G-RESOURCES

2018
ANNUAL REPORT

CORPORATE PHILOSOPHY

OUR VALUES

We strive to be a GREAT company in all of our operations and dealings with people. The GREAT values are the foundation of our Company, and provide a core commitment to achieve the best we can for all of G-Resources' stakeholders.

GREAT VALUES

GROWTH in value for all our stakeholders
RESPECT for our people, our communities and for all stakeholders
EXCELLENCE in everything we do
ACTION to deliver on our commitments
TRANSPARENCY openness, honesty and good governance

G-Resources is a company listed on the Hong Kong Stock Exchange focusing on principal investment business, financial services business, money lending business and real property business (HKEx: 1051).

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Director
Ms Li Zhongye, Cindy, *Chairperson*

Executive Directors
Mr Leung Oi Kin
Mr Leung Wai Yiu, Malcoln

Independent Non-Executive Directors
Mr Lo Wa Kei, Roy
Mr Chen Gong
Mr Martin Que Meideng

EXECUTIVE COMMITTEE

Mr Leung Oi Kin
Mr Leung Wai Yiu, Malcoln

AUDIT COMMITTEE

Mr Lo Wa Kei, Roy, *Chairman*
Mr Chen Gong
Mr Martin Que Meideng

REMUNERATION COMMITTEE

Mr Lo Wa Kei, Roy, *Chairman*
Mr Chen Gong
Mr Martin Que Meideng

NOMINATION COMMITTEE

Ms Li Zhongye, Cindy, *Chairperson*
Mr Chen Gong
Mr Martin Que Meideng

COMPANY SECRETARY

Mr Leung Oi Kin

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Hong Kong: Fangda Partners
Bermuda: Appleby

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
Hang Seng Bank Limited
Bank of Communications Co., Ltd.

SHARE REGISTRARS

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

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

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1801, 18/F
Capital Centre
No. 151 Gloucester Road
Wanchai, Hong Kong

WEBSITE

www.g-resources.com

CHAIRPERSON'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Director(s)") of G-Resources Group Limited (the "Company" or "G-Resources") and its subsidiaries (collectively the "Group"), I hereby present to our shareholders the annual results of the Group for the year ended 31 December 2018 (the "Year").

I am pleased to report that 2018 is a profitable year for G-Resources. During the Year, through our two-pronged "investment + finance" development strategy, the Group continued to focus on our three main businesses, namely principal investment business, financial services business and real property business. The Group's profit for the Year rose to USD48.3 million in 2018, mainly due to increase in fair value of investments and investment properties, and also increase in revenue.

In 2018, the Group continued to expand our investment portfolio under our principal investment business. The Group made subscription in two funds in April and August 2018, respectively which mainly invest in equity of growth and late stage technology entities of Greater China (including technology, media and telecommunications, healthcare and education industries). We believe that the industries are invested according to the Group's current investment strategy and the competence of the fund management team enable us to seize investment opportunities and potential investment returns which is in line with the overall interests of the Company and our shareholders.

For our financial services business, the Group completed the acquisition of Lippo Securities Holdings Limited ("LSHL") and its subsidiaries in December 2018. LSHL and its subsidiaries are involved in the provision of licensed financial services, which principally include underwriting, securities and futures brokerage, corporate finance, investment advisory and other related financial services in Hong Kong and other countries. Considering the experienced management team, well-established technological infrastructure and broad client base of LSHL, we believe that the acquisition will complement the Group's existing businesses in the financial services industry. On the other hand, the Group has maintained progressive development of the business of its subsidiary, Enhanced Financial Services Group Limited ("EFS"). The Group currently holds type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance), and type 9 (asset management) licences under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), to seek integration to expand into a comprehensive financial services platform.

Apart from the financial services platform, we continued to adopt a prudent approach for short term loans with higher interest rate in Hong Kong. Same as 2017, G-Resources did not record any bad debt for our money lending business in 2018.

For our real property business, the Group's property investments in Hong Kong not only brought us stable rental income during the Year, but also provided potential for capital appreciation. The Group remains confident in Hong Kong's property market. However, the Group is cautious on whether the prevailing levels of property prices can be sustained. The Group will continue to seek investment opportunities for its real property business in Hong Kong and other countries.

The Group has a strong balance sheet with solid funds available for future investments at the opportune moment. We are prepared for any good opportunities when they arise.

Finally, on behalf of the Board, I would like to express thanks to our management team and the entire staff for their devoted service during the Year, as well as our sincere gratitude to our shareholders for their continuing support for G-Resources. I look forward to continuing to work with them to achieve further development and greater success for the Company.

Li Zhongye, Cindy
Chairperson
Hong Kong, 28 March 2019

COMPANY OVERVIEW

The principal business segments of the Group are described below:

1. PRINCIPAL INVESTMENT BUSINESS

The goal of our principal investment business is to identify investment opportunities and to invest in different industries, to provide better risk weighted return and capital value to the Group.

The Executive Committee of the Company is responsible for identifying, reviewing, considering and approving different investment opportunities taking into account the Group's liquidity requirements, risk to capital and reasonable returns on investment with the risk taken.

We are also diversifying our investment portfolio under our principal investment business. During the Year, the Group invested in listed and unlisted financial assets, which were mainly unlisted security investments and bonds.

2. FINANCIAL SERVICES BUSINESS

The Company is continuing to extend the scope of its principal activities to include the provision of a wide range of financial services, including securities brokerage services, placing and underwriting services, corporate finance advisory services, provision of margin financing, money lending business and investment advisory and management services.

(A) MONEY LENDING

The Company engaged in money lending business in Hong Kong through its subsidiaries, namely Global Access Development Limited, L.S. Finance Limited and Enhanced Finance Limited ("EFL"). All the companies are incorporated in Hong Kong and hold a money lender's license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The Group will continue to use a prudent approach to manage risk and maintain the profitability of the business.

(B) SECURITIES DEALING

The Group currently holds type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance), and type 9 (asset management) licences under the SFO.

3. REAL PROPERTY BUSINESS

In the past few years, a low interest rate environment coupled with continuous economic growth in Hong Kong has seen robust demand for properties in Hong Kong. The Group intends to continue to expand its property portfolio on commercial properties with a focus in Hong Kong and other countries, but also in other types of properties as and when appropriate investment opportunities arise.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Li Zhongye, Cindy, aged 50
was appointed as a chairperson and non-executive Director of the Company on 12 October 2018. Ms Li has twenty years of experience in finance and information technology industry and possesses extensive corporate management experience. She has been working as a consultant of Chengdu Yushuo Technology Company Ltd. since January 2017, a consultant of Chummy Global Limited since June 2016, the director of Sunny Education Inc since March 2013 and the China chairperson and managing director of Covalis Capital LLP, a London based hedge fund, since 2012. Ms Li also served as an independent non-executive director of Wan Kei Group Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Ms Li obtained a medical degree in Capital Medical University, in the People's Republic of China in 1992.

EXECUTIVE DIRECTORS

Leung Oi Kin, aged 44
was appointed as an executive Director and company secretary of the Company on 8 November 2016 and 16 December 2016, respectively. Mr Leung has more than twenty years of experience in accounting and financial management. He is a professional accountant and a member of the CPA Australia. Prior to joining the Group, Mr Leung worked in PricewaterhouseCoopers as an auditor. He is currently an independent non-executive director of Austar Lifesciences Limited (whose shares are listed on the Main Board of the Stock Exchange). He was also the company secretary and chief financial officer of Wisdom Sports Group (formerly known as Wisdom Holdings Group) (whose shares are listed on the Main Board of the Stock Exchange); and the chief financial officer of Linekong Interactive Group Co., Ltd. (formerly known as Linekong Interactive Co., Ltd.) (whose shares are listed on GEM of the Stock Exchange). Mr Leung graduated from University of Adelaide, Australia in 1997 with a bachelor's degree in commerce.

