-Terrorists Financing training to the relevant employees, including but not limited to introduction to the background to money laundering and terrorist financing ("AML/CTF") and the importance placed on AML/CTF by the Group to all new staff during the year under review. Annual CPT training on AML/CTF was conducted on 20 December 2018 and 27 December 2018.

Performance appraisal evaluation is an interactive exercise between an employee and his/her department head, which involves appraising an employee's past performance and identifying the employee's areas for improvement and enhancement for fulfillment of the agreed objectives. The Group encourages and supports employees to improve and enhance their knowledge and skills that are attributable to achievement of the agreed objectives by granting study and examination leave.

Number of employees trained by employment type and gender during the years of 2017 and 2018 are as follows:

Number of employees:	**2018**		2017	
	Male	**Female**	Male	Female
Management and Department Head	**1**	**9**	11	2
Managerial	**1**	**6**	3	5
Supervisory	**3**	**13**	14	5
General Staff	**15**	**41**	50	20

Average training hours completed per employee by employment type and gender during the years of 2017 and 2018 are as follows:

Number of training hours per employee:	**2018**		2017	
	Male	**Female**	Male	Female
Management and Department Head	**8**	**8**	5	8
Managerial	**9**	**6**	8	6
Supervisory	**6**	**7**	8	6
General Staff	**9**	**7**	6	6

2.4 Labour Standards:

The Group strictly complies with the Employment Ordinance in respect of employment in Hong Kong. As per the Recruitment Policy, employment of child and forced labour is strictly prohibited. In addition, all such illegal means as retention of identity cards or passports, intimidation, coercion and undue pressure are strictly prohibited. It is the policy that all employees are aged 18 and above. It is a standard procedure in screening stag that all interviewees are required to present their identity cards for inspection for ascertaining their identities, ages and validity of employment status. No employment offer will be made to any candidates whose ages are below 18. In the event that any irregularities in ages, identities and/or validities of employment status is subsequently found, employment with all such concerned candidates will be immediately terminated, and the Group will report such incident to the relevant authorities as soon as possible.

No child labour was hired or subsequently found in both 2017 and 2018.

3. OPERATION PRACTICES

3.1 Supply Chain Management:

The media business of the Group of which including publication of various financial related magazines is responsible for fostering all current key suppliers (a) to comply with all applicable laws and regulations in respect of their employment and operations, including occupational health and safety, environmental protection, and statutory maintenance of relevant records of documentation; (b) not to engage any corruption and take any undue advantage to obtain or retain business; (c) to protect intellectual property rights and safeguard customers' personal information; (d) not to engage any child and forced labour; and (e) not to discriminate age, gender, marital status, pregnancy, family status, race, nationality, religion and disability in employment, for the purpose of managing the supply chain in a socially and environmentally responsible manner. In the event of any violation of such business integrity as corruption or extortion, the media business group will take all appropriate actions for safeguarding its interest, including immediate termination of contract with the supplier in default.

Number of key suppliers by geographical regions during the years of 2017 and 2018 is as follows:

Number of key suppliers:	**2018**	2017
Hong Kong	**1**	1

3.2 Product Responsibility:

The Group is committed to maintain quality of its regulated activities by compliance with such prevailing guidelines and codes issued by the SFC as "Code of Conduct for Persons Licensed by or Registered with the SFC", "Corporate Finance Adviser Code of Conduct", AML Guidelines, "Fit and Proper Guidelines", "Guidelines on Competence", "Licensing Handbook" and "Guidelines on Continuous Professional Training".

To safeguard and maintain the Group's quality of service in provision of regulated activities, the Group's Compliance Department is responsible for handling all complaints (all other non-regulated service complaints, especially corruption or malpractice in nature, are handled by the Group's Internal Audit Department as more detailed set forth in paragraph 3.3 hereinbelow). Complainants may raise their complaints by means of email, facsimile, letter and telephone. The Group's Compliance Department is responsible for collection of all basic information of the complainant, including names and contact details, and the matter of complaint, and for carrying out investigation after basic review and evaluation and at the same time notifying the relevant department head. The outcome of evaluation (if no investigation is required) or of investigation will notify the complainant on a strict confidential basis.

The engagement of regulated activities, property investment and media publications are not subject to any recall for safety and health reasons, and the Group did not receive complaints from clients.

With respect to the media business, the Group from time to time observes the provisions of Copyright Ordinance, Cap. 528, and respects intellectual property rights. As per the IT Policy, employees are not allowed to install any unauthorized or unlicensed software into their working computers provided by the Group. Use of any materials which are in violation of the relevant law is strictly prohibited.

The Group respects privacy rights of its stakeholders, and a privacy policy statement is published on its website (www.sctrade.com). All personal data collected, processed, used, disclosed and retained are subject to the Personal Data Privacy Policy which is prepared by reference to Personal Data (Privacy) Ordinance, Cap. 486. Personal Information Collection Statement (PICS) will be provided for all candidates pertaining to employment, which sets out the purposes of personal data collection, disclosure, retention and storage. In addition, the Group is obliged to safeguard the personal data of its stakeholders and to use such data for specific purpose, e.g. verifying identity and checking creditability for provision of goods and services.

3.3 Anti-corruption:

The Group is committed to conducting its business activities legally and ethically, and zero-tolerance on any form of corruption or malpractice, such as bribery, money laundering, extortion or fraud. Anti-bribery Policy, Anti-Fraud Policy, Compliance Manual and AML Manual are the main tools for safeguarding against corruption and malpractice. In addition, Code of Conduct stipulates no bribes, kickbacks or advantages solicited from or given to any person for any purposes, the way of handling gifts and other benefits valued at more than HK$500, and no violation of any applicable laws and ethical standards. The Internal Audit Department is responsible for reviewing and auditing the business activities.

During the year under review, there were no confirmed incidents in relation to corruption, and no suppliers' contracts were terminated or not renewed due to corruption.

In addition, the Group encourages its stakeholders to report its employees' misconduct by reference to its Whistleblowing Policy and Procedures which are set out on the corporate website (www.sctrade.com). Any complainant may raise his/her complaints against inappropriate and unlawful behavior or malpractice of any Group's employees (including its contractors and consultants) on confidential base, directly to the Group Internal Audit Department, without the fear of incrimination. The Group Internal Audit Department will review and evaluate the complaints, and then determine the mode of investigation. If the alleged misconduct, malpractice or irregularity is confirmed, a report prepared by the Group Internal Audit Department will then be circulated to the relevant department head and the Group Human Resources Department for the purpose of consideration and determination of any remedial and disciplinary actions to be taken. A summary of complaints received, results of such complaints and the actions taken will be made available to the Board on an annual basis.

4. COMMUNITY INVESTMENT

As a responsible corporate citizen, the Group uses its expertise and resources to support the communities in which it operates in such manner as helping people in need and organizing charitable events and donating funds raised by such events to local charities etc. The Group participated into "Jessica Run" organized by the Group's fellow subsidiary for raising funds for under-privilege. In addition, the Group encourages staff to participate organ donation organized by Department for Health.

The Group is a supporter for developing a healthy and green community, so it will not only continuously dedicates its efforts to protect the environment by controlling emissions of GHG, consumption of energy and water and waste production etc. but also participates in different events to contribute positivity to the communities in which it operates. In 2018, the Group organized the environmental activity: "Battling against 16 degrees" to spread the message of environmental friendly. Thousands of people gathered at the Hong Kong Auxiliary Police Headquarters in Kowloon Bay to call for public attention to global warming and extreme weather.

Independent Auditor's Report

To the members of South China Financial Holdings Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of South China Financial Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 65 to 188, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of loans receivable and trade receivables	
As at 31 December 2018, gross loans receivable and related impairment amounted to HK$329.9 million and HK$32.6 million, respectively; while gross trade receivables and related impairment amounted to HK$169.4 million and HK$1.8 million, respectively. The assessment of impairment of loans receivable and trade receivables changed from the adoption of HKFRS 9 that the Group's credit losses are now estimated based on an expected credit losses ("ECLs") approach with a forward-looking element rather than an incurred loss approach under HKAS 39, which involves significant management judgements and estimates on the amount of ECLs at the reporting date. The measurement of ECLs requires the application of significant judgement and increased complexity, which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECLs models (for exposures assessed individually or collectively), such as the expected future cash flows and forward-looking macroeconomic factors. The trade receivables included receivable balances arising from securities, foreign exchange and futures contracts trading, which were significant in size. The Group used a provision matrix to calculate ECLs, considering provision rates based on days past due for groupings of various customer segments that had similar loss patterns, historical observed default rates and forward-looking estimates. The accounting policies and disclosures about impairment of loans receivable and trade receivables are included in notes 2.4, 3, 19 and 24 to the financial statements.	We obtained an understanding of the Group's credit risk management and practices, and assessed the Group's methodologies and assumptions used for estimating the impairment of loans receivable and trade receivables in accordance with the requirement of HKFRS 9. Our procedures to assess the Group's impairment included the following: • We evaluated the Group's methodologies and assumptions used in ECLs estimation. • We tested the appropriateness of the Group's determination of significant increase in credit risk and the basis for classification of exposures into the 3 stages. Our testing included the checking to loan overdue information, loan-to-value percentage or other related information, and considering the stage classification determined by the Group. • For loans receivable, we considered the control procedures performed by the Group over monitoring and valuation of collateral and determined whether there was any shortfall by comparing the loan outstanding with the value of collateral. • For other unsecured loans and trade receivables, we reviewed impairment assessment performed by the Group, including the ageing analysis, subsequent settlement, reasonableness of the Group's criteria for historical default rate and forward-looking elements as well as any significant increase in credit risk to be measured on a lifetime ECLs basis and qualitative assessment. We also assessed the adequacy of the Group's disclosures in relation to credit risk and transitional arrangement of HKFRS 9.

Key audit matters	How our audit addressed the key audit matters
Valuation of investment properties	
The Group owns investment properties in Hong Kong which were valued at HK$529.0 million as at 31 December 2018. Significant judgement is required to estimate the fair value of the investment properties, to reflect the market conditions at the end of the reporting period. The market comparison approach by reference to recent sales prices of comparable properties is used in the valuation of investment properties. Management engaged an independent professionally qualified valuer to estimate the value of investment properties at the end of the reporting period. The accounting policies and disclosures about valuation of investment properties are included in notes 2.4, 3 and 14 to the financial statements.	We evaluated the objectivity, independence and competence of the valuer. We also involved our internal valuation specialist to assist us in assessing the methodology and assumptions adopted in the valuation for estimating the fair value of the investment properties and performed benchmarking of the value of investment properties held by the Group to other comparable properties. We also assessed the adequacy of the related disclosures in the notes to the financial statements.

Key audit matters	How our audit addressed the key audit matters
Purchase price allocation for business combinations	
During the year ended 31 December 2018, the Group acquired certain subsidiaries principally engaged in the media publications and financial public relation services business and the jewellery business for an aggregate consideration of HK$56.8 million. As at the date of acquisitions, the aggregate fair value of the identifiable net liabilities of these subsidiaries amounted to HK$18.6 million, with goodwill and intangible assets of HK$76.2 million and HK$7.8 million, respectively, recognised from the acquisitions. The Group engaged an independent external valuer to perform the purchase price allocation on the fair values of the identifiable assets acquired and liabilities assumed. The purchase price allocation is significant to our audit due to (i) significant judgement involved in the identification of assets and liabilities assumed; and (ii) the determination of the fair values of the identifiable assets acquired and liabilities assumed, including identification of intangible assets, are dependent on a range of estimates including estimated future cash flows, discount rates, royalty rates and economic useful life. Details of the business combinations are disclosed in note 38 to the financial statements.	With the assistance from our internal valuation specialist, we discussed the rationale of the identification of intangible assets with management and the external valuer. Our procedures to evaluate the valuation methodologies and assumptions used in the purchase price allocation included the followings: • We assessed the valuation methodologies adopted for the purpose of determining the fair values of the identifiable assets acquired and liabilities assumed. • We assessed the reasonableness of the key assumptions, used such as estimated future cash flows, discount rates, royalty rates and economic useful life by comparison with external information about other comparable companies. In addition, we considered the independence, objectivity and competence of the external valuer engaged by management. We also assessed the adequacy of disclosures in connection with the business combinations.

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of goodwill and intangible assets	
As at 31 December 2018, goodwill and intangible assets amounted to HK$89.9 million and HK$10.9 million, respectively. Impairment assessment is performed by assessing the recoverable amount of the cash-generating unit or group of cash-generating units to which the goodwill and intangible assets relates. The recoverable amounts of the cash-generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets. The impairment assessment is significant to our audit due to significant estimates involved in the estimation of the value in use of the cash generating units to which the goodwill and intangible assets is allocated, including, amongst others, expected future cash flows, discount rates and terminal growth rate. The accounting policies, disclosures of estimation uncertainty and impairment assessment of goodwill and intangible assets are included in notes 2.4, 3, 15 and 16 to the financial statements.	We assessed the key assumptions used in management's cash flow projections for impairment assessment of goodwill and intangible assets, including, amongst others, budgeted revenue, discount rate, inflation rate and growth rate, taking into consideration the historical results, market conditions and trends. In addition, we involved our internal valuation specialist to assist us in evaluating the discount rate and terminal growth rate adopted in the value in use calculation using cash flow projections. We also assessed the adequacy of disclosures in connection with the impairment assessment of goodwill and intangible assets.

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Auditor's responsibilities for the audit of the consolidated financial statements *(Continued)*

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements *(Continued)*

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 Wu Ka Lai, Cary.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
19 March 2019

Consolidated Statement of Profit or Loss

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	**143,913**	254,335
Other income		**2,613**	3,521
Fair value gain on investment properties		**49,000**	40,000
Fair value gain/(loss) on financial assets at fair value through profit or loss		**(146,911)**	10,985
Impairment of goodwill		**–**	(351)
Impairment of intangible assets		**–**	(2,265)
Impairment of loans and trade receivables, net		**(8,165)**	(3,503)
Other operating expenses		**(249,545)**	(239,181)
Profit/(loss) from operating activities		**(209,095)**	63,541
Finance costs	7	**(18,043)**	(10,124)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	6	**(227,138)**	53,417
Income tax expense	10	**(894)**	(878)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**(228,032)**	52,539
DISCONTINUING OPERATION			
Loss for the year from a discontinuing operation	11	**(11,734)**	–
PROFIT/(LOSS) FOR THE YEAR		**(239,766)**	52,539
Attributable to:			
Equity holders of the Company			
— For profit/(loss) from continuing operations		**(228,016)**	52,539
— For loss from a discontinuing operation		**(11,734)**	–
For profit/(loss) for the year		**(239,750)**	52,539
Non-controlling interests		**(16)**	–
		(239,766)	52,539
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12		(Restated)
Basic and diluted			
— For profit/(loss) for the year		**(HK79.6 cents)**	HK17.4 cents
— For profit/(loss) from continuing operations		**(HK75.7 cents)**	HK17.4 cents

Consolidated Statement of Financial Position

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**3,591**	3,132
Investment properties	14	**529,000**	480,000
Intangible assets	16	**10,916**	4,242
Investments in associates	18	**–**	–
Available-for-sale investments	20	**–**	42,135
Equity investments designated at fair value through other comprehensive income	20	**30,520**	–
Debt investments at fair value through other comprehensive income	20	**3,080**	–
Other assets	17	**7,514**	17,675
Goodwill	15	**89,948**	13,714
Long term loans receivable	19	**11,849**	9,981
Long term prepayment and deposits	25	**608**	1,588
Total non-current assets		**687,026**	572,467
CURRENT ASSETS			
Inventories	22	**13,432**	–
Financial assets at fair value through profit or loss	23	**431,167**	625,183
Loans receivable	19	**285,428**	378,195
Trade receivables	24	**167,580**	147,293
Contract assets	26	**3,352**	–
Prepayments, other receivables and other assets	25	**41,348**	47,638
Derivative financial instruments	27	**541**	615
Tax recoverable		**227**	227
Pledged time deposits	28	**–**	500
Cash held on behalf of clients	29	**541,617**	597,368
Cash and bank balances	28	**108,456**	241,298
		1,593,148	2,038,317
Assets of a disposal group classified as held for sale	11	**7,225**	–
Total current assets		**1,600,373**	2,038,317

	Notes	2018 HK$'000	2017 HK$'000
CURRENT LIABILITIES			
Client deposits	30	**485,171**	719,728
Trade payables	31	**170,473**	53,823
Other payables and accruals	32	**33,174**	23,853
Derivative financial instruments	27	**197**	289
Interest-bearing bank and other borrowings	33	**486,978**	430,620
Tax payable		**2,898**	2,820
		1,178,891	1,231,133
Liabilities directly associated with the assets classified as held for sale	11	**6,605**	–
Total current liabilities		**1,185,496**	1,231,133
NET CURRENT ASSETS		**414,877**	807,184
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,101,903**	1,379,651
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	33	**152,919**	181,057
Deposits received		**3,672**	1,260
Deferred tax liabilities	21	**30,952**	30,638
Total non-current liabilities		**187,543**	212,955
Net assets		**914,360**	1,166,696
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	34	**1,085,474**	1,085,474
Reserves	36	**(171,945)**	81,222
		913,529	1,166,696
Non-controlling interests		**831**	–
Total equity		**914,360**	1,166,696

On behalf of the Board

Ng Yuk Mui Jessica
Director

Cheung Choi Ngor
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

		Attributable to equity holders of the Company								
	Notes	Share capital HK$'000	Property revaluation reserve# HK$'000	Available-for-sale investment revaluation/ Fair value reserve HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017		1,086,680	120,145	7,447	2,633	(2,386)	(120,059)	1,094,460	–	1,094,460
Profit for the year		–	–	–	–	–	52,539	52,539	–	52,539
Other comprehensive income for the year		–	–	15,077	–	5,249	–	20,326	–	20,326
Total comprehensive income for the year		–	–	15,077	–	5,249	52,539	72,865	–	72,865
Share repurchased	34	(1,206)	–	–	–	–	–	(1,206)	–	(1,206)
Equity-settled share option arrangements	35	–	–	–	577	–	–	577	–	577
Transfer of share option reserve upon the forfeiture of share options		–	–	–	(429)	–	429	–	–	–
At 31 December 2017		1,085,474	120,145*	22,524*	2,781*	2,863*	(67,091)*	1,166,696	–	1,166,696
Effect of adoption of HKFRS 9	2.2	–	–	–	–	–	(1,313)	(1,313)	–	(1,313)
At 1 January 2018 (restated)		**1,085,474**	**120,145**	**22,524**	**2,781**	**2,863**	**(68,404)**	**1,165,383**	**–**	**1,165,383**
Loss for the year		**–**	**–**	**–**	**–**	**–**	**(239,750)**	**(239,750)**	**(16)**	**(239,766)**
Other comprehensive loss for the year		**–**	**–**	**(8,535)**	**–**	**(3,725)**	**–**	**(12,260)**	**–**	**(12,260)**
Total comprehensive loss for the year		**–**	**–**	**(8,535)**	**–**	**(3,725)**	**(239,750)**	**(252,010)**	**(16)**	**(252,026)**
Acquisition of subsidiaries	38	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**847**	**847**
Equity-settled share option arrangements	35	**–**	**–**	**–**	**156**	**–**	**–**	**156**	**–**	**156**
Transfer of share option reserve upon the forfeiture of share options		**–**	**–**	**–**	**(859)**	**–**	**859**	**–**	**–**	**–**
At 31 December 2018		**1,085,474**	**120,145***	**13,989***	**2,078***	**(862)***	**(307,295)***	**913,529**	**831**	**914,360**

The property revaluation reserve arose from a change in use from owner-occupied properties to investment properties carried at fair value on 30 June 2012.

* These reserve accounts comprise the debit consolidated reserves of HK$171,945,000 (2017: reserves of HK$81,222,000) in the consolidated statement of financial position.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
PROFIT/(LOSS) FOR THE YEAR		**(239,766)**	52,539
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	37	**(3,020)**	20,326
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	37	**(9,240)**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(12,260)**	20,326
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(252,026)**	72,865
Attributable to:			
Equity holders of the Company		**(252,010)**	72,865
Non-controlling interests		**(16)**	–
		(252,026)	72,865

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:			
From continuing operations		**(227,138)**	53,417
From a discontinuing operation	11	**(11,734)**	–
Adjustments for:			
Finance costs	7	**18,043**	10,124
Dividend income from listed investments	5	**(14,779)**	(9,824)
Fair value gain on investment properties		**(49,000)**	(40,000)
Fair value loss/(gain) on financial assets at fair value through profit or loss		**146,911**	(10,985)
Impairment of loans and trade receivables, net	6	**8,165**	3,503
Depreciation		**2,160**	1,568
Amortisation of intangible assets	6	**1,379**	626
Impairment of intangible assets	6	**–**	2,265
Impairment of goodwill	6	**–**	351
Write-off of items of property, plant and equipment	6	**23**	–
Equity-settled share option expense	6, 35	**156**	577
		(125,814)	11,622
Decrease/(increase) in financial assets at fair value through profit or loss		**47,000**	(199,957)
Movements in derivative financial instruments		**87**	(48,947)
Increase in inventories		**(2,142)**	–
Decrease/(increase) in loans receivable		**81,661**	(67,944)
Decrease/(increase) in trade receivables		**(14,264)**	91,565
Increase in contract assets		**(2,054)**	–
Decrease/(increase) in prepayments, other receivables and other assets		**7,761**	(10,059)
Decrease/(increase) in cash held on behalf of clients		**55,751**	(117,944)
Decrease/(increase) in amounts due from related companies		**499**	(1,597)
Increase/(decrease) in client deposits		**(234,557)**	188,865
Increase in trade payables		**104,008**	23,712
Increase in other payables and accruals		**7,256**	2,887
Decrease in amounts due to related companies		**–**	(137)
Cash used in operations		**(74,808)**	(127,934)
Interest paid		**(17,990)**	(10,124)
Hong Kong profits tax paid		**–**	(1,686)
Overseas taxes paid		**(649)**	(342)
Net cash flows used in operating activities		**(93,447)**	(140,086)

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Net cash flows used in operating activities		**(93,447)**	(140,086)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income received from listed investments		**14,779**	9,824
Acquisitions of subsidiaries	38	**(56,044)**	(22,008)
Purchases of items of property, plant and equipment	13	**(6,568)**	(1,456)
Additions to intangible assets	16	**(287)**	(87)
Decrease/(increase) in other assets		**10,161**	(10,439)
Net cash flows used in investing activities		**(37,959)**	(24,166)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**13,379,000**	4,170,689
Repayment of bank loans		**(13,382,904)**	(4,138,387)
New other loans		**2,040**	–
Repurchase of shares	34	**–**	(1,206)
Net cash flows from/(used in) financing activities		**(1,864)**	31,096
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(133,270)**	(133,156)
Cash and cash equivalents at beginning of year		**168,659**	297,486
Effect of foreign exchange rate changes, net		**(2,755)**	4,329
CASH AND CASH EQUIVALENTS AT END OF YEAR		**32,634**	168,659
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	28	**108,456**	241,298
Pledged time deposits with original maturity of less than three months when acquired	28	**–**	500
Bank overdrafts	33	**(75,995)**	(73,139)
Cash and bank balances attributable to a discontinuing operation	11	**173**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		**32,634**	168,659

1. CORPORATE AND GROUP INFORMATION

South China Financial Holdings Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

During the year, the Group was involved in the following principal activities:

- securities, commodities, bullion and forex broking and trading
- margin financing and money lending
- provision of corporate advisory and underwriting services
- asset and wealth management
- property investment
- media publications and financial public relation services
- sales of jewellery products
- investment holding

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ paid up share capital	Percentage of equity attributable to the Company	Principal activities
Car Plus Limited[**]	Hong Kong	HK$2	100	Media publication
Capital Publishing Limited[#^^]	Hong Kong	HK$2	100	Media publication and financial public relation services
Capital CEO Limited[#^^]	Hong Kong	HK$2	100	Media publication and financial public relation services
Capital Entrepreneur Limited[#^^]	Hong Kong	HK$1	100	Media publication and financial public relation services
Golden Ways Limited[#^^]	Hong Kong	HK$1	100	Media publication and financial public relation services
Jessica Limited[**]	Hong Kong	HK$2	100	Media publication
Jessicacode Limited[**]	Hong Kong	HK$2	100	Provision of event and video production services
JMEN Limited[**]	Hong Kong	HK$2	100	Media publication

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ paid up share capital	Percentage of equity attributable to the Company	Principal activities
Polyluck Trading Limited#	Hong Kong	HK$2	100	Property investment
South China Bullion Company Limited*	Hong Kong	HK$30,000,000	100	Bullion dealing
South China Capital Limited	Hong Kong	HK$25,000,000	100	Provision of corporate advisory services
South China Forex Limited	Hong Kong	HK$50,000,000	100	Forex dealing
South China Commodities Limited	Hong Kong	HK$91,000,000	100	Commodities broking
South China Finance Company Limited*	Hong Kong	HK$1,000,000	100	Provision of loan financing
South China Finance and Management Limited	Hong Kong	HK$2	100	Share dealing and provision of management services
South China Finance (Nominees) Limited	Hong Kong	HK$2	100	Provision of nominee services
South China Properties Credits Limited	Hong Kong	HK$1	100	Money lending
South China Investment Management Limited	Hong Kong	HK$10,000,001	100	Asset management
South China Precious Metal Limited*	Hong Kong	HK$2	100	Futures trading
South China Research Limited	Hong Kong	HK$600,000	100	Research publication
South China Securities Limited	Hong Kong	HK$170,000,000	100	Securities broking, margin financing and provision of underwriting services
Kingwise Secretarial Services Limited*	Hong Kong	HK$2	100	Securities and futures trading
South China Finance Lease Holdings Limited*	Hong Kong	HK$1	100	Investment holding

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ paid up share capital	Percentage of equity attributable to the Company	Principal activities
South China Wealth Management Limited	Hong Kong	HK$7,000,000	100	Insurance broking
South China Securities (UK) Limited*	United Kingdom	GBP200,000	100	Securities broking
Whiz Kids Express Weekly Limited**	Hong Kong	HK$2	100	Media publication
ZYC Holding No.1 Limited**	Hong Kong	HK$2	100	Media publication
藍華投資諮詢(上海)有限公司 *^#	The People's Republic of China ("PRC")/ Mainland China	US$100,000	100	Provision of corporate advisory services and investment holding
Nanjing South China Baoqing Jewellery Co., Ltd. ("Nanjing Baoqing") *&#^	PRC/Mainland China	RMB5,500,000	65.45	Trading and retail of jewellery
Nanjing Southchina Leasing Co., Ltd*^#	PRC/Mainland China	RMB100,000,000	100	Provision of loan financing

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

** Acquired during the year ended 31 December 2018. Further details of this acquisition are included in notes 38 and 43(b) to the financial statements.

& Acquired during the year ended 31 December 2018. Further details of this acquisition are included in notes 38 and 43(b) to the financial statements.

^^ Acquired during the year ended 31 December 2017. Further details of this acquisition are included in notes 38 and 43(b) to the financial statements.

\# Indirectly held by the Company.

^ Registered as wholly-foreign-owned enterprises under PRC law.

Except for the indirectly held subsidiaries listed above, all principal subsidiaries are directly held by the Company.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention, except for investment properties, equity investments, debt investments and derivative financial instruments which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair value less cost to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the new and revised standards has had no significant financial effect on these financial statements.

(a) HKFRS 9

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

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

Classification and measurement

The Group continues to measure at fair value for all financial assets currently held at fair value. Equity investments currently held as available-for-sale are measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group applies the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

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

(a) HKFRS 9 *(Continued)*

***Classification and measurement** (Continued)*

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

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

		HKAS 39 measurement				HKFRS 9 measurement	
	Notes	Category	Amount HK$'000	Re-classification HK$'000	ECL HK$'000	Amount HK$'000	Category
Financial assets							
Equity investments designated at fair value through other comprehensive income		N/A	–	39,690	–	39,690	FVOCI[1] (equity)
From: Available-for-sale investments	*(i)*			39,690	–		
Available-for-sale investments		AFS[2]	42,135	(42,135)	–	–	N/A
To: Equity investments designated at fair value through other comprehensive income	*(i)*			(39,690)	–		
To: Debt investments at fair value through other comprehensive income	*(ii)*			(2,445)	–		
Debt investments at fair value through other comprehensive income		N/A	–	2,445	–	2,445	FVOCI[1] (debt)
From: Available-for-sale investments	*(ii)*			2,445	–		
Other assets		L&R[3]	17,675	–	–	17,675	AC[4]
Loans receivable		L&R[3]	388,176	–	(1,313)	386,863	AC[4]
Trade receivables		L&R[3]	147,293	–	–	147,293	AC[4]
Derivative financial instruments		FVPL[5]	615	–	–	615	FVPL[5] (mandatory)
Financial assets at fair value through profit or loss		FVPL[5]	625,183	–	–	625,183	FVPL[5] (mandatory)
Financial assets included in prepayments, other receivables and other assets		L&R[3]	31,494	–	–	31,494	AC[4]
Pledged time deposits		L&R[3]	500	–	–	500	AC[4]
Cash held on behalf of clients		L&R[3]	597,368	–	–	597,368	AC[4]
Cash and bank balances		L&R[3]	241,298	–	–	241,298	AC[4]
			2,091,737	–	(1,313)	2,090,424	
Financial liabilities							
Client deposits		AC[4]	719,728	–	–	719,728	AC[4]
Trade payables		AC[4]	53,823	–	–	53,823	AC[4]
Derivative financial instruments		FVPL[5]	289	–	–	289	FVPL[5] (mandatory)
Financial liabilities included in other payables and accruals		AC[4]	19,512	–	–	19,512	AC[4]
Deposits received		AC[4]	1,260	–	–	1,260	AC[4]
Interest-bearing bank and other borrowings		AC[4]	611,677	–	–	611,677	AC[4]
			1,406,289	–	–	1,406,289	

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

(a) HKFRS 9 *(Continued)*

Classification and measurement *(Continued)*

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

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

(ii) As of 1 January 2018, the Group has assessed its liquidity portfolio of debt investments which had previously been classified as AFS debt investments. These debt investments represent the club debentures which are held for the purpose of business operations and the Group has no intention to dispose them in the foreseeable future. Accordingly, the Group has classified these investments as debt investments measured at fair value through other comprehensive income.

Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applies the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables and contract assets. Furthermore, the Group applies the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months.

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 19 to the financial statements.

	Impairment allowances under HKAS 39 at 31 December 2017	**Re-measurement**	**ECL allowances under HKFRS 9 at 1 January 2018**
	HK$'000	HK$'000	HK$'000
Loans receivable	24,348	1,313	25,661

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

(a) HKFRS 9 *(Continued)*

Impact on accumulated losses

The impact of transition to HKFRS 9 on the Group's accumulated losses is as follows:

	HK$'000
Accumulated losses	
Balance as at 31 December 2017 under HKAS 39	(67,091)
Recognition of expected credit losses for loans receivable under HKFRS 9	(1,313)
Balance as at 1 January 2018 under HKFRS 9	(68,404)

(b) HKFRS 15 and its amendments

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract assets and liabilities account balances between periods and key judgements and estimates. The disclosures are included in note 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was not significant to the Group's consolidated financial statements. The comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Notes	**Increase** HK$'000
Assets		
Contract assets	(i)	1,298
Liabilities		
Other payables and accruals	(i),(ii)	1,298

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

(b) HKFRS 15 and its amendments *(Continued)*

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts have been had HKFRS 15 not been adopted.