Leung Wai Yiu, Malcoln, aged 37
was appointed as an executive Director on 16 April 2018. Mr Malcoln Leung currently serves as executive director, chief investment officer of the Company and is primarily responsible for the Group's investment, asset management and strategic planning, as well as formulating the Group's overall business and asset portfolio strategy. He is also responsible for the day-to-day operations and overall management of the Company's investment management team. He is a director of various subsidiaries of the Company. Mr Malcoln Leung has over fifteen years of extensive experience in asset management, investment banking and technology industry, based in the United States, Singapore and Hong Kong. Prior to joining the Group in 2017, Mr Malcoln Leung held key positions in various multinational financial institutions and investment banks including Bank of America Merrill Lynch, Standard Chartered and HSBC, and he was responsible for leading global private equity investments and cross-border merger and acquisition transactions, covering different industries such as technology, real estate, financials, insurance and healthcare. Mr Malcoln Leung obtained a master's degree in business administration from the Massachusetts Institute of Technology in 2008 in the United States.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lo Wa Kei, Roy, aged 47

was appointed as an independent non-executive Director on 17 July 2017. Mr Lo is a practicing accountant in Hong Kong and is a certified public accountant in Hong Kong, a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of CPA Australia and a fellow of the Institute of Chartered Accountants in England and Wales. He serves as the managing partner of SHINEWING (HK) CPA Limited, which is a full service accounting and consulting firm engaged in the provision of, among other things, audit and business advisory services. He is also a member of the Shanghai Pudong New Area Committee of the Chinese People's Political Consultative Conference, the founding executive vice-president and council member of the Hong Kong Independent Non-Executive Director Association and the Divisional President 2019 — Greater China of CPA Australia. Mr Lo has over twenty-five years of experience in auditing, accounting, risk management and finance and has been serving as an independent non-executive director of a number of companies listed on the Stock Exchange, including China Tonghai International Financial Limited (formerly known as China Oceanwide International Financial Limited), Wan Kei Group Holdings Limited, Sun Hing Vision Group Holdings Limited, China Zhongwang Holdings Limited, Sheen Tai Holdings Group Company Limited, China Oceanwide Holdings Limited (formerly known as Hutchison Harbour Ring Limited) and Xinming China Holdings Limited. Mr Lo received a bachelor's degree of business administration from The University of Hong Kong in 1993 and a master's degree of professional accounting from The Hong Kong Polytechnic University in 2000.

Chen Gong, aged 48

was appointed as an independent non-executive Director on 3 February 2017. Mr Chen has more than twenty years of extensive experience in finance management, mergers & acquisitions, financing, negotiation and restructuring in a cross-culture environment. Mr Chen has participated in cross-border merger & acquisition and financing transactions. He has been involved in the management of various public companies listed on the Toronto Stock Exchange, in the capacity of director and/or chief executive officer/chief financial officer. He is currently also an independent director of Newmac Resources Inc. (whose shares are listed on TSX Venture Exchange); and a president, chief executive officer and director of Ord Mountain Resources Corp. (whose shares are listed on TSX Venture Exchange NEX). Mr Chen is also the founder and managing director of DoubleOcean Financial Group, a financial advisory company that facilitates the cross-border investments between North America and China. Mr Chen was a director and chief executive officer of First Growth Holdings Ltd. (whose shares are listed on TSX Venture Exchange) and an independent director of Credent Capital Corp. (whose shares are listed on TSX Venture Exchange NEX). Mr Chen also worked in various financial management positions at two Fortune 100 companies in the United States for about eight years. Mr Chen received a bachelor's degree in International Economics from Peking (Beijing) University in 1992 and a master of business administration (MBA) from the University of Arizona in 1997. He is a United States Certified Public Accountant (CPA).

Martin Que Meideng, aged 57

was appointed as an independent non-executive Director on 3 February 2017. Mr Que has over twenty years of extensive experience of North American financial investment and management, chartered financial planner in North American and tax planning and investment risk management. Mr Que is a president and owner of Allvista Financial and Planning Services Inc., British Columbia, Canada; a vice-president of Marketing of Citistar Financial, British Columbia, Canada; a chief financial officer of Blue-O Technology Inc., British Columbia, Canada, a fuel cell technology company. He was a chief financial officer and a director of McVicar Energy Inc., Ontario, Canada, a natural resources and investment company; He is also a member of the Million Dollar Round Table (MDRT) of The Premier Association of Financial Professionals®, a Certified Financial Planner of the Financial Planning Standards Council and a Chartered Life Underwriter of The American College of Financial Services. Mr Que received a bachelor of engineering from Wuhan College of Geology in 1983 and a master of science from China University of Geosciences of China in 1986.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Clive Derek Conway Louis Rigby, aged 72
is the managing director of Lippo Securities Limited and Lippo Futures Limited (both are wholly-owned subsidiaries of the Company) and was a founding shareholder of Anderson Man (Investment Services) Limited (now known as LSHL) in 1983. He has been continually engaged in London, Brussels, New York, Amsterdam and Hong Kong in financial services since his first employment by Merrill Lynch in 1964. Mr Rigby has acted as a director and shareholder in private companies in a variety of sectors including: food and beverage, technology, manufacturing, financial services, oil services and engineering. He has been giving evidence as an expert witness in various cases of financial market misconduct for the last forty years. He has lived continuously in Hong Kong since 1976. Mr Rigby holds type 1, type 2, type 4 (effective from March 2019), type 5 and type 9 licenses under the SFO and has been a responsible officer since 2005.

John Lawrence Sigerson, aged 48
is an executive director and chief operating officer of Lippo Securities Limited and Lippo Futures Limited. Mr Sigerson has twenty-five years of continuous experience in the Hong Kong financial industry covering equities, derivatives and asset management. Since 2014, he has been licensed under the SFO as a responsible officer for regulated activities type 1, type 4 and type 9 with Lippo Securities Limited, type 2, type 5 and type 9 with Lippo Futures Limited and type 9 (effective from January 2019) with Lippo Asset Management (HK) Limited. Mr Sigerson graduated from Newcastle University, United Kingdom in 1992 with a bachelor's degree in Theoretical Physics.

Lau Yue Wah, Brian, aged 45
is a director of EFS (an indirect 75%-owned subsidiary of the Company) and its various subsidiaries. He is a co-founder of Enhanced Securities Limited ("ESL") and EFL. Mr Lau has over twenty years of experience in the financial services industry. He had held different positions in ESL and EFL. He was a responsible officer of ESL from 2011 to 2014, supervising type 1 regulated activities under the SFO. He is holding a type 1 and type 4 license under the SFO and is a responsible officer for type 1 and type 2 regulated activities under the SFO. Mr Lau graduated from The University of New South Wales in Sydney, Australia.

Nguyen Gia Vinh, Patrick, aged 43
is a co-founder of Enhanced Investment Management Limited ("EIML") and currently holds the roles of director and responsible officer of EIML. Mr Nguyen has over fifteen years of investment advisory and discretionary portfolio management experience. He is in charge of overseeing the strategic development and daily operations of EIML. Before founding EIML, Mr Nguyen was a director at the International Private Banking division of CTBC Bank (formerly known as Chinatrust Commercial Bank). From 2007 to 2011, he worked as the Head of Investment at Crosby Wealth Management. Prior to that, he was a senior investment advisor of AIG Private Bank, responsible for formulating portfolio allocation strategies and providing investment recommendations/solutions to relationship managers and clients. Mr Nguyen graduated from Boston College, USA and is a CFA charterholder since 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND RESULTS

Below is a summary of the financial information:

	2018 USD'000	2017 USD'000
Revenue	**34,273**	30,123
Administrative expenses	**13,924**	17,620
EBITDA	**51,250**	36,005
Profit before taxation	**48,375**	32,536
Profit for the Year	**48,329**	32,162
Analysis of profit before taxation by operating segment:		
(i) Principal Investment Business	**47,315**	44,458
(ii) Financial Services Business	**1,466**	5,851
(iii) Real Property Business	**2,186**	1,154

For the Year, the Group achieved a net profit after tax of USD48.3 million (2017: USD32.2 million). The main reason for the increase in profit was due to the increase in revenue, decrease in administrative expenses, increase in fair value changes for financial assets at fair value through profit or loss ("financial assets at FVTPL") and increase in fair value of investment properties. The fair value changes for financial assets at FVTPL was USD8.6 million (2017: nil) and increase in fair value of investment properties was USD10.9 million (2017: USD6.9 million).