Consolidated statement of profit or loss for the year ended 31 December 2018:

		Amounts prepared under		
		HKFRS 15	**Previous HKFRS**	**Increase/ (decrease)**
	Note	HK$'000	HK$'000	HK$'000
CONTINUING OPERATIONS				
Revenue	*(i)*	143,913	143,973	(60)
Loss for the year from continuing operations		(228,032)	(227,972)	60
Loss for the year		(239,766)	(239,706)	60
Attributable to:				
Equity holders of the Company		(239,750)	(239,690)	60
Non-controlling interests		(16)	(16)	–
		(239,766)	(239,706)	60
Loss per share attributable to equity holders of the Company				
Basic and diluted				
— For loss for the year		(HK79.6 cents)	(HK79.6 cents)	–
— For loss from continuing operations		(HK75.7 cents)	(HK75.7 cents)	–

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

(b) HKFRS 15 and its amendments *(Continued)*

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
			Previous	
		HKFRS 15	**HKFRS**	**Increase**
	Notes	HK$'000	HK$'000	HK$'000
Contract assets	*(i)*	3,352	–	3,352
Other payables and accruals	*(i),(ii)*	33,174	29,762	3,412
Accumulated losses	*(i)*	307,295	307,235	60

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the consolidated statement of financial position as at 31 December 2018 and the statement of profit or loss for the year ended 31 December 2018 are described below:

(i) Provision of corporate advisory services

Before the adoption of HKFRS 15, receivables were recognised as assets provided the services have been rendered. Such balances represented trade receivables in the consolidated statement of financial position after the corporate advisory services were billed to customers.

Upon the adoption of HKFRS 15, a contract asset is recognised when the Group renders services to customers and the Group's right to consideration is conditional. Accordingly, the Group recognised contract assets and contract liabilities of HK$1,298,000 as at 1 January 2018.

As at 31 December 2018, the adoption of HKFRS 15 resulted in an increase in contract assets and contract liabilities of HK$3,352,000 and HK$3,412,000, respectively, and resulting in a net increase in accumulated losses of HK$60,000. Revenue was also decreased by HK$60,000 for the year ended 31 December 2018.

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

(b) HKFRS 15 and its amendments *(Continued)*

(ii) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

Therefore, upon the adoption of HKFRS 15, the Group reclassified HK$3,372,000 from other payables to contract liabilities as at 1 January 2018 in relation to the considerations received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, HK$2,966,000 was reclassified from other payables to contract liabilities in relation to the consideration received from customers in advance for the provision of handling services and media publications and financial public relation services.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective for the accounting year ended 31 December 2018, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

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

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

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

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

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019.

The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application.

As disclosed in note 41(b) to the financial statements, at 31 December 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$13,000,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

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

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

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

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

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

Leasehold improvements	Over the lease terms
Furniture and equipment	10% to 25%
Motor vehicles	20%
Machinery	20%

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

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

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Disposal groups held for sale

Disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment classified as held for sale are not depreciated.

Intangible assets (other than goodwill)

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

Trademarks, customer relationships and subscription databases

Purchased trademarks, customer relationships and subscription databases are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 3 to 13 years.

Trading rights

Trading rights, representing eligibility rights to trade on or through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Futures Exchange Limited (the "Futures Exchange"), have indefinite useful lives and are tested for impairment annually either individually or at the cash-generating unit level. Such trading rights are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continued to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date: whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as a lessee

Rentals payable under the operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease term.

(ii) Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. The Group leases out its investment properties under operating leases, and rentals receivable are credited to the statement of profit or loss on the straight-line basis over the lease terms.

The amounts due from the lessees under finance leases are recorded in the consolidated statement of financial position as "Loans receivable". The amount comprises the gross investment in the finance leases less gross earnings allocated to future accounting periods. The total gross earnings under finance leases are allocated to the accounting periods over the duration of the underlying agreements so as to produce an approximately constant periodic rate of return on the net cash investment for each accounting period.

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

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Initial recognition and measurement *(Continued)*

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Financial assets at fair value through other comprehensive income (debt instruments) *(Continued)*

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Available-for-sale financial investments

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

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

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

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

General approach

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

General approach *(Continued)*

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

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

For financial assets, except for margin loans receivable included in loans receivable, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The Group considers these financial assets in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For margin loans receivable, the Group considers there has been a significant increase in credit risk when clients cannot meet margin call requirement and uses the loan-to-collateral value ("LTV") to make its assessment. The Group considers a margin loans receivable is in default when payments under the margin call requirement are not settled. However, in certain cases, the Group may also consider a margin loan receivable to be in default when there is a margin shortfall which indicates that the Group is unlikely to receive the outstanding contractual amounts in full taking into the pledged securities held by the Group. A margin loans receivable is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

General approach *(Continued)*

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Financial assets carried at amortised cost

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

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

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

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

Available-for-sale financial investments

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Available-for-sale financial investments *(Continued)*

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

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

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

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities and fair value through profit or loss, loans and borrowings or payables, as appropriate.

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss (policies under HKFRS 9 applicable from 1 January 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Financial liabilities at fair value through profit or loss (policies under HKAS 39 applicable before 1 January 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Loans and borrowings

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

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

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

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

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

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

Borrowing costs

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

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

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

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

(a) *Provision of brokerage services*
Revenue from the provision of brokerage services is recognised at a point in time when the customer has obtained control of the service, generally when the trades are executed.

(b) *Provision of services*
Revenue from the provision of consultancy and financial advisory services is recognised at a point in time when all the relevant duties of a financial advisor as stated in the contract are completed.

Revenue from sponsoring fee is recognised over time as services are rendered if the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from handling fee is recognised at a point in time when the customer has obtained control of the service, generally when the services are rendered.

(c) *Provision of media publications and financial public relation services*
Revenue from advertising and circulation is recognised at a point in time when control of the asset or service is transferred to the customer, generally on delivery of magazines or publication of advertisements.

Revenue from the provision of services is recognised over time as the services are provided.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition (applicable from 1 January 2018) *(Continued)*

Revenue from contracts with customers *(Continued)*

(d) *Sale of jewellery products*
Revenue from the sale of jewellery products is recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the jewellery products.

Revenue from other sources

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

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Revenue recognition (applicable before 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) commission and brokerage income, accrued on all broking transactions on a trade date basis;

(b) profit or loss on the trading of securities, forex, bullion and futures contracts, on a trade date basis;

(c) service and handling fee income, when the underlying services have been provided;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset;

(f) dividend income, when the shareholders' right to receive payment has been established;

(g) advertising income, when the advertisements have been published; and

(h) circulation income, when the magazines have been delivered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contract assets (applicable from 1 January 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual has to be made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension scheme

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

The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal governments. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Share-based payments

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

In respect of share options, the cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a trinomial model, further details of which are given in note 35 to the financial statements.

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirements are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (that is, translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the financial services, media and retail sectors, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 24 and 26 to the financial statements, respectively.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2018 was HK$89,948,000 (2017: HK$13,714,000). Further details are given in note 15 to the financial statements.

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

Estimation uncertainty *(Continued)*

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial 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 asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimation of fair value of investment properties

Investment properties are carried in the statement of financial position at their fair value. The fair value was based on valuation on these properties conducted by an independent firm of professionally qualified valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the gain or loss recognised in the statement of profit or loss.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services. The Group has nine reportable operating segments as follows:

(a) the broking segment engages in securities, commodities and futures contracts broking;

(b) the trading and investment segment engages in securities, forex, bullion and futures contracts trading and investment holding;

(c) the margin financing and money lending segment engages in the provision of margin, mortgage and personal loan financing and finance lease operations;

(d) the corporate advisory and underwriting segment engages in the provision of corporate advisory and underwriting services;

(e) the asset and wealth management segment engages in insurance broking and asset management;

(f) the property investment segment;

(g) the media publications and financial public relation services segment engages in publishing and distribution of magazines, media advertising and marketing services ("Media Services");

(h) the jewellery business segment engages in the retail of jewellery products and operates retail stores in Nanjing; and

(i) the other business segment engages in the provision of clearing and custodian services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is measured consistently with the Group's profit/(loss) before tax from continuing operations except that finance costs relating to the Group's treasury function, head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment transactions are conducted with reference to the prices charged to third parties at the then prevailing market prices.

Following the acquisition of the King Link Investments Limited during the current year, the Group has increased its focus on the sales of jewellery products. A change on the reporting structure of operating segments was made for facilitating management to make decisions about operating matters, resources allocation and performance assessment. Accordingly, an additional reportable operating segment of "Jewellery business" was separately disclosed.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2018

	Broking HK$'000	Trading and investment HK$'000	Margin financing and money lending HK$'000	Corporate advisory and underwriting HK$'000	Asset and wealth management HK$'000	Property investment HK$'000	Media publications and financial public relation services HK$'000	Jewellery business HK$'000	Other business HK$'000	Consolidated HK$'000
Segment revenue: (note 5)										
Revenue from external customers	42,497	(37,225)	28,911	30,014	2,790	11,939	54,889	9,092	1,006	143,913
Segment results:	(24,287)	(188,032)	3,830	471	(15,521)	59,719	(29,085)	65	315	(192,525)
Reconciliation:										
Corporate and other unallocated expenses, net#										(16,570)
Finance costs										(18,043)
Loss before tax from continuing operations										(227,138)
Segment assets:	748,603	479,671	329,596	18,502	8,590	529,777	127,595	18,958	1,109	2,262,401
Reconciliation:										
Corporate and other unallocated assets										17,773
Assets related to a discontinuing operation										7,225
Total assets										2,287,399
Segment liabilities:	(645,500)	(140,800)	(193,038)	(6,023)	(1,486)	(4,479)	(21,283)	(25,816)	(2,084)	(1,040,509)
Reconciliation:										
Corporate and other unallocated liabilities										(325,925)
Liabilities related to a discontinuing operation										(6,605)
Total liabilities										(1,373,039)
Other segment information:										
Fair value loss on financial assets at fair value through profit or loss##	–	141,012	–	–	–	–	–	–	–	141,012
Fair value gain on investment properties	–	–	–	–	–	(49,000)	–	–	–	(49,000)
Impairment of loans and trade receivables, net	198	–	7,911	–	–	–	56	–	–	8,165
Depreciation and amortisation	580	10	150	255	395	3	1,742	22	–	3,157
Capital expenditure*	114	2	26	41	34	1	85,236	226	–	85,680

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2017

	Broking HK$'000	Trading and investment HK$'000	Margin financing and money lending HK$'000	Corporate advisory and under-writing HK$'000	Asset and wealth management HK$'000	Property investment HK$'000	Media publications and financial public relation services HK$'000	Other business HK$'000	Consolidated HK$'000
Segment revenue:									
Revenue from external customers	52,707	114,713	28,069	26,124	3,288	10,606	17,609	1,219	254,335
Segment results:	(25,414)	105,840	9,330	(5,399)	(24,952)	49,857	(33,247)	630	76,645
Reconciliation:									
Corporate and other unallocated expense, net#									(13,104)
Finance costs									(10,124)
Profit before tax									53,417
Segment assets:	812,667	721,251	460,299	14,967	5,324	483,272	22,520	1,613	2,521,913
Reconciliation:									
Corporate and other unallocated assets									88,871
Total assets									2,610,784
Segment liabilities:	(774,225)	(134,464)	(212,149)	(1,544)	(1,733)	(3,757)	(4,984)	(3,150)	(1,136,006)
Reconciliation:									
Corporate and other unallocated liabilities									(308,082)
Total liabilities									(1,444,088)
Other segment information:									
Fair value gain on financial assets at fair value through profit or loss##	–	(15,234)	–	–	–	–	–	–	(15,234)
Fair value gain on investment properties	–	–	–	–	–	(40,000)	–	–	(40,000)
Impairment of loans and trade receivables, net	275	–	3,228	–	–	–	–	–	3,503
Impairment of goodwill	–	–	–	–	–	–	351	–	351
Impairment of intangible assets	–	–	–	–	–	–	2,265	–	2,265
Depreciation and amortisation	616	68	155	248	468	–	639	–	2,194
Capital expenditure*	386	43	87	725	189	–	20,037	–	21,467

4. OPERATING SEGMENT INFORMATION *(Continued)*

* Capital expenditure consists of additions to property, plant and equipment, goodwill and intangible assets including those arising from the acquisitions of subsidiaries.

\# Corporate and other unallocated expenses include fair value loss on financial assets at fair value through profit or loss designated for the Group's Employees' Share Award Scheme amounting to HK$5,899,000 (2017: HK$4,249,000).

\## Fair value gain/loss on financial assets at fair value through profit or loss includes fair value gain on derivative financial instruments of HK$105,000 (2017: HK$174,000).

Geographical information

(a) Revenue from external customers

	2018	2017
	HK$'000	HK$'000
Hong Kong	**122,639**	247,050
Mainland China	**14,570**	2,265
Other countries	**6,704**	5,020
	143,913	254,335

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	2018	2017
	HK$'000	HK$'000
Hong Kong	**647,835**	529,832
Other jurisdictions	**5,591**	500
	653,426	530,332

The non-current asset information above is based on the locations of the assets and excludes equity investments designated at fair value through other comprehensive income, debt investments at fair value through other comprehensive income and available-for-sale investments.

5. REVENUE

An analysis of revenue is as follows:

	2018 HK$'000	2017 HK$'000
Revenue from contracts with customers:		
Commission and brokerage income	**42,396**	53,386
Rendering of services	**32,295**	26,238
Handling fee income	**3,334**	3,891
Media publications and financial public relation services* ("Media Services")	**54,889**	17,609
Sales of jewellery products	**9,092**	–
	142,006	101,124
Revenue from other sources:		
Profit/(loss) on the trading of securities, forex, bullion and future contracts, net	**(52,724)**	104,217
Interest income from loans and trade receivables	**24,896**	24,901
Interest income from forex and bullion contracts trading	**695**	550
Interest income from banks and financial institutions	**2,322**	3,113
Dividend income from listed investments	**14,779**	9,824
Gross rental income	**11,939**	10,606
	1,907	153,211
	143,913	254,335

* Including advertising income, service income and circulation income

5. REVENUE *(Continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

	Broking HK$'000	Corporate advisory and underwriting HK$'000	Jewellery business HK$'000	Other business HK$'000	Media publications and financial public relation services HK$'000	Total HK$'000
Type of goods or services						
Commission and brokerage income	42,396	–	–	–	–	42,396
Underwriting service income	–	3,557	–	–	–	3,557
Corporate advisory fee income	–	27,732	–	–	–	27,732
Handling fee income	3,334	–	–	–	–	3,334
Sales of jewellery products	–	–	9,092	–	–	9,092
Other business income	–	–	–	1,006	–	1,006
Media publications and financial public relation services	–	–	–	–	54,889	54,889
Total revenue from contracts with customers	45,730	31,289	9,092	1,006	54,889	142,006
Geographical markets						
Hong Kong	45,730	22,189	–	1,006	54,889	123,814
Mainland China	–	2,396	9,092	–	–	11,488
Other countries	–	6,704	–	–	–	6,704
Total revenue from contracts with customers	45,730	31,289	9,092	1,006	54,889	142,006
Timing of revenue recognition						
Goods or services transferred at a point in time	45,730	6,026	9,092	1,006	35,532	97,386
Services transferred over time	–	25,263	–	–	19,357	44,620
Total revenue from contracts with customers	45,730	31,289	9,092	1,006	54,889	142,006

5. REVENUE *(Continued)*

Revenue from contracts with customers *(Continued)*

(i) Disaggregated revenue information *(Continued)*

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2018
	HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Corporate advisory services	**1,298**
Handling services	**3,151**
Media publications and financial public relation services	**221**
	4,670

(ii) Performance obligations

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

Commission and brokerage income

The performance obligation is satisfied at a point in time when the customer has obtained control of the service, generally when the trade is executed. Commission and broking income are generally due within two days after the trade date.

Rendering of services

The performance obligation is satisfied over time or point in time as services are rendered.

Media publications and financial public relation services

The performance obligation is satisfied upon delivery of magazines or publications of advertisements or over time as services are rendered.

Sale of jewellery products

The performance obligation is satisfied upon delivery of goods, and payment is mainly on cash and credit card settlement.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) which amounted to HK$42,348,000 as at 31 December 2018 are expected to be recognised within one year.

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2018 HK$'000	2017 HK$'000
Cost of services provided		**33,357**	47,715
Cost of media publications and financial public relation services		**37,352**	21,193
Cost of inventories sold		**6,959**	–
Depreciation		**1,778**	1,568
Amortisation of intangible assets	16	**1,379**	626
Auditor's remuneration		**2,333**	1,750
Minimum lease payments under operating leases		**17,682**	16,025
Employee benefit expense (including directors' remuneration (note 8)):			
Wages, salaries and benefits in kind		**116,083**	115,242
Pension scheme contributions, net		**3,267**	2,954
Equity-settled share option expense		**156**	577
		119,506	118,773
Interest expense for margin financing and money lending operations:			
Bank loans and overdrafts		**6,460**	3,944
Impairment of goodwill	15	**–**	351
Impairment of intangible assets	16	**–**	2,265
Foreign exchange differences, net		**2,840**	(1,766)
Impairment of loans receivable, net	19	**6,985**	3,228
Impairment of trade receivables, net	24	**1,180**	275
Write-off of items of property, plant and equipment	13	**23**	–
Direct operating expenses arising from rental-earning investment properties		**1,539**	1,528

7. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on bank loans, overdrafts and other borrowings	**18,043**	10,124

8. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S REMUNERATION

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

	Group	
	2018 HK$'000	2017 HK$'000
Fees	**478**	478
Other emoluments:		
Salaries, allowances and benefits in kind	**6,696**	7,320
Pension scheme contributions	**129**	132
	6,825	7,452
	7,303	7,930

(a) Independent non-executive directors

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

	2018 HK$'000	2017 HK$'000
Hon. Raymond Arthur William Sears Q.C.	**240**	240
Mr. Tung Woon Cheung Eric	**100**	100
Mrs. Tse Wong Siu Yin Elizabeth	**100**	100
	440	440

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

8. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S REMUNERATION *(Continued)*

(b) Executive directors

	Fees HK$'000	Salaries allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000
2018			
Executive directors:			
Mr. Ng Hung Sang	**10**	**1,920**	**96**
Ms. Ng Yuk Mui, Jessica	**10**	**2,400**	**18**
Ms. Cheung Choi Ngor	**10**	**–**	**–**
Dr. Wang Wei Hsin*	**8**	**2,376**	**15**
	38	**6,696**	**129**
2017			
Executive directors:			
Mr. Ng Hung Sang	10	1,920	96
Ms. Ng Yuk Mui, Jessica	10	2,400	18
Ms. Cheung Choi Ngor	10	–	–
Dr. Wang Wei Hsin	8	3,000	18
	38	7,320	132

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

* Dr. Wang Wei Hsin resigned as an executive director of the Company on 17 October 2018.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include three (2017: three) directors, details of whose remuneration are disclosed in note 8 above. Details of the remuneration for the year of the remaining two (2017: two) non-director highest paid employees for the year are as follows:

	2018 HK$'000	2017 HK$'000
Salaries, allowances and benefits in kind	**5,140**	3,750
Pension scheme contributions	**36**	36
	5,176	3,786

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

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

10. INCOME TAX

No provision for the Hong Kong profits tax has been made as the Group either had no estimated assessable profit or had available tax losses carried forward to offset the assessable profits arising in Hong Kong during the year (2017: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2018	2017
	HK$'000	HK$'000
Current — Elsewhere		
Charge for the year	**559**	283
Underprovision in prior years	**21**	103
Deferred (note 21)	**314**	492
Total tax charge for the year	**894**	878

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rate in Hong Kong where the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the statutory tax rate to the effective tax rate, are as follows:

	2018		2017	
	HK$'000	**%**	HK$'000	%
Profit/(loss) before tax from continuing operations	**(227,138)**		53,417	
Tax at the statutory tax rate	**(37,478)**	**16.5**	8,814	16.5
Higher tax rates on profit arising elsewhere	**425**	**(0.2)**	171	0.3
Adjustments in respect of current tax of previous periods	**21**	**0.0**	103	0.2
Income not subject to tax	**(11,077)**	**4.9**	(10,982)	(20.6)
Expenses not deductible for tax	**2,552**	**(1.2)**	3,764	7.0
Tax losses not recognised	**46,811**	**(20.6)**	8,782	16.4
Tax losses utilised from previous periods	**(530)**	**0.2**	(10,185)	(19.1)
Others	**170**	**0.0**	411	0.9
Tax charge at the Group's effective rate	**894**	**(0.4)**	878	1.6

11. DISCONTINUING OPERATION

Year Blossom Limited, a wholly-owned subsidiary of the Company, together with its subsidiaries (the "Disposal Group") were principally engaged in food and beverage operations in Nanjing, the PRC. During the year ended 31 December 2018, the Group had decided to cease its food and beverage operations business after periodic performance assessment for better allocation of the Group's resources. As at 31 December 2018, final negotiations for the sale were in progress and the Disposal Group was classified as a disposal group held for sale and as a discontinuing operation. On 1 February 2019, the Company entered into a conditional sale and purchase agreement with South China Industries (BVI) Limited, a wholly-owned subsidiary of South China Holdings Company Limited, pursuant to which the Company agreed to dispose of the entire issued share capital of Year Blossom Limited. The Disposal Group is subject to the completion of internal restructuring.

The results of the Disposal Group for the year are presented below:

	2018	2017
	HK$'000	HK$'000
Revenue	**2,478**	–
Cost of inventories consumed	**(1,762)**	–
Gross profit	**716**	–
Other operating expenses*	**(12,450)**	–
Loss before tax from the discontinuing operation	**(11,734)**	–
Income tax	**–**	–
Loss for the year from the discontinuing operation	**(11,734)**	–

* The depreciation of property, plant and equipment from discontinuing operation of HK$382,000 for the year is included in "Other operating expenses" above.

11. DISCONTINUING OPERATION *(Continued)*

The major classes of assets and liabilities of the Disposal Group classified as held for sale as at 31 December are as follows:

	2018 HK$'000	2017 HK$'000
Assets		
Property, plant and equipment	**4,716**	–
Inventories	**236**	–
Trade receivables	**43**	–
Prepayments, other receivables and other assets	**2,057**	–
Cash and bank balances	**173**	–
Assets classified as held for sale	**7,225**	–
Liabilities		
Trade payables	**(2,663)**	–
Other payables and accruals#	**(3,942)**	–
Liabilities directly associated with the assets classified as held for sale	**(6,605)**	–
Net assets directly associated with the Disposal Group	**620**	–

Included in the balance was an amount due to a related company, 南京微分電機有限公司("南京微分"), of HK$991,000, which is unsecured, bears interest at 12% per annnum and is repayable in 2021. 南京微分 is a subsidiary of South China Holdings Company Limited, a director of which is also a director of the Company.

The net cash flows incurred by the Disposal Group are as follows:

	2018 HK$'000	2017 HK$'000
Operating activities	**(8,073)**	–
Investing activities	**(5,089)**	–
Financing activities	**1,852**	–
Net cash outflow	**(11,310)**	–
Loss per share:		
Basic and diluted, from the discontinuing operation	**(HK3.89 cents)**	–

11. DISCONTINUING OPERATION *(Continued)*

The calculations of basic and diluted loss per share from the discontinuing operation are based on:

	2018	2017
Loss attributable to ordinary equity holders of the Company from the discontinuing operation	**(HK$11,734,000)**	–
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation (note 12)	**301,277,070**	–

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on the loss for the year attributable to equity holders of the Company of HK$239,750,000 (2017: profit of HK$52,539,000) and the weighted average number of 301,277,070 (2017: 301,434,007 (Restated)) ordinary shares in issue during the year.

The calculation of the basic earnings/(loss) per share amounts from continuing operations is based on the loss for the year from continuing operations attributable to equity holders of the Company of HK$228,016,000 (2017: profit of HK$52,539,000) and the weighted average number of 301,277,070 (2017: 301,434,007 (Restated)) ordinary shares in issue during the year.

The basic and diluted earnings per share amounts for the year ended 31 December 2017 had been adjusted to reflect the share consolidation of the Company during the year ended 31 December 2018.

No adjustment has been made to the basic earnings/(loss) per share amount presented for the years ended 31 December 2018 and 2017 in respect of a dilution as the impact of the share options outstanding during the year had no dilutive effect on the basic earnings/(loss) per share amount presented.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Machinery HK$'000	Total HK$'000
At 31 December 2018					
At 31 December 2017 and 1 January 2018:					
Cost	17,620	46,687	3,316	–	67,623
Accumulated depreciation	(15,946)	(45,229)	(3,316)	–	(64,491)
Net carrying amount	1,674	1,458	–	–	3,132
At 1 January 2018, net of accumulated depreciation	1,674	1,458	–	–	3,132
Additions	3,302	3,181	85	–	6,568
Acquisitions of subsidiaries (note 38)	90	392	278	50	810
Assets included in a discontinuing operation (note 11)	(3,056)	(1,582)	(78)	–	(4,716)
Write-off	–	(3)	–	(20)	(23)
Depreciation provided during the year	(688)	(1,358)	(110)	(4)	(2,160)
Exchange realignment	(9)	(11)	–	–	(20)
At 31 December 2018, net of accumulated depreciation	1,313	2,077	175	26	3,591
At 31 December 2018:					
Cost	26,194	67,363	4,302	337	98,196
Accumulated depreciation	(24,881)	(65,286)	(4,127)	(311)	(94,605)
Net carrying amount	1,313	2,077	175	26	3,591

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

	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 31 December 2017				
At 1 January 2017:				
Cost	16,478	43,085	3,316	62,879
Accumulated depreciation	(15,141)	(41,652)	(3,316)	(60,109)
Net carrying amount	1,337	1,433	–	2,770
At 1 January 2017, net of accumulated depreciation	1,337	1,433	–	2,770
Additions	728	728	–	1,456
Acquisition of subsidiaries (note 38)	–	11	–	11
Depreciation provided during the year	(407)	(1,161)	–	(1,568)
Exchange realignment	16	447	–	463
At 31 December 2017, net of accumulated depreciation	1,674	1,458	–	3,132
At 31 December 2017:				
Cost	17,620	46,687	3,316	67,623
Accumulated depreciation	(15,946)	(45,229)	(3,316)	(64,491)
Net carrying amount	1,674	1,458	–	3,132

14. INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
Carrying amount as at 1 January	**480,000**	440,000
Net gain from a fair value adjustment	**49,000**	40,000
Carrying amount at 31 December	**529,000**	480,000

The Group's investment properties consist of commercial office premises in Hong Kong. The directors of the Company have determined that the investment properties consist of one class of asset, that is, commercial, based on the nature, characteristics and risks of these properties. The Group's investment properties were revalued on 31 December 2018 based on valuations performed by Ravia Global Appraisal Advisory Limited, independent professionally qualified valuers, at HK$529,000,000. Each year, the Group's chief financial officer decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's chief executive officer and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 41(a) to the financial statements.

On 31 December 2018, the Group's investment properties with a carrying value of HK$529,000,000 (2017: HK$480,000,000) were pledged to secure general banking facilities granted to the Group (note 33).

Details of the Group's investment properties are as follows.

Location	Existing use
26th Floor, Tower one, Lippo Centre, 89 Queensway, Admiralty, Hong Kong	Office building

14. INVESTMENT PROPERTIES *(Continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December using significant unobservable inputs (Level 3)	
	2018	2017
	HK$'000	HK$'000
Recurring fair value measurement for:		
Commercial properties	**529,000**	480,000

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

The fair value of investment properties is determined using the market comparison approach by reference to recent sales prices of comparable properties on a price per square foot basis. Below is a summary of the significant inputs to the valuation of investment properties:

	2018	2017
Price per square foot	**HK$36,021**	HK$32,684

A significant increase/decrease in the price per square foot would result in a significant increase/decrease in the fair value of the investment properties.

15. GOODWILL

	2018 HK$'000	2017 HK$'000
Cost at 1 January, net of accumulated impairment	**13,714**	–
Acquisition of subsidiaries (note 38)	**76,234**	14,065
Impairment during the year (note 6)	**–**	(351)
Net carrying amount at 31 December	**89,948**	13,714
At 31 December:		
Cost	**90,299**	14,065
Accumulated impairment	**(351)**	(351)
Net carrying amount	**89,948**	13,714

Impairment testing of goodwill and intangible assets

Goodwill acquired through business combinations is allocated to the following cash-generating units ("CGU") for impairment testing:

- Weekly publication CGU;
- Monthly publication CGU;
- Jade Fountain CGU;
- Perfect Riches CGU; and
- Great Ready Assets CGU.

15. GOODWILL *(Continued)*

Impairment testing of goodwill and intangible assets *(Continued)*

The carrying amounts of goodwill, net of impairment, allocated to each of the cash-generating units are as follows:

	Monthly publication CGU HK$'000	Weekly publication CGU HK$'000	Jade Fountain CGU HK$'000	Perfect Riches CGU HK$'000	Great Ready Asset CGU HK$'000	Total HK$'000
At 31 December 2018						
Carrying amount of goodwill	**13,714**	**–**	**52,758**	**17,569**	**5,907**	**89,948**
At 31 December 2017						
Carrying amount of goodwill	13,714	–	–	–	–	13,714

Assumptions were used in the value in use calculation of the weekly publication, monthly publication, Jade Fountain, Perfect Riches and Great Ready Asset CGUs for 31 December 2018 and 31 December 2017. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted revenue — The basis used to determine the value assigned to the budgeted revenue is the average revenue achieved in the year immediately before the budget year, taking into account the expected growth rate.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

Inflation — The basis used to determine the value assigned to inflation is the forecast price indices during the budget year for Hong Kong from where the consumer price are sourced.

Growth rate — The growth rate used is with reference to the long term average growth rates for the relevant markets and expected market development.

The values assigned to the key assumptions on market development of media and public relations industries, discount rates and inflation are consistent with external information sources.

15. GOODWILL *(Continued)*

Impairment testing of goodwill and intangible assets *(Continued)*

The recoverable amount of the weekly publication, monthly publication, Jade Fountain, Perfect Riches and Great Ready Asset CGUs has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections and the growth rate used to extrapolate the cash flows of these CGUs beyond the five-year period are set out as follows:

	Monthly publication CGU	Weekly publication CGU	Jade Fountain CGU	Perfect Riches CGU	Great Ready Asset CGU
At 31 December 2018					
Discount rate	**17%**	**–**	**17%**	**17%**	**17%**
Growth rate (note)	**3%**	**–**	**3%**	**3%**	**3%**
At 31 December 2017					
Discount rate	19%	19%	–	–	–
Growth rate (note)	3%	3%	–	–	–

Note: The growth rate is consistent with the average growth rate of the industry.

In light of intensified competition and unexpected employee attrition which resulted in dismal performance of the weekly magazine, it was concluded that the value in use of the weekly publication CGU was lower than its carrying amount. As a result of this analysis, management had recognised a full impairment against goodwill with a carrying amount of HK$351,000 as at 31 December 2017. The impairment loss was recorded in the statement of profit or loss for the year ended 31 December 2017.

16. INTANGIBLE ASSETS

	Trademarks HK$'000	Trading rights HK$'000 (note)	Customer relationships HK$'000	Subscription databases HK$'000	Total HK$'000
31 December 2018					
Cost at 31 December 2017 and 1 January 2018, net of accumulated amortisation and impairment	3,045	836	294	67	4,242
Additions	287	–	–	–	287
Acquisition of subsidiaries (note 38)	1,863	–	5,903	–	7,766
Amortisation provided during the year	(542)	–	(823)	(14)	(1,379)
At 31 December 2018	4,653	836	5,374	53	10,916
At 31 December 2018:					
Cost	7,997	836	6,303	81	15,217
Accumulated amortisation and impairment	(3,344)	–	(929)	(28)	(4,301)
Net carrying amount	4,653	836	5,374	53	10,916

16. INTANGIBLE ASSETS *(Continued)*

	Trademarks HK$'000	Trading rights HK$'000 (note)	Customer relationships HK$'000	Subscription databases HK$'000	Total HK$'000
31 December 2017					
Cost at 1 January 2017, net of accumulated amortisation and impairment	275	836	–	–	1,111
Additions	87	–	–	–	87
Acquisition of subsidiaries (note 38)	5,454	–	400	81	5,935
Amortisation provided during the year	(506)	–	(106)	(14)	(626)
Impairment during the year (note 6)	(2,265)	–	–	–	(2,265)
At 31 December 2017	3,045	836	294	67	4,242
At 31 December 2017:					
Cost	5,847	836	400	81	7,164
Accumulated amortisation and impairment	(2,802)	–	(106)	(14)	(2,922)
Net carrying amount	3,045	836	294	67	4,242

Note: The trading rights have no expiry dates and, in the opinion of the directors, have indefinite useful lives.