Revenue was USD34.3 million (2017: USD30.1 million), mainly generated by the dividend and distribution income as well as interest income from financial products; rental income; and interest income from financial institutions, margin financing and money lending business. The increase in revenue was mainly due to the increase of dividend and distribution income from financial products and increase in interest income from financial products and financial institutions and partially offset by a decrease in commission income and handling charges from financial service as a result of economic downturn.

Administrative expenses was USD13.9 million for the Year, a decrease of USD3.7 million as compared to the corresponding year of USD17.6 million. Such decrease was partially due to good performance on expenses control for the Year.

General description on the Group's investment strategies

The Group has been continuously reviewing its business and investment strategies, especially for its principal investment business pursuant to the Group's financial needs and change of financial circumstances. The Group generates profit from the interest income, dividend income and distribution income from the financial assets held by the Group in its principal investment business. The Group takes a prudent approach on allocating its financial assets, as such, apart from equity investment which are always accompanied by higher risks (including market risks), the Group has been exploring different fixed income investment portfolios as part of its assets allocation plan, including the selection of fixed income assets and the vehicles the Group uses to access them.

Since the beginning of 2018, after considering the increased interest rate, risk tolerance, capital preservation, liquidity and yield, the Group constructed its fixed income investment portfolios by pairing its bond investment with cash investment. The Group believes that a strong fixed income component can serve as a safety net for the Group's overall investment portfolios.

The Group has allocated approximately 40% of its financial assets to fixed income investment, which were divided equally between bond investment and cash investment (including term deposits with financial institutions), as part of its on-going investment strategies to eliminate the impact from market fluctuations that are typical of equity investment.

(i) Principal Investment Business

During the Year, the Group invested approximately USD79.7 million in listed and unlisted financial assets, which were mainly unlisted security investments and bonds. The profit before taxation was USD47.3 million which included interest income, dividend income and distribution income of USD26.3 million from the financial assets held by the Group.

As at 31 December 2018, the Group held approximately USD399.6 million non-cash financial assets, as follows:

	2018 USD'000	2017 USD'000
Listed shares	**57,189**	78,719
Listed debt securities	**181,797**	203,266
Unlisted managed investment funds	**889**	48,107
Unlisted security investments	**159,723**	128,355
Total	**399,598**	458,447

The Group held limited partner interest of a fund (the "Fund") as an unlisted security investment. The investment portfolio of the Fund operates as a limited partnership, yielding returns from investing in equity-related securities of growth and late-stage PRC companies in the technology, media and telecommunications industry. The fair value of the investment as at 31 December 2018 was USD122.9 million, which accounted for 8% of the total assets of the Group as at 31 December 2018.

The Fund has achieved income generation and seen capital appreciation. For the Year, the realised gains and unrealised gains (excluding amounts realised in previous years) of the investment were USD3.6 million and USD33.3 million, respectively.

Moving forward, the Group is optimistic of the potential of the investment. It is of the view that by leveraging the strategic and extensive resources available and the Fund management team's extensive experience in investment and fund operation in the technology, media and telecommunications industry, the investment will continue to bring about valuable investment opportunities and increasing financial returns, as much as it will add to the diversity of the investment portfolio.

Except for the investment disclosed above, there was no other single investment (for example, financial assets at FVTPL, financial assets at fair value through other comprehensive income ("financial assets at FVTOCI") and investments in debt instruments measured at amortised cost) in the Group's diversified investment portfolio that was considered a significant investment given that none of the investments has a carrying amount accounting for more than 5% of the Group's audited total assets as at 31 December 2018.

During the Year, the interest income from term deposits from financial institutions would be classified as the revenue as the principal activities during the Year.

(ii) Financial Services Business

The Group completed the acquisition of LSHL and its subsidiaries in December 2018. LSHL is involved in the provision of licensed financial services, which principally include underwriting, securities and future brokerage, corporate finance, investment advisory and other related financial services in Hong Kong and other countries. The acquisition will complement the Group's existing businesses in the financial services industry.

The Group lent out USD42.1 million and received USD56.0 million repayments during the Year. There were no bad debts during the Year. Interest income from money lending business and margin financing were USD2.4 million (2017: USD3.8 million). The dividend and distribution income from financial assets was USD2.5 million (2017: nil). The commission income and handling charges from financial services was USD0.9 million (2017: USD3.7 million). The profit before taxation was USD1.5 million (2017: USD5.9 million), which was mainly due to decrease in revenue.

As at 31 December 2018, the fixed-rate loans receivable was USD1.2 million.

(iii) Real Property Business

The Group had three floors of commercial office (including 17th, 18th and 19th floor) and ten car parks located in Capital Centre, No. 151 Gloucester Road, Wanchai, Hong Kong. The commercial offices are used as our head office and leased to third parties for office use under a lease of not more than three years. During the Year, the rental income earned and the profit before taxation were USD2.2 million and USD2.2 million (2017: USD1.6 million and USD1.2 million) for the Year, respectively.

REVIEW OF GROUP FINANCIAL POSITION

	2018 USD'000	2017 USD'000
Current Assets		
Bank balances and cash	**887,070**	780,142
Financial assets at FVTPL	**57,189**	–
Investments in debt instruments measured at amortised cost	**4,147**	–
Held for trading investments	**–**	78,719
Loans receivable	**1,185**	15,266
Others	**66,011**	15,400
Non-current Assets		
Financial assets at FVTPL	**160,612**	–
Financial assets at FVTOCI	**15,852**	–
Investments in debt instruments measured at amortised cost	**177,650**	–
Available-for-sale investments	**–**	379,728
Others	**133,842**	136,336
Total Assets	**1,503,558**	1,405,591
Other Liabilities	**(58,372)**	(15,933)
Net Assets	**1,445,186**	1,389,658

Non-current assets were USD488.0 million (2017: USD516.1 million), representing a decrease of USD28.1 million which was mainly due to the net decrease in investment in financial assets of USD25.6 million. Current assets were USD1,015.6 million (2017: USD889.5 million), representing an increase of USD126.1 million which was mainly due to an increase in bank balances and cash of USD107.0 million.

NET ASSET VALUE

As at 31 December 2018, the Group's total net assets amounted to approximately USD1,445.2 million, representing an increase of USD55.5 million as compared to approximately USD1,389.7 million as at 31 December 2017. The increase in net assets was mainly due to the profit for the Year of USD48.3 million and the fair value adjustment on investments and an expected credit loss as a result from initial application of HKFRS 9 recorded under reserves of USD17.9 million. Such increase was offset by the decrease in fair value of the financial assets at FVTOCI of USD5.2 million.