Pursuant to the restructuring of the Stock Exchange and the Futures Exchange effective on 6 March 2000, the Group received four Stock Exchange Trading Rights, five Futures Exchange Trading Rights and 10,187,500 ordinary shares of HK$1 each in Hong Kong Exchanges and Clearing Limited (the "HKEC Shares") in exchange for its four shares previously held in the Stock Exchange and five shares previously held in the Futures Exchange.

The carrying costs of the previously held shares in the Stock Exchange and the Futures Exchange have been apportioned to the Stock Exchange Trading Rights, the Futures Exchange Trading Rights and the HKEC Shares on the basis of the respective estimated fair values on 6 March 2000.

In light of intensified competition and unexpected employee attrition which resulted in dismal performance of the weekly magazine, it was concluded that the value in use of the weekly publication CGU was lower than its carrying amount. As a result of this analysis, management had recognised a full impairment against intangible assets with a carrying amount of HK$2,265,000 as at 31 December 2017. The impairment loss was recorded in the statement of profit or loss for the year ended 31 December 2017.

17. OTHER ASSETS

	2018 HK$'000	2017 HK$'000
Membership in Chinese Gold and Silver Exchange	**1,280**	1,280
Statutory deposits in respect of securities and commodities dealings	**6,234**	16,395
	7,514	17,675

Other assets are non-interest-bearing and have no fixed terms of repayment.

18. INVESTMENTS IN ASSOCIATES

	2018 HK$'000	2017 HK$'000
Share of net assets	**1,804**	1,804
Provision for impairment#	**(1,804)**	(1,804)
	–	–

In prior years, full provisions were recognised for investments in associates with aggregate carrying amounts of HK$1,804,000 because the recoverable amounts were expected to be zero.

Particulars of the associates are as follows:

Name	Registered capital	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
嘉田文化發展(天津)有限公司	RMB20,000,000	PRC/Mainland China	45	Media and entertainment
上海華威創富股權投資管理有限公司	RMB20,000,000	PRC/Mainland China	50	Provision of fund management services

The above companies are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above associates are indirectly held by the Company and have been accounted for using the equity method in these financial statements.

19. LOANS RECEIVABLE

The Group's loans receivable mainly arose from the margin financing, finance lease and money lending operations during the year.

Loans receivable bear interest at rates with credit periods mutually agreed between the contracting parties. Each customer has a credit limit. The Group maintains strict control over its outstanding loans receivable, and a credit control department has been established to monitor potential credit risk. Margin loans receivable are secured by the pledge of customers' securities as collateral. Overdue balances are reviewed regularly by senior management and are handled closely by the credit control department. The Group's loans receivable relate to a large number of diversified customers and there is no significant concentration of credit risk.

	2018 **HK$'000**	2017 HK$'000
Loans receivable		
– Margin loans receivable	**290,500**	395,942
– Finance leases receivable	**22,954**	–
– Mortgage loans receivable	**4,240**	–
– Other loans receivable	**12,229**	16,582
	329,923	412,524
Impairment	**(32,646)**	(24,348)
	297,277	388,176
Portion classified as current assets	**(285,428)**	(378,195)
Portion classified as non-current assets	**11,849**	9,981
Market value of collateral at 31 December	**726,144**	1,185,151

At the end of the reporting period, certain listed equity securities provided by clients of approximately HK$296,398,000 (2017: HK$265,863,000) were pledged as collateral to banks to secure banking facilities granted to the Group (note 33).

19. LOANS RECEIVABLE *(Continued)*

The loans receivable at the end of the reporting period are analysed by the remaining period to the contractual maturity date as follows:

	2018	2017
	HK$'000	HK$'000
Repayable:		
On demand	**265,800**	375,283
Within 3 months	**15,954**	869
3 months to 1 year	**14,390**	2,043
1 to 5 years	**1,133**	9,981
	297,277	388,176

Impairment under HKFRS 9 for the year ended 31 December 2018

Loans receivable are categorised into excellent, good and individually impaired. Excellent refers to exposures which margin obligation can be met and payment of interest and principal is not in doubt, with good quality and liquidity of collateral. Good refers to exposures which principal and interest are partially or fully secured but at a relatively low level. Individually impaired refers to exposures which loss, partial or full, has incurred and with insufficient collateral.

Analysis of the gross carrying amount as at 31 December 2018 by the Group's internal credit rating and year end classification:

2018

	12-months ECL (Stage 1) HK$'000	**Lifetime ECL not credit-impaired (Stage 2) HK$'000**	**Lifetime ECL credit-impaired (Stage 3) HK$'000**	**Total HK$'000**
Internal rating grade				
Excellent	242,559	–	–	242,559
Good	–	34,159	–	34,159
Individually impaired	–	–	53,205	53,205
	242,559	34,159	53,205	329,923

19. LOANS RECEIVABLE *(Continued)*

Impairment under HKFRS 9 for the year ended 31 December 2018 *(Continued)*

The movements in the expected credit loss ("ECL") impairment allowance on loans receivable are as follows:

	12-months ECL (Stage 1) HK$'000	Lifetime ECL not credit-impaired (Stage 2) HK$'000	Lifetime ECL credit-impaired (Stage 3) HK$'000	Total HK$'000
Impairment allowance as at 31 December 2017	14	692	23,642	24,348
Effect of adoption of HKFRS 9 (note 2.2)	298	1,008	7	1,313
ECL allowance as at 1 January 2018 (restated)	312	1,700	23,649	25,661
Loss allowance recognised/(reversed)	(13)	561	(1,098)	(550)
Loss allowance recognised arising from transfer of stage	–	831	6,704	7,535
Transfer from stage 2 to stage 3	–	(47)	47	–
ECL allowance as at 31 December 2018	299	3,045	29,302	32,646
ECL rate	0.12%	8.56%	56.10%	9.90%

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above impairment of loans receivable, which was measured based on incurred credit losses under HKAS 39, as at 31 December 2017 was a provision for individually impaired loans receivable of HK$32,646,000 (2017: HK$24,348,000) with a carrying amount before provision of HK$57,906,000 (2017: HK$26,040,000). The individually impaired loans receivable as at 31 December 2017 related to customers that were in default or delinquency in payments and only a portion of the receivables is expected to be recovered. The Group holds certain listed equity securities of clients as collateral over these individually impaired loans receivable.

19. LOANS RECEIVABLE *(Continued)*

Impairment under HKAS 39 for the year ended 31 December 2017 *(Continued)*

The ageing analysis of the loans receivable as at 31 December 2017 that were neither individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2018 **HK$'000**	2017 HK$'000
Neither past due nor impaired	**272,017**	386,484

Loans receivable that were neither past due nor impaired related to large number of diversified customers for whom there was no recent history of default.

Finance leases receivable

Included in loans receivable were receivables in respect of assets leased under finance leases as set out below:

	Minimum lease payments		**Present value of minimum lease payments**	
	2018 **HK$'000**	2017 HK$'000	**2018** **HK$'000**	2017 HK$'000
Amounts receivable under finance leases:				
Within one year	**19,502**	–	**17,721**	–
In the second to fifth years, inclusive	**5,414**	–	**5,233**	–
	24,916	–		
Less: Unearned finance income	**(1,962)**	–	**22,954**	–
Present value of minimum lease payment receivable	**22,954**	–		
Portion classified as current assets	**(17,721)**	–		
Non-current portion	**5,233**	–		

During the year, the Group entered into several finance lease arrangements with customers in respect of items of equipment, with terms from one year to two years.

Included in the Group's finance leases receivable are receivable from a related company, 滄州南華房地產開發有限公司 ("滄州南華"), of HK$3,541,000, 滄州南華 is a subsidiary of South China Assets Holdings Limited, a directors of which is also a director of the Company.

19. LOANS RECEIVABLE *(Continued)*

Mortgage loans receivable

Included in loans receivable were receivables of HK$4,240,000 (2017: Nil) in respect of secured mortgage loans. In general, mortgage loans are granted on a secured basis with sufficient amount of collateral provided by the borrower. The main types of collateral obtained are mortgages over residential properties or commercial properties.

In respect of secured mortgage loans to mortgage loan customers with the carrying amount of HK$4,240,000 (2017: Nil), the fair value of collateral of such mortgage loans can be objectively ascertained to cover the outstanding amount of the loan balances based on quoted prices of collateral.

20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENTS

	2018 **HK$'000**	2017 HK$'000
Equity investments designated at fair value through other comprehensive income		
Listed equity investments in Hong Kong, at fair value	**30,520**	–
Debt investments at fair value through other comprehensive income		
Club debentures, at fair value	**3,080**	–
Available-for-sale investments		
Listed equity investments in Hong Kong, at fair value	–	39,690
Club debentures, at fair value	–	2,445
	–	42,135

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year ended 31 December 2017, the net gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$15,077,000 (note 37).

As at 31 December 2018, the Group's listed equity investments with a carrying value of HK$30,520,000 (2017: HK$39,690,000) were pledged as security for the Group's bank borrowings, as further detailed in note 33 to the financial statements.

21. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Losses available for offsetting against future taxable profits HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Fair value adjustments arising from transfer of owner-occupied properties to investment properties HK$'000	Fair value adjustments arising from acquisitions of subsidiaries HK$'000	Total HK$'000
2018					
At 1 January 2018	**(8,626)**	**14,955**	**23,800**	**509**	**30,638**
Acquisitions of subsidiaries (note 38)	**(1,339)**	**–**	**–**	**1,339**	**–**
Deferred tax charged/(credited) to profit or loss during the year (note 10)	**392**	**201**	**–**	**(279)**	**314**
At 31 December 2018	**(9,573)**	**15,156**	**23,800**	**1,569**	**30,952**
2017					
At 1 January 2017	(8,408)	14,754	23,800	–	30,146
Acquisition of subsidiaries (note 38)	(979)	–	–	979	–
Deferred tax charged/(credited) to profit or loss during the year (note 10)	761	201	–	(470)	492
At 31 December 2017	(8,626)	14,955	23,800	509	30,638

21. DEFERRED TAX *(Continued)*

Deferred tax liabilities *(Continued)*

Deferred tax assets have not been recognised in respect of the following items:

	2018 HK$'000	2017 HK$'000
Tax losses	**1,390,779**	886,753
Deductible temporary differences	**171**	198
	1,390,950	886,951

The above tax losses of the Group included tax losses arising in Hong Kong of HK$1,372,483,000 (2017: HK$869,199,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$18,296,000 (2017: HK$17,554,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. These subsidiaries have recorded accumulated losses since 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

22. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	**1,015**	–
Finished goods	**12,417**	–
	13,432	–

At 31 December 2018, the Group's inventories with a carrying amount of HK$9,109,000 were pledged as security for the Group's bank loans, as further detailed in note 33 to the financial statements.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'000	2017 HK$'000
Listed equity investments, at market value	**431,167**	625,183

The financial assets at the end of the reporting period were classified as:

	2018 HK$'000	2017 HK$'000
Held for trading	**421,568**	609,685
Designated upon initial recognition (note)	**9,599**	15,498
	431,167	625,183

Note:

On 10 June 2015, the board approved the establishment of the Company's Employees' Share Award Scheme (the "Share Award Scheme"). Pursuant to the rules of the Share Award Scheme, the Company has set up a trust (the "Trust") to hold the shares purchased by the Group pursuant to the terms of the Share Award Scheme before transferring to employees upon vesting.

In 2015, the Group purchased certain shares of South China Holdings Company Limited, a company listed on the Stock Exchange, which is also a connected party of the Company, at a total consideration of HK$11,800,000. The Group designated these shares as financial assets at fair value through profit or loss upon initial recognition, as they are managed and their performance is evaluated on a fair value basis, which will be awarded to employees of the Group under the Share Award Scheme.

During the year ended 31 December 2017, the Group awarded 8,000 shares of South China Holdings Company Limited of approximately HK$2,000 to an employee of the Group under the Share Award Scheme.

As of 31 December 2018, listed securities of approximately HK$351,411,000 (2017: HK$463,489,000) were pledged to banks to secure banking facilities granted to the Group (note 33).

The market value of the Group's listed equity investments at the date of approval of these financial statements was approximately HK$527,886,000 (2017: HK$591,454,000).

24. TRADE RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**169,437**	147,970
Impairment	**(1,857)**	(677)
	167,580	147,293

The Group's trade receivables arose from securities, forex, bullion and commodities dealings, insurance broking, the provision of corporate advisory and underwriting services, Media Services and jewellery business during the year.

The Group allows a credit period up to the respective settlement dates of securities, forex, bullion and commodities transactions (normally two business days after the respective trade dates for Hong Kong stocks) or a credit period mutually agreed between the contracting parties. The credit period for Media Services is generally one month, extending up to four months for major customers. The credit period for corporate advisory services is generally within two weeks. The Group's trading terms with its jewellery retail customers are mainly on cash and credit card settlement. The Group maintains strict control over its outstanding receivables and a credit control department has been established to monitor the potential credit risk. Overdue balances are reviewed regularly by senior management and are handled closely by the credit control department. The Group's trade receivables relate to a large number of diversified customers, and there is no significant concentration of credit risk. Overdue trade receivables bear interest by reference to the prime rate except that overdue receivables in respect of Media Services, corporate advisory services and jewellery business are non-interest-bearing.

Included in the Group's trade receivables are amount due from a related company, Hong Kong Four Seas Tours Limited ("HKFS") of HK$1,500,000, which is repayable on credit term similar to those offered to the major corporate advisory customers of the Group. A director of HKFS is a director of the Company.

An ageing analysis of the Group's trade receivables at the end of the reporting period, based on the settlement due date and net of loss allowance, is as follows:

	2018 HK$'000	2017 HK$'000
Current to 90 days	**159,523**	144,798
Over 90 days	**8,057**	2,495
	167,580	147,293

24. TRADE RECEIVABLES *(Continued)*

The movement in the loss allowance for impairment of trade receivables are as follows:

	2018 **HK$'000**	2017 HK$'000
At 1 January	**677**	454
Impairment losses recognised (note 6)	**1,217**	295
Impairment losses reversed (note 6)	**(37)**	(20)
Amount written off as uncollectible	**–**	(52)
At 31 December	**1,857**	677

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

		Past due		
	Current	**Less than 90 days**	**Over 90 days**	**Total**
Expected credit loss rate	0.20%	0.38%	18.79%	1.10%
Gross carrying amount (HK$'000)	148,381	12,999	8,057	169,437
Expected credit losses (HK$'000)	293	50	1,514	1,857

24. TRADE RECEIVABLES *(Continued)*

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under HKAS 39, as at 31 December 2017 was a provision for individually impaired trade receivables of HK$677,000 with a carrying amount before provision of HK$1,211,000. The individually impaired trade receivables related to customers that were in default or delinquency in payments. The Group held certain listed equity securities of clients as collateral over these individually impaired trade receivables.

The individually impaired trade receivables as at 31 December 2017 related to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade receivables as at 31 December 2017 that were neither individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 HK$'000
Neither past due nor impaired	140,928
Less than 1 month past due	1,374
1 to 3 months past due	1,962
3 months to 1 year past due	2,346
Over 1 year past due	149
	146,759

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018 **HK$'000**	2017 HK$'000
Prepayment	**21,556**	17,732
Deposits	**2,705**	18,377
Other receivables	**17,695**	13,117
	41,956	49,226
Portion classified as current assets	**(41,348)**	(47,638)
Portion classified non-current assets	**608**	1,588

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

Particulars of amounts due from related companies included in other receivables, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	**At 31 December 2018 HK$'000**	**Maximum amount outstanding during the year HK$'000**	At 31 December 2017 and 1 January 2018 HK$'000	Maximum amount outstanding during the year HK$'000	At 1 January 2017 HK$'000
South China Asset Holdings Limited ("SCAH")##	**747**	**747**	–	–	–
South China Asset Management Limited ("SCA")#	**335**	**559**	559	963	963
South China Financial Credits Limited ("SCFCL")#	**460**	**460**	374	386	349
South China Strategic Limited ("SCSL")*	**118**	**1,399**	1,399	1,540	–
South China Media Limited ("SCML")^	**–**	**–**	261	261	–
South China Media Management Limited ("SCMML")^	**659**	**659**	225	225	–
ZYC Holdings No.1 Limited ("ZYC")**	**–**	**–**	91	91	–
	2,319		2,909		1,312

SCA and SCFCL are subsidiaries of South China Assets Holdings Limited, a director of which is also a director of the Company.

* SCSL is a subsidiary of South China Holdings Company Limited, a director of which is also a director of the Company.

^ A director of SCML and SCMML is also a director of the Company.

** A director of ZYC was a director of the Company. ZYC became a subsidiary of the Company upon the acquisition of Lifestyle Group as set out in note 38 to the financial statements.

A director of SCAH is also a director of the Company.

The amounts are unsecured, non-interest-bearing and are repayable on demand.

26. CONTRACT ASSETS

	31 December 2018 HK$'000	1 January 2018 HK$'000
Contract assets arising from:		
Corporate advisory services	**3,352**	1,298

Contract assets are initially recognised for revenue earned from the provision of sponsoring services as the receipt of consideration is conditional on successful completion of milestones in relation to the sponsoring fee. Upon completion of milestones in relation to the sponsoring fee, the amounts recognised as contract assets are reclassified to trade receivables. During the year ended 31 December 2018, no allowance for expected credit losses is recognised on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 24 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December 2018 is as follows:

	HK$'000
Within one year	3,352

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The financial impact of ECLs for contract assets under HKFRS 9 was insignificant for the year ended 31 December 2018.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	2018		2017	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Foreign exchange contracts	**541**	**197**	615	289

The Group has entered into various leveraged foreign exchange contracts for trading and investment purpose. These contracts are not designated for hedge purpose and are measured at fair value through profit and loss.

28. CASH AND BANK BALANCES AND PLEDGED TIME DEPOSITS

	2018	2017
	HK$'000	HK$'000
Cash and bank balances	**108,456**	241,298
Time deposits	**–**	500
	108,456	241,798
Less: Pledged time deposits:		
Pledged for a guarantee provided to Hong Kong Exchanges and Clearing Limited for securities dealings	**–**	(500)
Cash and bank balances	**108,456**	241,298

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$32,175,000 (2017: HK$66,649,000). The RMB held in Mainland China is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. Bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

29. CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated trust accounts with licensed banks to hold securities, futures and forex clients' monies arising from its normal course of business. The Group has classified the clients' monies as "Cash held on behalf of clients" under the current assets section of the consolidated statement of financial position and recognised the corresponding accounts payable to respective clients on the grounds that the Group is liable for any loss or misappropriation of the clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

30. CLIENT DEPOSITS

The Group's client deposits arose from securities, forex, bullion and commodities dealings during the year.

The client deposits are unsecured, bear interest at the bank deposit savings rate or rates that are mutually agreed and are repayable on demand.

Included in client deposits as at 31 December 2018 are deposits from directors, the directors' close family members and companies in which certain directors have beneficial interests totalling HK$14,089,000 (2017: HK$40,091,000), which are subject to similar terms offered by the Group to its major clients.

31. TRADE PAYABLES

The Group's trade payables arose from securities, forex, bullion, commodities dealings, Media Services and jewellery business during the year.

An ageing analysis of the Group's trade payables at the end of the reporting period, based on the settlement due date, is as follows:

	2018 **HK$'000**	2017 HK$'000
Within 1 month	**162,180**	53,539
1 to 2 months	**1,512**	71
2 to 3 months	**1,613**	33
Over 3 months	**5,168**	180
	170,473	53,823

The trade payables are non-interest-bearing and repayable on the settlement day of the relevant trades or upon demand from customers.

In respect of Media Services and jewellery business, the credit period granted by the creditors ranges from 0 to 90 days and the trade payables are non-interest-bearing.

32. OTHER PAYABLES AND ACCRUALS

	Notes	2018 HK$'000	2017 HK$'000
Contract liabilities	(a)	**6,378**	–
Other payables	(b)	**16,733**	14,755
Accruals		**10,063**	9,098
		33,174	23,853

Notes:

(a) Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018 HK$'000	1 January 2018 HK$'000
Short-term advances received from customers		
Corporate advisory services	**3,412**	1,298
Handling services	**2,084**	3,151
Media publications and financial public relation services	**882**	221
Total contract liabilities	**6,378**	4,670

The increase in contract liabilities in 2018 was mainly due to the increase in advances received from customers in relation to the corporate advisory services at the end of the year.

(b) Other payables are non-interest-bearing and have an average term of two months.

Particulars of amounts due to related companies included in other payables are as follows:

Name	2018 HK$'000	2017 HK$'000
Jessica Limited ("Jessica")#	–	214
Car Plus Limited ("Car Plus")#	–	7
	–	221

\# A director of Jessica and Car Plus was also a director of the Company. Jessica and Car Plus became subsidiaries of the Company upon the acquisition of the Lifestyle Group as set out in note 38 to the financial statements.

The amounts were unsecured, non-interest-bearing and repayable on demand.

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018			2017		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank overdrafts – secured	HIBOR +2.5%	On demand	75,995	HIBOR + 2.5%	On demand	73,139
Bank loans – secured	HIBOR +1.25% to HIBOR +2.75%	On demand	369,000	HIBOR + 1.45% to HIBOR + 2.75%	On demand	338,000
	HIBOR +2.5%	2019	20,215	HIBOR + 2.5%	2018	19,481
	4.35% to 5.7%	On demand	4,554	–	–	–
Bank loans – unsecured	HIBOR +3.5% to HIBOR +3.75%	On demand	12,500	–	–	–
Other loans – unsecured	6.5% to 7%	On demand	4,714	–	–	–
			486,978			430,620
Non-current						
Bank loans – secured	HIBOR +2.5%	2020–2023	152,919	HIBOR + 2.5%	2019-2023	181,057
			639,897			611,677

	2018 HK$'000	2017 HK$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**482,264**	430,620
In the second year	**29,001**	28,211
In the third to fifth years, inclusive	**123,918**	139,286
Beyond five years	**–**	13,560
	635,183	611,677
Other borrowings repayable:		
Within one year or on demand	**4,714**	–
	639,897	611,677

33. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(i) HIBOR represents the Hong Kong Interbank Offered Rate.

(ii) The Group's overdraft facilities amounting to HK$182,000,000 (2017: HK$185,000,000), of which HK$75,995,000 (2017: HK$73,139,000) had been utilised at the end of the reporting period. Certain bank overdraft was secured by the pledge of certain of the Group's listed equity investments amounting to HK$134,343,000 (2017: HK$146,736,000) (note 23).

(iii) Certain of the Group's bank loans are secured by the Group's:

(a) investment properties situated in Hong Kong, which had a fair value at the end of the reporting period of approximately HK$529,000,000 (2017: HK$480,000,000) (note 14);

(b) time deposit amounting to HK$500,000 as at 31 December 2017 (note 28);

(c) Listed equity investments belonging to the Group and clients totalling approximately HK$543,986,000 (2017: HK$622,306,000) were pledged to banks to secure bank loans granted to a subsidiary of the Group at the end of the reporting period (notes 19, 20 and 23); and

(d) floating charges over the Group's inventories totalling HK$9,109,000 (note 22).

In addition, Nanjing Minxing Credit Guarantee Co., Ltd, a third party, has guaranteed certain of the Group's bank loans of HK$4,554,000 as at the end of the reporting period.

(iv) The Group's other loans are unsecured, bear interest at rates ranging from 6.5% to 7% per annum and are repayable on demand.

(v) Except for other loans of HK$4,714,000 and bank loans of HK$4,554,000 which are denominated in Renminbi, all borrowings are denominated in Hong Kong dollars.

34. SHARE CAPITAL

Shares

	2018 **HK$'000**	2017 HK$'000
Issued and fully paid:		
301,277,070 (2017: 15,084,253,500) ordinary shares	**1,085,474**	1,085,474

34. SHARE CAPITAL *(Continued)*

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK$'000
At 1 January 2017	15,084,253,500	1,086,680
Share repurchased (note (a))	(20,400,000)	(1,206)
At 31 December 2017 and 1 January 2018	15,063,853,500	1,085,474
Share Consolidation (note (b))	(14,762,576,430)	–
At 31 December 2018	301,277,070	1,085,474

Notes:

(a) With respect of the repurchase and cancellation of a total of 20,400,000 ordinary shares as disclosed in note 31(b) in the annual report 2017 of the Company, the Companies Registry and the Company reached settlement of the aforesaid incident by taking out of a consent summons dated 2 August 2018 for an order by consent that the action of appeal of the Company against the decision of the Registrar of Companies be discontinued; the hearing of the appeal and court application scheduled in August 2018 be vacated; the Company pays the Companies Registry 50% of the costs of and occasioned by the action of appeal in an amount not exceeding HK$150,000; and no order as to the Company's costs of the application for the order and the action of appeal.

(b) On 8 November 2018, the Company implemented the share consolidation on the basis that every fifty issued shares in the share capital of the Company were consolidated into one consolidated share in the share capital of the Company (the "Share Consolidation"). The issued ordinary shares of the Company were decreased from 15,063,853,500 shares to 301,277,070 shares as a result of the Share Consolidation.

35. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") which became effective on 11 June 2012. Under the Scheme, the directors of the Company may grant options to eligible persons to subscribe for the Company's shares subject to the terms and conditions stipulated therein. Unless otherwise cancelled or amended, the Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective.

The directors and employees of the Company and its subsidiaries are entitled to participate in the share option schemes operated by the Company. Details of the Scheme are as follows:

(1) Purpose of the Scheme

In order to provide incentives or rewards to the participants for their contribution to the Group and to enable the Group to attract and retain employees with relevant qualifications and experience to work for the Group and any entity in which any member of the Group holds any equity interest (the "Invested Entity"), the shareholders of the Company approved the adoption of the Scheme at the annual general meeting held on 5 June 2012.

(2) Participants of the Scheme

According to the Scheme, the board may, at its discretion, grant share options to any person in any of the following classes of participants:

(i) any executive director, employee or proposed employee (whether full time or part time) of any member of the Group or any Invested Entity or substantial shareholder;

(ii) any non-executive director (including any independent non-executive director) of any member of the Group or any Invested Entity or substantial shareholder;

(iii) any individual for the time being seconded to work for any member of the Group or any Invested Entity or substantial shareholder;

(iv) any shareholder of any member of the Group or any Invested Entity or substantial shareholder or any holder of any securities issued by any member of the Group or any Invested Entity or substantial shareholder;

(v) any business partner, agent, consultant, contractor or representatives of any member of the Group or any Invested Entity or substantial shareholder;

(vi) any supplier of goods or services to any member of the Group or any Invested Entity or substantial shareholder;

35. SHARE OPTION SCHEME *(Continued)*

(2) Participants of the Scheme *(Continued)*

(vii) any customer of any member of the Group or any Invested Entity or substantial shareholder;

(viii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group or any Invested Entity or substantial shareholder;

(ix) any other group or classes of participants from time to time determined by the directors as having contributed or may contribute to the development and growth of any member of the Group (including any discretionary object of a participant which is a discretionary trust); and

(x) any company wholly owned by one or more persons belonging to any of the above classes of participants.

(3) Total number of shares available for issue under the Scheme

The maximum number of shares in respect of which share options may be granted under the Scheme and any other share option scheme of the Company shall not exceed 10% of the total number of shares in issue as at the date of approval of the 2012 Share Option Scheme, that is, a total of 10,056,669 with adjustment to the Share Consolidation (note 34(b)) implemented during the year. Options which lapsed in accordance with the terms of the Scheme or any other share option scheme of the Company under which such options are granted shall not be counted for the purpose of calculating whether the abovementioned scheme mandate limit has been exceeded.

As at 31 December 2018, the total number of ordinary shares available for issue pursuant to the grant of share options under the 2012 Share Option Scheme was 10,056,669, representing approximately 3.34% of the ordinary shares in issue as at 31 December 2018 and the date of this Annual Report.

(4) Maximum entitlement of each participant

No participant shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant to such participant would exceed in aggregate 1% (or such other percentage as may be permitted under the Listing Rules and all other applicable law and regulations) of the shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the Listing Rules) abstaining from voting.

35. SHARE OPTION SCHEME *(Continued)*

(4) Maximum entitlement of each participant *(Continued)*

Any grant of share option to a connected person (as defined in the Listing Rules) or his associates (as defined in the Listing Rules) must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is the Grantee of the Option).

Where a grant of share options is to a substantial shareholder (as defined in the Listing Rules) of the Company or an independent non-executive director of the Company or any of their respective associates (as defined in the Listing Rules) and the proposed grant of share options, when aggregated with the share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person(s) in the past twelve (12) months period up to and including the date of such grant, would result in the shares issued and to be issued upon exercise of all the share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person(s) representing in aggregate over 0.1% of the total issued share capital of the Company for the time being (or such other amount or percentage or on such other date as the relevant provisions of the Listing Rules may specify) and having an aggregate value, based on the closing price of the share at the date of each grant, in excess of HK$5 million (or such other amount or on such other price or date as the relevant provisions of the Listing Rules may specify), then the proposed grant of share options must be subject to the approval of the shareholders of the Company on a poll in a general meeting where all connected persons of the Company must abstain from voting (except where such connected person(s) intends to vote against the proposed grant of share options and his intention to do so has been stated in the circular).

(5) Period within which the shares must be taken up under an option

The board may, at its absolute discretion, determine the period during which a share option may be exercised. Such period should expire no later than 10 years from the date of grant. The board may also impose restrictions on the exercise of a share option during the period a share option may be exercised.

(6) Minimum period, if any, for which an option must be held before it can be exercised

There is no specific requirement under the 2012 Share Option Scheme that an option must be held for any minimum period before it can be exercised. However, the terms of the 2012 Share Option Scheme provide that the board has the discretion to impose a minimum period at the time of grant of any particular option.

35. SHARE OPTION SCHEME *(Continued)*

(7) Amount payable upon acceptance of the option and the period within which payment must be made

An amount of HK$1 for each lot of share options granted is payable upon acceptance of the options within 28 days from the date of offer of the options.

(8) Basis of determining the exercise price of the option

The exercise price is determined by the board, and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of grant; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of grant; and (iii) the nominal value of the Company's shares.

(9) Remaining life of the Scheme

Subject to early termination of the Scheme pursuant to the terms thereof, the Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective on 11 June 2012.

The following share options were outstanding under the Scheme during the year:

	2018			2017	
	Weighted average exercise price per share HK$	**Adjusted weighted average exercise price per share# HK$**	**Number of options '000**	Weighted average exercise price per share HK$	Number of options '000
At 1 January	**0.195**	**9.750**	**31,077**	0.195	36,256
Lapsed during the year	**0.195**	**9.750**	**(10,359)**	0.195	(5,179)
Adjustment as a result of the Share Consolidation			**(20,304)**		–
At 31 December			**414**		31,077

As a result of the Share Consolidation, an adjustment has been made, among others, to the number of share options granted to employees and exercise price per share.