CASH FLOW, LIQUIDITY AND FINANCIAL RESOURCES

CASH FLOW SUMMARY

	2018 USD'000	2017 USD'000
Net cash from Operating Activities	**36,740**	16,441
Net cash from/(used in) Investing Activities	**62,216**	(56,388)
Net cash from/(used in) Financing Activities	**12,365**	(128)
Net increase/(decrease) in cash and cash equivalents	**111,321**	(40,075)
Cash and cash equivalents at beginning of the year	**780,142**	825,485
Effect of foreign exchange rate changes	**(4,393)**	(5,268)
Cash and cash equivalents at end of the year	**887,070**	780,142

The Group's cash balance as at 31 December 2018 was USD887.1 million (2017: USD780.1 million). The Group generated net cash inflows from operating activities for 2018 of USD36.7 million, which was mainly contributed to working capital of operations. Net cash from investing activities was USD62.2 million which included USD49.6 million from proceeds of disposal of subsidiaries and USD29.0 million from interest received.

The Group's gearing ratio as the percentage of the Group's total borrowings (USD13.4 million, equivalent to HKD104.8 million as the currencies of such borrowings made) over shareholders' equity, was 0.9% as at 31 December 2018 (2017: nil).

CAPITAL STRUCTURE OF THE GROUP

The capital structure of the Group has not changed materially since 30 June 2018, being the end of the reporting period of the Group's interim report.

MATERIAL ACQUISITIONS AND DISPOSALS

On 23 April 2018, Smart Blend Limited ("Subscriber"), an indirect wholly-owned subsidiary of the Company, and Terra Magnum Fund I GP ("General Partner") entered into the subscription agreement to subscribe for the limited partner interest in the Terra Magnum Fund I LP ("Fund") as a limited partner for a capital commitment of USD50 million (equivalent to approximately HKD390 million), representing 25% of the total capital commitment to the Fund as at 23 April 2018. The Subscriber entered into the limited partnership agreement on the same date with the General Partner, Terra Magnum Fund I SLP LP (as the special limited partner), Terra Magnum Ltd. (as the initial limited partner) and other limited partners to govern the relationship between the General Partner and the limited partners and to provide for (among other things) the manner of operation and management of the Fund.

On 20 July 2018, Empire Glaze Limited ("Purchaser"), an indirect wholly-owned subsidiary of the Company, the Company as the Purchaser's guarantor, Norfyork International Limited ("Vendor") and Hongkong Chinese Limited (as the Vendor's guarantor) entered into the sale and purchase agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 23,000,000 ordinary shares of Lippo Securities Holdings Limited ("Target"), which represent the entire equity interests in the Target at the consideration of HKD348,665,101 (equivalent to approximately USD44.7 million). The acquisition was completed on 11 December 2018.

On 8 August 2018, Well Advantage Global Limited ("Subscriber"), an indirect wholly-owned subsidiary of the Company, and Genesis Capital II Ltd ("General Partner") entered into the subscription agreement to subscribe for the limited partner interest in Genesis Capital II LP ("Fund") as a limited partner for a capital commitment of USD70 million (equivalent to approximately HKD546 million), representing 15.02% of the total capital commitment to the Fund as at 8 August 2018. The Subscriber entered into the limited partnership agreement on the same date with the General Partner, Genesis Capital CI II LP (as the carried interest partner), Yuan Capital Ltd (as the initial limited partner) and other limited partners to govern the relationship between the General Partner and limited partners and to provide for (among other things) the manner of operation and management of the Fund.

MANAGEMENT DISCUSSION AND ANALYSIS

On 11 September 2018, Happy Jumbo Limited ("Purchaser") and Shiny Fortune International Limited ("Vendor"), being a direct wholly-owned subsidiary of the Company, entered into the sale and purchase agreement ("Sale and Purchase Agreement"), pursuant to which (i) the Purchaser has agreed to acquire and the Vendor has agreed to sell the sale share, which represent the entire equity interests in the target subsidiaries, namely, Adair Ventures Limited, Golden Avenue Investments Limited and Westfield Global Investments Limited, and (ii) the respective shareholders' loans for each target subsidiary will be assigned by the Vendor to the Purchaser, at the consideration of USD33,150,000 (equivalent to approximately HKD260.2 million).

During the period from 27 November 2018 to 30 November 2018, Treasure Cape Investments Limited, an indirect wholly-owned subsidiary of the Company, disposed of an aggregate of 3,080,136 shares of RMB1.00 each in the share capital of ZhongAn Online P & C Insurance Co., Ltd. ("ZhongAn Shares", each a "ZhongAn Share") on the open market through the Stock Exchange for an aggregate consideration of approximately USD13.1 million (equivalent to approximately HKD102.4 million) (excluding stamp duty and related expenses). The average selling price of each ZhongAn Share was approximately USD4.3 (equivalent to approximately HKD33.3).

Save as disclosed above, there was no material acquisition or disposal of subsidiaries, associates and joint ventures during the Year and as at the publication of this annual report.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE

The Group conducted most of its business in United States dollars ("USD") and Hong Kong dollars ("HKD"). The foreign currency exposure of HKD to USD is minimal as HKD is pegged to USD.

The management will continue to monitor the Group's foreign currency exposure and consider other hedging policies should the need arise.

PLEDGE OF ASSETS

As at 31 December 2018, no assets of the Group had been pledged.

BUSINESS OUTLOOK

Given the on-going uncertainty over international trade and global financial trends in 2018, key economic systems continue raising interest rates and tightening monetary policies. However, the world economy maintained a moderate pace and growth. The Group remains prudently optimistic about the economy growth. Looking ahead, the Group will carry on with our two-pronged "investment + finance" development strategy, banking on our existing solid funds to optimise resource allocation and maintain our three main businesses for sustained and steady development.

For the principal investment business, the Group will adhere to our on-going investment strategies and strives to diversify its investment portfolio and achieve risk dispersion. The investment objective is to achieve superior risk-adjusted capital appreciation over the medium to long term through an investment portfolio utilizing a broad range of investment strategies and leveraged investment. The Group will continuously be dedicated to tapping quality investment projects in the technology, media and telecommunications, healthcare and education industries, in order to elevate the Group's overall profitability and returns. On the other hand, the Group has been and will be seeking for other suitable investment opportunities in projects with strong growth outlooks, recognised catalysts for development and attractive valuations to further strengthen its investment portfolios. The long-term horizon of the investment portfolio allows for a large allocation to equity-oriented strategies where the potential for long-term capital appreciation exists. The investment portfolio will be diversified across asset classes and managers including but not limited to private equity, public equities and fixed income from international and emerging markets.

MANAGEMENT DISCUSSION AND ANALYSIS

Regarding the financial services business, the Group will continue to expand our existing securities, brokerage and margin financing businesses, and seek business opportunities in other financial sectors such as fund management. The Group has acquired the entire equity interests in LSHL in 2018. LSHL, through its subsidiaries, is principally engaged in securities and commodities brokerage, fund management and money lending businesses. Considering the experienced management team, well-established technological infrastructure and broad client base of LSHL and its subsidiaries, the Directors believe that the acquisition will enrich its variety of financial solution, in order to echo the increasing demand for diversification and cross-border wealth management services from high net worth and high grade investors. Meanwhile, the Group will persist with a prudent approach in developing our money lending business to achieve a risk-gain balance.

As to the real property business, the Group will carry on seeking investment opportunities for real property in Hong Kong and other countries, including North American and European countries, in line with our sustained effort to secure stable income sources for the Group.

HUMAN RESOURCES

As at 31 December 2018, the Group had 66 employees in Hong Kong. Employees are remunerated at a competitive level and are rewarded according to their performance. Our Group's remuneration packages include a medical scheme, group insurance, mandatory provident fund, performance bonus and options for our employees.

The Company revised general scheme limit allowing the Company to issue options representing no more than 1,352,442,239 shares under the share option scheme for the option incentive purpose of the Group which has been approved at the annual general meeting of the Company ("AGM") held on 15 June 2018.

DIRECTORS' REPORT

The Board is pleased to present their report and the audited financial statements for the Year.

PRINCIPAL ACTIVITIES

In the course of the financial year, the principal activities of the Company are principal investment business, financial services business, money lending business and real property business. The principal activities of the Company's subsidiaries as at 31 December 2018 are set out in note 40 to the financial statements contained in this annual report.

BUSINESS REVIEW

A business review of the Group is set out on pages 8 to 13 of this annual report.

FUTURE DEVELOPMENTS OF THE GROUP'S BUSINESS PROSPECTS

Details of the business's future prospects are set out in the section headed "Management Discussion and Analysis – Business Outlook" on pages 12 to 13 of this annual report.

DIVIDENDS

The Board has resolved not to declare any final dividend for the Year.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 116 of this annual report.

RESERVES

Details of the movements during the Year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 45 of this annual report.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the Year are set out in notes 28 and 29 to the financial statements contained in this annual report, respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Year are set out in note 13 to the financial statements contained in this annual report.

DIRECTORS

The Directors during the Year and up to the date of this annual report are:

Non-Executive Director

Li Zhongye, Cindy *(Chairperson)* (appointed on 12 October 2018)

Executive Directors

Leung Oi Kin
Leung Wai Yiu, Malcoln (appointed on 16 April 2018)
Chiu Tao *(Chairman and Acting Chief Executive Officer)* (retired on 15 June 2018)
Ma Xiao *(Deputy Chief Executive Officer)* (resigned on 15 June 2018)
Wah Wang Kei, Jackie (retired on 15 June 2018)

Independent Non-Executive Directors

Lo Wa Kei, Roy
Chen Gong
Martin Que Meideng

DIRECTORS' REPORT

In accordance with clause 99 of the Company's Bye-laws, at each AGM, one third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest but not less than one-third, shall retire from office by rotation. Accordingly, Mr Chen Gong and Mr Martin Que Meideng will retire by rotation at the forthcoming AGM. Each of Mr Chen Gong and Mr Martin Que Meideng, being eligible, have offered themselves for re-election.

In accordance with clause 102(B) of the Company's Bye-laws, any Director appointed as an addition to the Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election at the meeting. Thus, Ms Li Zhongye, Cindy, being the newly appointed Director will retire at the forthcoming AGM and, being eligible, offer herself for re-election.

CHANGE OF DIRECTORS

Save as disclosed in the interim report of the Company for the six months ended 30 June 2018, the changes of Directors during the Year and thereafter are as follows:

On 12 October 2018, Ms Li Zhongye, Cindy was appointed as the chairperson of the Company, a non-executive Director, and the chairperson and a member of the nomination committee of the Company ("Nomination Committee").

On 12 October 2018, Mr Lo Wa Kei, Roy ceased to be the chairman and a member of the Nomination Committee.

DIRECTORS' SERVICE CONTRACTS OF THE RETIRING DIRECTORS

The term of office of Mr Chen Gong, Mr Martin Que Meideng and Ms Li Zhongye, Cindy is three years and will be subject to retirement by rotation and re-election at the AGM in accordance with the Company's Bye-laws.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

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

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS AND EXECUTIVE OFFICERS' INTERESTS IN SECURITIES

As at 31 December 2018, none of the Directors and executive officers of the Company or their respective associates had any interests and short positions in the shares, underlying shares, convertible notes or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by directors and chief executives of the Company (the "Model Code") required to be disclosed in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

DIRECTORS' REPORT

SHARE OPTION

Particulars of the share option scheme of the Company are set out in note 29 to the financial statements contained in this annual report.

Share Option Scheme

In order to continue to provide incentives and rewards to the eligible employees and participants, the Company adopted a share option scheme pursuant to a resolution passed by the shareholders of the Company on 18 June 2014 (the "2014 Share Option Scheme") which will remain in force for ten years from the date becoming effective.

During the Year, the Board proposed to change the general scheme limit under the 2014 Share Option Scheme from 2,649,007,613 to 1,352,442,239, representing 5.1% of the total issued shares of the Company on 18 June 2014 and 5.0% of the total issued shares of the Company as at 15 June 2018 (i.e. 27,048,844,786 Shares), respectively, which was adopted by the shareholders of the Company on 15 June 2018.

As at 31 December 2018, the total number of shares of the Company issuable pursuant to the 2014 Share Option Scheme on the date of its adoption was 1,352,442,239 shares of the Company, representing 5.0% of the issued share capital of the Company as at the date of this annual report and there was no share option granted, exercised, cancelled or lapsed under the 2014 Share Option Scheme as at the date of this annual report.

VALUATION OF SHARE OPTIONS

The valuation of share options is set out in note 29 to the financial statements contained in this annual report.

RETIREMENT BENEFIT SCHEME

Details of the Group's retirement benefit scheme for the Year are set out in note 37 to the financial statements contained in this annual report.

DIRECTORS' AND EXECUTIVE OFFICERS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or its subsidiaries or jointly controlled entity a party to any arrangement that enabled any Director or Executive Officer to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

None of the Directors or Executive Officers or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the Year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Year and up to the date of this annual report, except otherwise disclosed, none of the Directors, or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors ("INED(s)") written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules.

DIRECTORS' REPORT

DISCLOSEABLE INTERESTS AND SHORT POSITIONS OF PERSONS OTHER THAN DIRECTORS AND EXECUTIVE OFFICERS

As at 31 December 2018, so far as known to the Directors or Executive Officers of the Company, the following persons/ entities are the shareholders (other than the Directors or Executive Officers of the Company) who had interests or short positions in the shares and 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 be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company.

Long positions in shares and underlying shares of the Company

Name of shareholders	Capacity	Number of shares/ underlying shares	Approximate % of the issued share capital of the Company	Notes
Xie Pengfei	Interest of a controlled corporation	6,264,163,000 (L)	23.16%	2
PX Global Advisors, LLC	Interest of a controlled corporation	6,264,163,000 (L)	23.16%	2
PX Capital Management Ltd.	Interest of a controlled corporation	6,264,163,000 (L)	23.16%	2
PX Capital Partners L.P.	Beneficial owner	6,264,163,000 (L)	23.16%	2

Notes:

1. "L" denotes long position.
2. PX Global Advisors, LLC is wholly-owned by Mr Xie Pengfei. PX Global Advisors, LLC owns 40% equity interests of PX Capital Management Ltd.. PX Capital Partners L.P. is wholly-owned by PX Capital Management Ltd.. Under Part XV of the SFO, Mr Xie Pengfei, PX Global Advisors, LLC and PX Capital Management Ltd. are deemed to have interest in the shares of the Company held by PX Capital Partners L.P..

Save as disclosed above, the Company has not been notified by any person (other than the Directors or Executive Officers 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 be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or who were recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO or had otherwise notified the Company as at 31 December 2018.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the five largest customers accounted for approximately 52% of the Group's total revenue for the Year, and the revenue attributable to the largest customer included therein amounted to approximately 23% of the Group's total revenue for the Year. The Group is a provider of financial services. In the opinion of the Board, it is therefore of no value to disclose details of the Group's suppliers.

At no time during the Year, none of the Directors, their associates or the shareholders of the Company, which to the knowledge of the Directors owned more than 5% of the Company's issued share capital, had any interests in the above customers.

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision under the Company's Bye-laws and for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has also purchased and maintained Directors' liability insurance throughout the Year, which provides appropriate coverage for the Directors.

RISK FACTORS

Market Risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, implied volatilities (the price volatility of the underlying instrument imputed from option prices), correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio owned by us.

Our results of operations may be materially affected by market fluctuations and by global and economic conditions and other factors.