35. SHARE OPTION SCHEME *(Continued)*

(9) Remaining life of the Scheme *(Continued)*

Particulars of the outstanding share options granted under the Scheme and the movements of such share options during the year are as follows:

Name or category of participant	Number of share options: Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Lapsed during the year	Adjustment as a result of the Share Consolidation	Outstanding as at 31 December 2018	Number of ordinary shares issuable upon the exercise of the outstanding share options (note a)	Exercise price per share HK$ (notes b and c)	Date of grant of share options	Exercise periods of share options
Employees	10,358,974	–	–	(10,358,974)	–	–	–	0.195	09/06/2015	09/06/2016–08/06/2018
	10,358,975	–	–	–	(10,151,798)	207,177	207,177	9.750	09/06/2015	09/06/2017–08/06/2019
	10,358,975	–	–	–	(10,151,795)	207,180	207,180	9.750	09/06/2015	09/06/2018–08/06/2020
	31,076,924	–	–	(10,358,974)	(20,303,593)	414,357				

Name or category of participant	Number of share options: Outstanding as at 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2017	Number of ordinary shares issuable upon the exercise of the outstanding share options (note a)	Exercise price per share HK$ (notes b and c)	Date of grant of share options	Exercise periods of share options
Employees	15,538,462	–	–	(5,179,488)	10,358,974	10,358,974	0.195	09/06/2015	09/06/2016–08/06/2018
	10,358,975	–	–	–	10,358,975	10,358,975	0.195	09/06/2015	09/06/2017–08/06/2019
	10,358,975	–	–	–	10,358,975	10,358,975	0.195	09/06/2015	09/06/2018–08/06/2020
	36,256,412	–	–	(5,179,488)	31,076,924				

Notes:

(a) Representing 0.1% and 0.2% of the total issued voting shares in the Company as at 31 December 2018 and 2017, respectively.

(b) The share price immediately preceding the grant date of share options on 9 June 2015 was HK$0.2.

(c) As a result of rights issue and the Share Consolidation, an adjustment has been made, among others, to the number of share options granted to employees and exercise price per share.

35. SHARE OPTION SCHEME *(Continued)*

(9) Remaining life of the Scheme *(Continued)*

On 9 June 2015, the Company granted 60,000,000 share options to certain employees. The fair value of these share options granted was HK$5,875,000, of which the Group recognised a share option expense of HK$156,000 (2017: HK$577,000) during the year ended 31 December 2018.

The fair value of equity-settled share options granted on 9 June 2015 was estimated as at the date of grant using a trinomial model, taking into account the terms and conditions upon which such share options were granted. The following table lists the inputs to the model used:

Share price (at grant date)	HK$0.194
Exercise price#	HK$0.202
Expected volatility	76.09% to 85.61%
Expected dividend yield	Nil
Contractual option life	3 to 5 years
Risk-free interest rate	0.813% to 1.286%
Early exercise multiple	2.2
Exit rate	43.216%

HK$0.195 after adjusting for the effect of the Company's right issue in 2016 and HK$9.750 after adjusting for the effect of the Share Consolidation in 2018.

The expected volatility reflects the assumptions that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The values of the share options calculated using the trinomial model are subject to certain fundamental limitations due to the inherent limitations of the model itself and the subjective nature of and uncertainty relating to the assumptions adopted for the inputs to the model in respect of expected future performance. Any change in the assumptions and, hence, inputs to the model may materially affect the estimation of fair value of a share option.

At the end of the reporting period, the Company had 414,357 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 414,357 additional ordinary shares in the Company and give rise to proceeds receivables of HK$4,040,000 (before issue expenses).

36. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 68 of the financial statements.

37. OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR

	2018 HK$'000	2017 HK$'000
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	–	15,077
Debt investments at fair value through other comprehensive income:		
Changes in fair value	705	–
Exchange differences on translation of foreign operations	(3,725)	5,249
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	(3,020)	20,326
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	(9,240)	–
Other comprehensive income/(loss) for the year	(12,260)	20,326

38. BUSINESS COMBINATIONS

During the year ended 31 December 2018, the Group has carried out the following business combinations.

(a) Acquisition of Lifestyle Group

On 29 March 2018, the Group acquired 100% equity interests in Perfect Riches Limited, Super Bellax Ltd., Great Ready Assets Limited and Jade Fountain Limited from Nicemate Investments Limited, Jessica Publication (BVI) Limited, Win Gain Investments Limited and Ace Market Investments Limited, respectively, which were wholly owned by Mr. Ng Hung Sang, a director, the Chairman of the Board and a substantial shareholder of the Company, for an aggregate cash consideration of HK$52,020,000, comprising the cash consideration of HK$15,000,000 and a cash adjustment to consideration of HK$37,020,000 that was paid pursuant to the adjustment to consideration clause contemplated in the relevant sales and purchase agreement. Perfect Riches Limited, Super Bellax Ltd., Great Ready Assets Limited, Jade Fountain Limited and its respective subsidiaries ("Lifestyle Group") are principally engaged in media publications and public relation services.

The acquisition was in line with the Group's overall strategy to make investments that would create synergy with its existing operations and diversify its revenue stream as well as implement a consumer oriented-business platform in the future.

(b) Acquisition of King Link

On 18 September 2018, the Group acquired 85% equity interests in King Link Investments Limited ("King Link") from Orient Victory Travel Group Company Limited, of which 15% equity interests of King Link were indirectly held by Mr. Ng Hung Sang, a director, the Chairman of the Board and a substantial shareholder of the Company, for an aggregate cash consideration of HK$4,800,000. King Link is an investment holding company which holds 65.5% equity interests in Nanjing Baoqing which is principally engaged in sales and distribution of jewellery products through flagship store and counters of large department stores in Nanjing.

The acquisition was made as part of the Group's strategy to expand in luxury goods market in the PRC and diversify the income of the Group.

38. BUSINESS COMBINATIONS *(Continued)*

Year ended 31 December 2018

The fair values of the identifiable assets and liabilities of the Lifestyle Group and King Link as at the date of acquisitions were as follows:

		Fair value recognised on acquisitions					
		Lifestyle Group					
	Notes	Perfect Riches Limited HK$'000	Super Bellax Limited HK$'000	Great Ready Assets Limited HK$'000	Jade Fountain Limited HK$'000	King link Investments Limited HK$'000	Total HK$'000
Property, plant and equipment	13	575	–	–	9	226	810
Intangible assets	16	1,581	–	282	5,903	–	7,766
Trade receivables		1,682	–	10	5,328	225	7,245
Prepayments, deposits and other receivables		408	–	217	4,129	1,219	5,973
Inventories		–	–	–	–	11,518	11,518
Cash and bank balances		15	–	1	4,980	2,455	7,451
Deferred tax assets	21	261	–	47	974	57	1,339
Trade payables		(5,190)	–	(31)	(11,313)	(66)	(16,600)
Other payables and accruals		(963)	–	(761)	(4,389)	(2,569)	(8,682)
Tax payable		(12)	–	–	–	(141)	(153)
Interest-bearing bank and other borrowings		–	–	–	(26,675)	(7,220)	(33,895)
Deferred tax liabilities	21	(261)	–	(47)	(974)	(57)	(1,339)
Total identifiable net assets/ (liabilities) at fair value		(1,904)	–	(282)	(22,028)	5,647	(18,567)
Non-controlling interests		–	–	–	–	(847)	(847)
		(1,904)	–	(282)	(22,028)	4,800	(19,414)
Goodwill on acquisitions	15	17,569	–	5,907	52,758	–	76,234
Satisfied by cash		15,665	–	5,625	30,730	4,800	56,820

Goodwill arose from the above acquisitions represented premium paid for the benefits of expected synergies from combining above operations to the Group. None of the goodwill recognised is expected to be deductible for tax purposes.

The fair values of the trade receivables and other receivables as at the date of acquisitions amounted to HK$7,245,000 and HK$3,866,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$7,245,000 and HK$3,866,000, respectively.

38. BUSINESS COMBINATIONS *(Continued)*

The Group incurred transaction costs of HK$3,575,000 for these acquisitions. These transaction costs have been expensed and are included in other operating expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisitions of subsidiaries is as follows:

	HK$'000
Cash consideration	(56,820)
Cash and bank balance acquired	7,451
Cash and bank balance overdrafted	(6,675)
Net outflow of cash and cash equivalents included in cash flows of investing activities	(56,044)
Transaction costs of the acquisitions included in cash flows from operating activities	(3,575)
	(59,619)

Since the acquisitions, the Lifestyle Group and King Link contributed HK$43,410,000 to the Group's revenue and loss of HK$4,605,000 to the consolidated loss for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the loss of the Group for the year would have been HK$179,323,000 and HK$239,853,000, respectively.

38. BUSINESS COMBINATIONS *(Continued)*

During the year ended 31 December 2017, the Group had carried out the following business combination.

Acquisition of Capital Group

On 18 January 2017, the Group acquired 100% equity interest in Media Bonus Limited and Golden Ways Limited from Win Gain Investments Limited and Surge Fast Assets Limited, respectively, which were wholly-owned by a director who is also a director of the Company, for an aggregate cash consideration of HK$22,039,000, comprising the cash consideration of HK$20,000,000 and a cash adjustment to consideration of HK$2,039,000 that was paid pursuant to the adjustment to consideration clause contemplated in the relevant sales and purchase agreement, of which HK$18,224,000 was paid for the acquisition of Media Bonus Limited and HK$3,815,000 for the acquisition of Golden Ways Limited, respectively. Media Bonus Limited and its subsidiaries, and Golden Ways Limited ("Capital Group") are engaged in the financial media business, event management, marketing services and other related business. The acquisition was in line with the Group's overall mission as a distinctive "one-stop services" financial institution and was expected to create synergy to the financial public relation business and current businesses of the Group by offering value-added marketing communication solutions to existing and potential customers with the renowned media platform.

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

		Fair value recognised on acquisition		
		Media Bonus Limited	**Golden Ways Limited**	**Total**
	Notes	HK$'000	HK$'000	HK$'000
Property, plant and equipment	13	11	–	11
Intangible assets	16	3,481	2,454	5,935
Trade receivables		2,393	1,202	3,595
Other receivables		894	368	1,262
Cash and bank balances		26	5	31
Deferred tax assets	21	574	405	979
Trade payables		(387)	(108)	(495)
Other payables and accruals		(1,908)	(457)	(2,365)
Deferred tax liabilities	21	(574)	(405)	(979)
Total identifiable net assets at fair value		4,510	3,464	7,974
Goodwill on acquisition	15	13,714	351	14,065
Satisfied by cash		18,224	3,815	22,039

38. BUSINESS COMBINATIONS *(Continued)*

Acquisition of Capital Group *(Continued)*

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$3,595,000 and HK$1,262,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$3,595,000 and HK$1,262,000, respectively.

The Group incurred transaction costs of HK$1,074,000 for this acquisition. These transaction costs have been expensed and are included in other operating expenses in the consolidated statement of profit or loss.

None of the goodwill recognised is expected to be deductible for tax purposes.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	HK$'000
Cash consideration	(22,039)
Cash and bank balance acquired	31
Net outflow of cash and cash equivalents included in cash flows of investing activities	(22,008)
Transaction costs of the acquisition included in cash flows from operating activities	(1,074)
	(23,082)

Since the acquisition, the Capital Group contributed HK$17,609,000 to the Group's revenue and loss of HK$33,247,000 to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been HK$255,669,000 and HK$53,754,000, respectively.

39. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Change in liabilities arising from financing activities

2018

	Interest-bearing bank and other borrowings less bank overdrafts HK$'000
At 1 January 2018	538,538
Changes from financing cash flows	(1,864)
Foreign exchange movement	8
Increase arising from acquisitions of subsidiaries	27,220
At 31 December 2018	563,902

2017

	Interest-bearing bank and other borrowings less bank overdrafts HK$'000
At 1 January 2017	506,236
Changes from financing cash flows	32,302
At 31 December 2017	538,538

40. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and overdrafts are included in note 33 to the financial statements.

41. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms of two to three years. The terms of the leases generally also require the tenants to pay security deposits.

At 31 December 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**12,899**	10,297
In the second to fifth years, inclusive	**13,311**	3,694
	26,210	13,991

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements, with leases negotiated for terms ranging from two to six years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**6,546**	5,322
In the second to fifth years, inclusive	**6,454**	4,338
	13,000	9,660

42. COMMITMENTS

In addition to the operating lease commitments detailed in note 41(b) above, the Group had the following capital commitments at the end of the reporting period:

	2018 HK$'000	2017 HK$'000
Contracted, but not provided for:		
Capital contributions to a subsidiary	**11,386**	11,995
Capital contributions to an associate	**7,970**	8,397
	19,356	20,392

43. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties, directors and/or companies in which certain directors have beneficial interests during the year:

	Notes	2018 HK$'000	2017 HK$'000
Commission and brokerage income*	(i)	**967**	1,410
Interest income arising from margin financing*	(ii)	**1,368**	47
Rental and building management fee expenses*	(iii)	**17,389**	10,959
Colour separation expenses*	(iv)	**659**	430
Advertising and promotion expenses*	(v)	**500**	2,500
Loan interest income*	(vi)	**100**	–
Sponsorship fee income*	(vii)	**1,500**	–

* The related party transactions also constitute exempted connected transactions as defined in Chapter 14A of the Listing Rules.

43. CONNECTED AND RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Notes:

(i) Commission and brokerage income relating to the Group's securities broking business and the rate was determined by reference to commission and brokerage fees charged to third parties.

(ii) Interest income related to the Group's margin financing business and the amount was calculated based on the Hong Kong dollar prime rate per annum which is similar to the rate offered to the Group's major clients.

(iii) Rental and building management expenses relating to the leasing of the Group's office premises were charged on a cost reimbursement basis and the leasing of the Group's restaurants and staff quarters were charged at terms stipulated in the respective consolidated management services agreements, property management services agreement and tenancy agreements.

(iv) Colour separation expenses relating to the Group's media publications business were charged on terms mutually agreed between the relevant parties.

(v) Advertising and promotion expenses were charged on terms mutually agreed between the relevant parties.

(vi) Loan interest income relating to the finance lease was charged on terms mutually agreed between the relevant parties.

(vii) Sponsorship fee income was determined by reference to sponsorship fee charged to third parries.

(b) Other transactions with related/connected parties:

Year ended 31 December 2018

On 29 March 2018, the Group completed the acquisition of the entire equity interest in Perfect Riches Limited, Super Bellax Ltd., Great Ready Assets Limited and Jade Fountain Limited for a consideration of HK$52,020,000. Further details of the acquisition are contained in the Company's circular dated 9 March 2018 and note 38 to the financial statements.

On 18 September 2018, the Group completed the acquisition of 85% equity interests in King Link Investments Limited for a consideration of HK$4,800,000. Further details of the acquisition are contained in the Company's circular dated 23 July 2018 and note 38 to the financial statements.

Year ended 31 December 2017

On 18 January 2017, the Group completed the acquisition of the entire equity interest in Golden Ways Limited and Media Bonus Limited for a consideration of HK$22,039,000. Further details of the acquisition are contained in the Company's circular dated 29 December 2016 and note 38 to the financial statements.

(c) Compensation of key and senior management personnel of the Group:

The executive directors are the key and senior management personnel of the Group. Details of their remuneration are disclosed in note 8 to the financial statements.