The Group's results of operations may be materially affected by market fluctuations due to global and economic conditions and other factors. Our results of operations in the past have been, and in the future may be, materially affected by many factors, including the effect of economic and political conditions and geopolitical events; the effect of market conditions, particularly in the global equity, fixed income, currency, credit and commodities markets, including corporate and mortgage (commercial and residential) lending and commercial real estate; the impact of current, pending and future legislation, regulation (including capital, leverage and liquidity requirements), policies (including fiscal and monetary), and legal and regulatory actions in Hong Kong and worldwide; the level and volatility of equity, fixed income and commodity prices, interest rates, currency values and other market indices; the performance of our acquisitions, divestitures, joint ventures, strategic alliances or other strategic arrangements; our reputation and the general perception of the financial services industry; inflation, natural disasters, pandemics and acts of war or terrorism; the actions and initiatives of current and potential competitors, as well as governments, regulators and self-regulatory organisations; the effectiveness of our risk management policies; and technological changes and risks and cybersecurity risks (including cyber-attacks and business continuity risks); or a combination of these or other factors. In addition, legislative, legal and regulatory developments related to our businesses are likely to increase costs, thereby affecting results of operations. These factors also may have an adverse impact on our ability to achieve our strategic objectives.

We may experience declines in the value of our financial instruments and other losses related to volatile and illiquid market conditions.

Market volatility, illiquid market conditions and disruptions in the credit markets make it extremely difficult to value certain of our financial instruments, particularly during periods of market displacement. Subsequent valuations, in light of factors then prevailing, may result in significant changes in the values of these instruments in future periods. In addition, at the time of any sales and settlements of these financial instruments, the price we ultimately realise will depend on the demand and liquidity in the market at that time and may be materially lower than their current fair value. Any of these factors could cause a decline in the value of our financial instruments, which may have an adverse effect on our results of operations in future periods.

In addition, financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. Under these extreme conditions, hedging and other risk management strategies may not be as effective at mitigating trading losses as they would be under more normal market conditions. Moreover, under these conditions market participants are particularly exposed to trading strategies employed by many market participants simultaneously and on a large scale. Our risk management and monitoring processes seek to quantify and mitigate risk to more extreme market moves. However, severe market events have historically been difficult to predict, as seen in the last several years, and we could realise significant losses if extreme market events were to occur.

The Group is required to reassess the fair value of its investment properties at every balance sheet date to which financial statements are made up. Based on the valuation conducted by independent property valuer, the Group recognises investment properties at fair value in the consolidated statement of financial position, while the variation in changes in fair value of investment properties are recognised in the consolidated statement of profit or loss. Notwithstanding any variations in profit, fair value gains and losses are not cash items and will not increase or decrease cash and cash equivalent. The amount of revaluation adjustment has been and will continually be subject to changes in market conditions. As such, there can be no assurance that changes in market conditions will continue to generate gains from fair value changes in investment properties at similar level or at all, or there will be no decline in the fair value of the Group's investment properties.

The Group faces market risk due to market movement which may cause a fall in the value of principal investments. In view of the increased volatility in the stock and other financial markets, this may impact the fair value of the investments and add unpredictability to the Group's profits and investment revaluation reserve.

Currency fluctuations may affect our results of businesses adversely.

The results of the Group are presented in United States Dollars, but the Company and its various subsidiaries may receive revenue, incur expenses and make investments in other currencies. Any currency fluctuations on translation of the accounts of the Company and these subsidiaries and also on the repatriation of earnings and equity investments may therefore impact on the Group's businesses. Exchange rate of United States Dollars against other foreign currencies is affected by, among other things, changes in the political and economic environment of the issuing jurisdictions of the currencies. The appreciation or depreciation in United States Dollars against other foreign currencies may materially affect the Group's businesses, financial condition, results of operations and growth prospects.

Holding large and concentrated positions may expose us to losses.

Concentration of risk may reduce revenues or result in losses in our market-making, investing, block trading, underwriting and lending businesses in the event of unfavourable market movements. We commit substantial amounts of capital to these businesses, which often results in our taking large positions in the securities of, or making large loans to, a particular issuer or issuers in a particular industry, country or region.

Technological changes and risks and cybersecurity risks may affect our businesses to a certain extent.

Notwithstanding the appropriate measures adopted to protect the Group's computer system and information, the Group cannot assure that there will be no occurrence of unlawful break-ins or misuse with rapid technological advancement, which may affect our businesses to a certain extent.

Credit Risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to us.

We are exposed to the risk that third parties that are indebted to us will not perform their obligations.

This risk may arise from a variety of business activities, including but not limited to entering into swap or other derivative contracts under which counterparties have obligations to make payments to us; extending credit to clients through various lending commitments; providing short or long-term funding that is secured by physical or financial collateral whose value may at times be insufficient to fully cover the loan repayment amount; posting margin and/or collateral and other commitments to clearing houses, clearing agencies, exchanges, banks, securities firms and other financial counterparties; and investing and trading in securities and loan pools whereby the value of these assets may fluctuate based on realised or expected defaults on the underlying obligations or loans.

Although we regularly review our credit exposures, default risk may arise from events or circumstances that are difficult to detect or foresee. We use an internal credit assessment process to assess the potential borrower's credit quality and define credit limits granted to borrowers. We may suffer loss on loans receivable if the repayment of principal and/or interest is not paid on due date and the market value of collaterals, such as shares in companies listed on the Stock Exchange or certain properties in Hong Kong, fluctuate below the principal of the loans receivable and/or interest.

DIRECTORS' REPORT

Legal, Regulatory and Compliance Risk

Legal, regulatory and compliance risk includes the risk of legal or regulatory sanctions, material financial loss including fines, penalties, judgments, damages and/or settlements, or loss to reputation we may suffer as a result of our failure to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct applicable to our business activities. This risk also includes contractual and commercial risk such as the risk that a counterparty's performance obligations will be unenforceable. In today's environment of rapid and possibly transformational regulatory change, we also view regulatory change as a component of legal, regulatory and compliance risk.

The financial services industry is subject to extensive regulation, which is undergoing major changes that will impact our business.

The Group oversees potential compliance risks, such as inside dealing, money laundering, on a regular basis. With the support of external professional advisers where appropriate, the Group monitors whether and the extent to which additional regulatory requirements apply as a result of the growth or expansion of our business and operations in financial services business.

Like other major financial services firms, we are subject to extensive regulations, which significantly affect the way we do business and can restrict the scope of our existing businesses and limit our ability to expand our product offerings and pursue certain investments. The Group is and will continue to be subject to a more complex regulatory framework, and will incur costs to comply with new requirements as well as to monitor for compliance in the future.

ENVIRONMENTAL POLICIES

The Group is committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimise its environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

In accordance with Rule 13.91 of the Listing Rules, the Company will publish an Environmental, Social and Governance ("ESG") Report within three months after the publication of this annual report in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

COMPLIANCE WITH REGULATIONS

The Group is not aware of any instances of material breach of or non-compliance with the applicable laws and regulations such as the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), Listing Rules, and other applicable local laws and regulations in various jurisdictions during the Year and up to the date of this annual report.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The sustainability of the Group's business relies on the growth of the Group's employees. Remuneration packages of the employees are generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees by the Group.

Relationship is the fundamentals of business. The Group fully understands this principle and thus maintains good relationship with its stakeholders, including but not limited to our customers, borrowers and tenants.

DIRECTORS' REPORT

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the Directors, who are authorised by the shareholders in the AGM, having regard to the Group's operating results, individual performance and comparable market statistics. The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of which are set out in note 29 to the financial statements contained in this annual report.

PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules at all times during the Year under review and as at the date of this annual report.

CORPORATE GOVERNANCE

The information set out on pages 22 to 36 of this annual report and information incorporated by reference, if any, constitutes the Corporate Governance Report of the Company.

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") with written terms of reference based upon the recommendations set out in *A Guide for Effective Audit Committees* published by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Corporate Governance Code (as defined below). The duties of the Audit Committee include reviewing the Company's annual reports and interim reports and providing advice and comments thereon to the Directors. The Audit Committee is also responsible for reviewing and supervising the financial reporting, risk management and internal control procedures of the Group.

As at the date of this annual report, the Audit Committee comprises three INEDs, namely, Mr Lo Wa Kei, Roy, Mr Chen Gong, and Mr Martin Que Meideng, with Mr Lo Wa Kei, Roy being the chairman of the Audit Committee. The audited financial statements of the Company for the Year have been reviewed by the Audit Committee.

AUDITORS

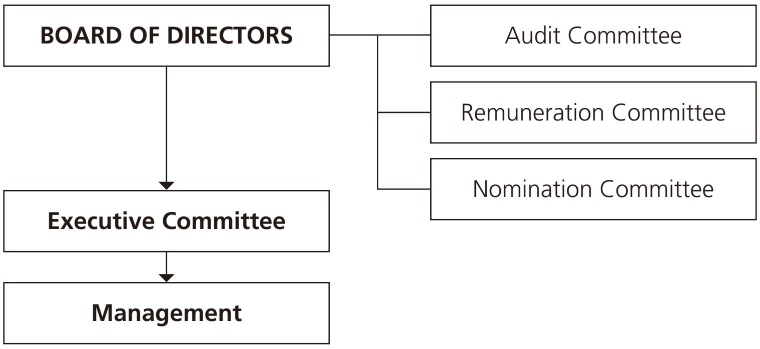
The consolidated financial statements of the Group for the Year have been audited by Deloitte Touche Tohmatsu who shall retire and, being eligible, offer themselves for re-appointment in the forthcoming AGM. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Li Zhongye, Cindy
Chairperson
Hong Kong, 28 March 2019

CORPORATE GOVERNANCE REPORT

ORGANISATION CHART OF THE GROUP AND VARIOUS BOARD COMMITTEES



The Group is committed to maintaining a high standard of corporate governance and enhancing its transparency so as to protect shareholders' interests in general. The Group will continue to raise the standard by formalising the best practices of corporate governance as far as possible.

The Company has adopted the principles and complied with the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules for the Year, except for the deviations as set out below:

(i) under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual. Prior to the retirement of Mr Chiu Tao on 15 June 2018, the positions of the chairman and acting CEO of the Company were held by Mr Chiu Tao. The Board appointed Ms Li Zhongye, Cindy as the chairperson of the Company on 12 October 2018; and

(ii) according to code provision E.1.2, Mr Chiu Tao, the chairman of the Board (retired on 15 June 2018), should have attended the AGM of the Company held on 15 June 2018 ("2018 AGM"). However, Mr Chiu Tao was unable to attend the 2018 AGM due to another business commitment. Mr Leung Oi Kin, executive Director and company secretary of the Company, who took the chair of the 2018 AGM, together with other members of the Board who attended the 2018 AGM were of sufficient caliber and knowledge for answering questions at the 2018 AGM.

BOARD OF DIRECTORS

As at the date of this annual report, the Board comprised one non-executive Director, two executive Directors and three INEDs.

Save as disclosed under the section headed "Biographical Details of Directors and Senior Management" of this annual report, there is no financial, business, family or other material/relevant relationship between the Directors and the Board, which comprised the following:

Non-Executive Director

Li Zhongye, Cindy *(Chairperson)*

Executive Directors

Leung Oi Kin
Leung Wai Yiu, Malcoln

Independent Non-Executive Directors

Lo Wa Kei, Roy
Chen Gong
Martin Que Meideng

CORPORATE GOVERNANCE REPORT

The principal functions of the Board are to supervise the management of the business and Company's affairs; to approve the Company's strategic plans, investment and funding decisions; to review the Group's financial performance and operative initiatives.

The role of the INEDs is to bring an independent and objective view to the Board's deliberations and decisions. The INEDs must have appropriate professional qualifications, or accounting or related financial management expertise, so that they are of sufficient calibre and number for their views to carry weight. The INEDs may also take independent professional advice at the Company's expense in carrying out their functions.

The Board considers the current board size as adequate for its present operations. The day-to-day running of the Company is delegated to the senior management team, with divisional heads responsible for different aspects of the business. The Board is characterised by significant diversity, whether considered in term of gender, nationality, professional background and skills. The Board has adopted the Board Diversity Policy. The Nomination Committee is responsible for reviewing and assessing Board composition and its effectiveness on an annual basis.

The Company has received from each of the INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs to be independent.

The Board is responsible for overseeing the development of good corporate governance practice of the Group.

Role and Function on Corporate Governance

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board
- to review and monitor the training and continuous professional development of Directors and senior management
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors
- to review the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report

Summary of work during the Year

- reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements
- reviewed the terms of reference of the Audit Committee, remuneration committee of the Company ("Remuneration Committee") and Nomination Committee
- reviewed the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report
- arranged suitable training for Directors, placing an appropriate emphasis on the roles, functions and duties of a listed company director
- reviewed and approved the financial results of the Company and announcements thereof
- reviewed and updated the Board Diversity Policy

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

Executive Committee ("EC")

The Board has delegated the management of the daily operation and investment matters of the Group to the EC. As at the date of this annual report, the EC comprised two members of the Board, namely:

EC Members

Leung Oi Kin
Leung Wai Yiu, Malcoln

Audit Committee

As at 31 December 2018, the Audit Committee comprised three members, all of whom are INEDs, namely:

Audit Committee Members

Lo Wa Kei, Roy *(Chairman)*
Chen Gong
Martin Que Meideng

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group.

The terms of reference of the Audit Committee have been reviewed with reference to the Corporate Governance Code. The terms of reference of the Audit Committee are posted on the websites of the Company and the Stock Exchange and are also available from the Company Secretary on request.

In accordance with the terms of reference of the Audit Committee, the Audit Committee meets at least twice a year to review the interim results and the final results of the Company. The terms of reference of the Audit Committee are aligned with the recommendations set out in *A Guide For Effective Audit Committees* issued by the Hong Kong Institute of Certified Public Accountants and the code provisions set out in the Corporate Governance Code.

Role and Function

- 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 external auditor, any questions of its resignation or dismissal
- to develop and implement policy on engaging an external auditor to supply non-audit services
- to review the Group's financial and accounting policies and practices
- 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
- 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
- to consider other topics, as defined by the Board
- to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter
- to report to the Board on the matters contained in code provision of the Corporate Governance Code

CORPORATE GOVERNANCE REPORT

- to review the Group's financial controls, and unless expressly addressed by a separate board risk committee, or by the board itself, to review the Group's risk management and internal control systems
- to discuss the risk management and internal control system with management to ensure that management has performed its duty to have an effective systems
- where an internal audit function exists, 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 Group, and to review and monitor its effectiveness
- to monitor integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them
- to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response
- to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters
- to establish a whistleblowing policy and system for employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Group
- to act as the key representative body for overseeing the Company's relations with the external auditor

Summary of work during the Year

- reviewed and made recommendation for the Board's approval for the draft 2018 interim report, annual report and accounts
- reviewed management letter, tax issues, compliance and salient features of 2018 annual accounts presented by Deloitte Touche Tohmatsu, the external auditor
- reviewed the enhancements to the 2018 audit planning process
- approved the audit and non-audit services provided by Deloitte Touche Tohmatsu
- reviewed Deloitte Touche Tohmatsu's fees proposal for the 2018 audit work for the Group
- discussed, examined and reviewed 2018 annual accounting and financial reporting issues
- reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit process
- reviewed the terms of reference of the Audit Committee
- reviewed the Whistleblowing Policy
- discussed, assessed and reviewed the reports, on internal control and risk management system and its effectiveness for the Year

Remuneration Committee

As at 31 December 2018, the Remuneration Committee comprised three members, all of whom are INEDs, namely:

Remuneration Committee Members

Lo Wa Kei, Roy *(Chairman)*
Chen Gong
Martin Que Meideng

The primary function of the Remuneration Committee is to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. The remuneration packages include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

CORPORATE GOVERNANCE REPORT

The terms of reference of the Remuneration Committee have been reviewed with reference to the Corporate Governance Code. The terms of reference of the Remuneration Committee are posted on the websites of the Company and the Stock Exchange and are also available from the Company Secretary on request.