44. FINANCIAL INSTRUMENTS BY CATEGORY

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

2018

Financial assets

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income			
	Designated upon initial recognition HK$'000	Held for trading HK$'000	Debt investments HK$'000	Equity investments HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Other assets	–	–	–	–	7,514	7,514
Equity investments designated at fair value though other comprehensive income	–	–	–	30,520	–	30,520
Debt investments at fair value through other comprehensive income	–	–	3,080	–	–	3,080
Loans receivable	–	–	–	–	297,277	297,277
Trade receivables	–	–	–	–	167,580	167,580
Derivative financial instruments	–	541	–	–	–	541
Financial assets at fair value through profit or loss	9,599	421,568	–	–	–	431,167
Financial assets included in prepayments, other receivables and other assets (note 25)	–	–	–	–	20,400	20,400
Cash held on behalf of clients	–	–	–	–	541,617	541,617
Cash and bank balances	–	–	–	–	108,456	108,456
	9,599	422,109	3,080	30,520	1,142,844	1,608,152

44. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2018 *(Continued)*

Financial liabilities

	Financial liabilities at fair value through profit or loss — held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Client deposits	–	485,171	485,171
Trade payables	–	170,473	170,473
Derivative financial instruments	197	–	197
Financial liabilities included in other payables and accruals	–	26,117	26,117
Deposits received	–	3,672	3,672
Interest-bearing bank and other borrowings	–	639,897	639,897
	197	1,325,330	1,325,527

44. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2017

Financial assets

	Financial assets at fair value through profit or loss				
	Designated upon initial recognition HK$'000	Held for trading HK$'000	Available-for-sale investments HK$'000	Loans and receivables HK$'000	Total HK$'000
Other assets	–	–	–	17,675	17,675
Available-for-sale investments	–	–	42,135	–	42,135
Loans receivable	–	–	–	388,176	388,176
Trade receivables	–	–	–	147,293	147,293
Derivative financial instruments	–	615	–	–	615
Financial assets at fair value through profit or loss	15,498	609,685	–	–	625,183
Financial assets included in prepayments, other receivables and other assets (note 25)	–	–	–	31,494	31,494
Pledged time deposits	–	–	–	500	500
Cash held on behalf of clients	–	–	–	597,368	597,368
Cash and bank balances	–	–	–	241,298	241,298
	15,498	610,300	42,135	1,423,804	2,091,737

Financial liabilities

	Financial liabilities at fair value through profit or loss — held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Client deposits	–	719,728	719,728
Trade payables	–	53,823	53,823
Derivative financial instruments	289	–	289
Financial liabilities included in other payables and accruals	–	19,512	19,512
Deposits received	–	1,260	1,260
Interest-bearing bank and other borrowings	–	611,677	611,677
	289	1,406,000	1,406,289

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, cash held on behalf of clients, pledged time deposits, other assets, the current portion of loans receivable, trade receivables, financial assets included in prepayments, other receivables and other assets, clients deposits, trade payables, financial liabilities included in other payables and accruals, deposits received and balances with subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of loans receivable, interest-bearing bank and other borrowings, deposits and a subordinated loan to a subsidiary have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2018 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted debt investments in which represented club debentures have been estimated based on market transaction prices. The fair values of derivative financial instruments are measured based on quoted market prices.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS
(Continued)

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Equity investments designated at fair value through other comprehensive income	**30,520**	**–**	**–**	**30,520**
Debt investments at fair value through other comprehensive income	**–**	**3,080**	**–**	**3,080**
Derivative financial instruments	**–**	**541**	**–**	**541**
Financial assets at fair value through profit or loss	**431,167**	**–**	**–**	**431,167**
	461,687	**3,621**	**–**	**465,308**

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Available-for-sale investments:				
Equity investments	39,690	–	–	39,690
Debt investments	–	2,445	–	2,445
Derivative financial instruments	–	615	–	615
Financial assets at fair value through profit or loss	625,183	–	–	625,183
	664,873	3,060	–	667,933

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Liabilities measured at fair value:

	Fair value measurement using significant observable inputs (Level 2) HK$'000
As at 31 December 2018	
Derivative financial instruments	197
As at 31 December 2017	
Derivative financial instruments	289

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

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and overdrafts, cash and short term deposits, and listed equity investments. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as loans receivable, trade receivables and trade payables, which arise directly from its operations.

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's net debt obligations with floating interest rates. The majority of the bank borrowings bear interest at interest rates with reference to the HIBOR whereas loans to customers bear interest at interest rates with reference to the prime rate. As the prime rate in Hong Kong basically changes in line with the HIBOR, the Group's exposure to the risk of changes in market interest rates is minimal.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk *(Continued)*

The following table demonstrates the sensitivity to a reasonably possible change in the Hong Kong dollar interest rate, with all other variables held constant, of the Group's profit/(loss) before tax (through the impact on floating rate net borrowings).

	Change in basis points	**Change in profit/(loss) before tax**
		HK$'000
2018		
Hong Kong dollar	**50**	**3,153**
2017		
Hong Kong dollar	50	3,058

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

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

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. For listed debt investments, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Contract assets*	–	–	–	3,352	3,352
Other assets					
— Normal**	7,514	–	–	–	7,514
Debt investments at fair value through other comprehensive income					
— Normal**	3,080	–	–	–	3,080
Loans receivable					
— Normal**	297,277	–	–	–	297,277
Trade receivables*	–	–	–	167,580	167,580
Financial assets included in prepayments, other receivables and other assets					
— Normal**	20,400	–	–	–	20,400
Cash held of behalf of clients					
— No yet past due	541,617	–	–	–	541,617
Cash and bank balances					
— No yet past due	108,456	–	–	–	108,456
	978,344	–	–	170,932	1,149,276

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 24 and 26 to the financial statements, respectively.

** The credit quality of the financial assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure as at 31 December 2017

The credit risk of the Group's other financial assets, which comprise other assets, available-for-sale investments, loans receivables, trade receivables, derivative financial instruments, financial assets at fair value through profit or loss, financial assets included in prepayments, other receivables and other assets, pledged time deposits, cash held on behalf of clients and cash and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from loans and trade receivables are disclosed in notes 19 and 24 to the financial statements, respectively.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., loans and trade receivables) and projected cash flows from operations.

The Group's borrowings from banks during the year are mainly for the provision of financing and loans to customers for their purchases and continuous holding of securities. The maturity of bank borrowings of the Group usually ranges from overnight to one month, and they are either rolled over or repaid by the Group's own funding. In addition, for those clients who are unable to settle their settlement obligations or margin deficits, the Group may dispose of the securities collateral pledged by the customers to the Group. The Group always ensures that the securities collateral pledged by customers are able to be realised in the market within a reasonable period of time.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

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

	2018					
	On demand HK$'000	**Less than 3 months HK$'000**	**3 to less than 12 months HK$'000**	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Client deposits	**485,171**	**–**	**–**	**–**	**–**	**485,171**
Interest-bearing bank and other borrowings	**393,317**	**73,054**	**26,805**	**168,484**	**–**	**661,660**
Trade payables	**–**	**165,305**	**5,168**	**–**	**–**	**170,473**
Derivative financial instruments	**197**	**–**	**–**	**–**	**–**	**197**
Financial liabilities included in other payables and accruals	**–**	**26,117**	**–**	**–**	**–**	**26,117**
Deposits received	**–**	**–**	**–**	**3,672**	**–**	**3,672**
	878,685	**264,476**	**31,973**	**172,156**	**–**	**1,347,290**

	2017					
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Client deposits	719,728	–	–	–	–	719,728
Interest-bearing bank and other borrowings	345,245	66,761	26,068	209,045	13,727	660,846
Trade payables	–	53,643	180	–	–	53,823
Derivative financial instruments	289	–	–	–	–	289
Financial liabilities included in other payables and accruals	–	19,512	–	–	–	19,512
Deposits received	–	–	–	1,260	–	1,260
	1,065,262	139,916	26,248	210,305	13,727	1,455,458

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through profit or loss (note 23) and equity investments designated at fair value through other comprehensive income/available-for-sale investments (note 20) at the end of the reporting period. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to every 10% change in the fair value of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the equity investments designated at fair value through other comprehensive income/the available-for-sale investments, the impact is deemed to be on the fair value reserve and the available-for-sale revaluation reserve, respectively.

			Carrying amount of equity investments	**Change in profit/(loss) before tax**	**Change in equity***
			HK$'000	HK$'000	HK$'000
2018					
Investments listed in:					
Hong Kong	—	Equity investments designated at fair value through other comprehensive income	**30,520**	**–**	**3,052**
	—	Held-for-trading	**421,568**	**42,157**	**–**
	—	Designated upon initial recognition	**9,599**	**960**	**–**
2017					
Investments listed in:					
Hong Kong	—	Available-for-sale	39,690	–	3,969
	—	Held-for-trading	609,685	60,969	–
	—	Designated upon initial recognition	15,498	1,550	–

* Excluding accumulated losses

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Certain subsidiaries of the Group are regulated by the Securities and Futures Commission (the "SFC") and are required to comply with certain minimum capital requirements according to the rules of the SFC. The Group has established a compliance department which is operated by experienced compliance officers and is monitored by management. The principal roles of the legal and compliance department are to monitor the daily financial status and to review internal control of the Group regularly to ensure that the Company's regulated subsidiaries are in compliance with related regulations. No changes were made in the objectives, policies or processes for managing capital during the two years ended 31 December 2018 and 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group's policy is to maintain the gearing ratio below 50%. Net debt is interest-bearing bank and other borrowings less cash and bank balances. Capital represents total equity. The gearing ratios at the end of the reporting periods were as follows:

	2018 **HK$000**	2017 HK$000
Interest-bearing bank and other borrowings	**639,897**	611,677
Less: Cash and bank balances	**(108,456)**	(241,298)
Net debt	**531,441**	370,379
Capital	**914,360**	1,166,696
Capital and net debt	**1,445,801**	1,537,075
Gearing ratio	**36.8%**	24.1%

47. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following tables represent details of financial instruments subject to offsetting:

	2018					
				Related amounts not set off in the statement of financial position		
Assets	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the statement of financial position HK$'000	Net amounts of financial assets presented in the statement of financial position HK$'000	Financial instruments HK$'000	Cash collateral pledged HK$'000	Net amount HK$'000
Trade receivables	215,013	(47,433)	167,580	–	–	167,580
Loans receivable	305,802	(8,525)	297,277	–	–	297,277
Derivative financial instruments	558	(17)	541	–	(541)	–
	521,373	(55,975)	465,398	–	(541)	464,857

	2018					
				Related amounts not set off in the statement of financial position		
Liabilities	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the statement of financial position HK$'000	Net amounts of financial liabilities presented in the statement of financial position HK$'000	Financial instruments HK$'000	Cash collateral pledged HK$'000	Net amount HK$'000
Trade payables	226,431	(55,958)	170,473	–	–	170,473
Derivative financial instruments	214	(17)	197	–	(197)	–
	226,645	(55,975)	170,670	–	(197)	170,473

47. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Continued)*

	2017					
				Related amounts not set off in the statement of financial position		
Assets	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the statement of financial position HK$'000	Net amounts of financial assets presented in the statement of financial position HK$'000	Financial instruments HK$'000	Cash collateral pledged HK$'000	Net amount HK$'000
Trade receivables	213,545	(66,252)	147,293	–	–	147,293
Loans receivable	404,305	(16,129)	388,176	–	–	388,176
Derivative financial instruments	615	–	615	–	(615)	–
	618,465	(82,381)	536,084	–	(615)	535,469

	2017					
				Related amounts not set off in the statement of financial position		
Liabilities	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the statement of financial position HK$'000	Net amounts of financial liabilities presented in the statement of financial position HK$'000	Financial instruments HK$'000	Cash collateral pledged HK$'000	Net amount HK$'000
Trade payables	136,204	(82,381)	53,823	–	–	53,823
Derivative financial instruments	289	–	289	–	(289)	–
	136,493	(82,381)	54,112	–	(289)	53,823

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries		**473,318**	697,004
Subordinated loan to a subsidiary	(a)	**100,000**	100,000
Intangible assets		**569**	322
Total non-current assets		**573,887**	797,326
CURRENT ASSETS			
Prepayments, other receivables and other assets		**145**	16,054
Cash and bank balances		**627**	39,042
Total current assets		**772**	55,096
CURRENT LIABILITIES			
Other payables		**760**	383
NET CURRENT ASSETS		**12**	54,713
TOTAL ASSETS LESS CURRENT LIABILITIES		**573,899**	852,039
NON-CURRENT LIABILITIES			
Amounts due to subsidiaries		**652**	9,669
Net assets		**573,247**	842,370
EQUITY			
Share capital		**1,085,474**	1,085,474
Reserves	(b)	**(512,227)**	(243,104)
Total equity		**573,247**	842,370

On behalf of the Board

Ng Yuk Mui Jessica
Director

Cheung Choi Ngor
Director

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Notes:

(a) The Company's subordinated loan to a subsidiary, South China Securities Limited, is unsecured, bears interest at a rate of 2% below the Hong Kong dollar prime rate (2017: 2% below the Hong Kong dollar prime rate) per annum, and is repayable on a date as agreed between the Company and the subsidiary, subject to the overriding provision of the subordinated loan agreement that, if the subsidiary becomes insolvent or unable to meet the liquid capital requirements set out in the Hong Kong Securities and Futures (Financial Resources) Rules, the repayment of the loan will be subordinated to the prior repayment of all other creditors of the subsidiary. In the opinion of the directors, the balance is not repayable within one year.

(b) A summary of the Company's reserves is as follows:

	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2017	2,633	(500,881)	(498,248)
Total comprehensive profit for the year	–	254,567	254,567
Equity-settled share option arrangements	577	–	577
Transfer of share options reserve upon the forfeiture of share options	(429)	429	–
At 31 December 2017 and at 1 January 2018	**2,781**	**(245,885)**	**(243,104)**
Total comprehensive loss for the year	**–**	**(269,279)**	**(269,279)**
Equity-settled share option arrangements	**156**	**–**	**156**
Transfer of share options reserve upon the forfeiture of share options	**(859)**	**859**	**–**
At 31 December 2018	**2,078**	**(514,305)**	**(512,227)**

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to accumulated losses should the related options are exercised, or expire or lapse.

49. EVENT AFTER THE REPORTING PERIOD

On 1 February 2019, the Company (as vendor) and South China Industries (BVI) Limited (as purchaser), a wholly-owned subsidiary of South China Holdings Company Limited entered into a conditional sale and purchase agreement (the "S&P Agreement"), pursuant to which the Company has agreed to dispose of one share of US$1.00 in the capital of Year Blossom Limited, a wholly-owned subsidiary of the Company (the "Sale Share") and the purchaser has agreed to acquire the Sale Share subject to and in accordance with the terms and conditions of the S&P Agreement.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 March 2019.

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATIONS					
Revenue	**143,913**	254,335	121,366	148,460	105,744
Profit/(loss) before tax	**(227,138)**	53,417	(55,867)	(9,265)	(72,331)
Tax	**(894)**	(878)	(836)	(5,613)	(573)
Profit/(loss) for the year from continuing operations	**(228,032)**	52,539	(56,703)	(14,878)	(72,904)
DISCONTINUING OPERATION					
Loss for the year from a discontinuing operation	**(11,734)**	–	–	–	–
Profit/(loss) for the year	**(239,766)**	52,539	(56,703)	(14,878)	(72,904)
Attributable to:					
Equity holders of the Company					
— For profit/(loss) from continuing operations	**(228,016)**	52,539	(56,703)	(14,842)	(72,893)
— For loss from a discontinuing operation	**(11,734)**	–	–	–	–
— For profit/(loss) for the year	**(239,750)**	52,539	(56,703)	(14,842)	(72,893)
Non-controlling interests	**(16)**	–	–	(36)	(11)
	(239,766)	52,539	(56,703)	(14,878)	(72,904)

RESULTS *(Continued)*

	Year ended 31 December				
	2018	2017 (restated)	2016 (restated)	2015 (restated)	2014 (restated)
Earnings/(loss) per share (HK cents):					
Basic and diluted — For profit/(loss) for the year	**(79.6)**	17.4	(26.3)	(10.4)	(60.4)
Basic and diluted — For profit/(loss) from continuing operations	**(75.7)**	17.4	(26.3)	(10.4)	(60.4)
Dividend per share (HK cents)	**–**	–	–	–	–

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
TOTAL ASSETS	**2,287,399**	2,610,784	2,323,494	1,796,596	1,784,283
TOTAL LIABILITIES	**(1,373,039)**	(1,444,088)	(1,229,034)	(1,125,596)	(1,350,406)
NON-CONTROLLING INTERESTS	**(831)**	–	–	–	(543)
	913,529	1,166,696	1,094,460	671,000	433,334