The details of the remuneration payable to the Directors and members of senior management are set out in note 10 to the financial statements contained in this annual report.

Role and Function

- to make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives
- to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management which include benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment)
- to make recommendations to the Board on the remuneration of non-executive Directors
- to review the proposals for the award of share options to executive Directors and senior management based on their performance and contribution to the Company from time to time
- 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
- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group
- to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive
- to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration
- to recommend to the Board the structure of long-term incentive plans for executive Directors and certain senior management

Summary of work during the Year

- reviewed and recommended the remuneration and bonus of executive Directors and senior management
- conducted an annual review of the remuneration packages for executive Directors, non-executive Directors and senior management based on their performance
- reviewed the terms of reference of the Remuneration Committee
- recommended to the Board on the remuneration package of the new executive Director and non-executive Director

CORPORATE GOVERNANCE REPORT

Nomination Committee

As at 31 December 2018, the Nomination Committee comprised the Chairperson of the Company and two INEDs, namely:

Nomination Committee Members

Li Zhongye, Cindy *(Chairperson)*
Chen Gong
Martin Que Meideng

The primary duties of the Nomination Committee are to develop and maintain a formal and transparent process for the appointment and re-appointment of members of the Board. The Nomination Committee also reviews and assesses Board composition and its effectiveness on an annual basis.

The terms of reference of the Nomination Committee have been reviewed with reference to the Corporate Governance Code. The terms of reference of the Nomination Committee are posted on the websites of the Company and the Stock Exchange and are also available from the Company Secretary on request.

Role and Function

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy
- 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
- to establish a policy concerning diversity of Board members
- 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
- to assess the independence of INEDs

Summary of work during the Year

- reviewed and updated the Board Diversity Policy
- reviewed and assessed the structure, size and composition (including the skills, knowledge and experience) of the Board and its effectiveness
- assessed the independence of INEDs and confirmed that all INEDs are considered independent
- reviewed the terms of reference of the Nomination Committee
- proposed the Directors for re-election at AGM
- selected and recommended to the Board the appointment of Mr Leung Wai Yiu, Malcoln as executive Director and Ms Li Zhongye, Cindy as non-executive Director, on the basis of their qualifications, skill and experience

CORPORATE GOVERNANCE REPORT

NOMINATION POLICY

1. Purpose

The Nomination Policy sets out the process and criteria of identifying potential candidates of the Company. The Nomination Committee should ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

2. Selection Criteria

The Nomination Committee shall consider the following selection criteria in evaluating and selecting candidates for directorships:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;
- requirement for the Board to have INEDs in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- succession planning or strategies for the ongoing effective performance of the Board as a whole;
- Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and
- such other perspectives appropriate to the Company's business.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

3. Nomination Process

3.1 Appointment of New Director

3.1.1 The Nomination Committee shall, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate and assess such candidate based on the selection criteria as set out in section 2 to determine whether such candidate is qualified for directorship.

3.1.2 If there is one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

3.1.3 The Nomination Committee shall then recommend to appoint the appropriate candidate for directorship.

3.1.4 For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee shall evaluate such candidate based on the criteria as set out in section 2 to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to shareholders in respect of the proposed election of director at the general meeting.

CORPORATE GOVERNANCE REPORT

4. Re-Election of Director at General Meeting

4.1 The Nomination Committee shall review the overall contribution and service to the Company of the retiring director including his/her attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board.

4.2 The Nomination Committee shall also review and determine whether the retiring director continues to meet the criteria as set out in section 2.

4.3 The Board, with the recommendation from Nomination Committee, shall then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

5. Ultimate Responsibility for Selection and Appointment

The nomination of directors is also subject to any restrictions under the Bermuda law and the Company's Bye-laws. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

6. Monitoring and Reporting

The Nomination Committee will disclose the Nomination Policy and the progress made towards achieving the objectives set out in the Policy in the corporate governance report in the annual report.

BOARD DIVERSITY POLICY

1. Vision

The Company sees diversity at Board level as an important element in maintaining a high standard of corporate governance. The Company is committed to a diverse Board, so Directors from diverse backgrounds could present the Company effectively to various constituencies, and to bring previously unheard perspective into the boardroom.

2. Policy Statement

2.1 The Company aspires to maintain an appropriate range and balance of skills, experience and background on the Board. In determining the optimum composition of the Board, differences in the skills, regional and industry experience, background, race, gender and other qualities of Directors shall be considered. All Board appointments are made on merits, in the context of the skills and experience the Board as a whole requires to be effective, with due regard for the benefits of diversity on the Board.

2.2 The Nomination Committee will review and assess Board composition and its effectiveness on an annual basis. When there is vacancy on Board, the Nomination Committee will recommend suitable candidates for appointment to the Board on merits, based on the Terms of Reference of the Nomination Committee, with due regard to the Company's own circumstances.

3. Monitoring and Reporting

The Nomination Committee will report annually in the Corporate Governance Report in the annual report, on the composition of the Board (including gender, age, length of service, education background, working experience), and monitor the implementation of the Board Diversity Policy.

The Nomination Committee, having reviewed the Board's composition and considered the Board Diversity Policy, nominated one executive Director and one non-executive Director to fill in vacancies of the Board during the Year and recommended the appointment of the said Directors to the Board.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

1. The Dividend Policy sets out the structure of dividend payout to the shareholders of the Company.

2. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

   (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

   (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

3. The Company may distribute dividends by way of (1) Cash; (2) Shares.

4. The Board may from time to time pay to the shareholders such interim dividends as appear to the Board to be justified by the position of the Company.

5. According to the Company's Bye-laws, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

6. The Company's ability to pay dividends is also subject to the requirements of the Listing Rules and all relevant applicable laws, rules and regulations in Bermuda, Hong Kong and the Bye-laws of the Company.

7. In proposing any dividend payout, the Board shall also take into account, inter alia:-

   (a) the Company's actual and expected financial performance;

   (b) retained earnings of the Company and each of the members of the Group;

   (c) the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;

   (d) any restrictions on payment of dividends that may be imposed by the Group's lenders, if any;

   (e) the Group's expected working capital requirements and future expansion plans;

   (f) general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

   (g) any other factors that the Board deem appropriate.

8. Any final dividend for a financial year will be subject to shareholders' approval.

COMPANY SECRETARY

The Company Secretary, Mr Leung Oi Kin, plays the role in supporting the Board by ensuring good information flow within the Board, as well as communications with our Shareholders and management. The Company Secretary's biography is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report. For the Year, the Company Secretary undertook 15 hours of professional training to update his skills and knowledge as required under Rule 3.29 of the Listing Rules.

ATTENDANCES OF MEETINGS

The Board will also conduct meetings on a regular basis and on an ad hoc basis, as required by business needs. The Company's Bye-laws allow Board meetings to be conducted by way of telephone or videoconference. The Board held a total of four full Board meetings during the Year.

CORPORATE GOVERNANCE REPORT

Details of Directors' attendance at the AGM, Board and Board committees' meetings held during the Year are set out in the following table:

	Meeting Attended/Held				
Name of Directors	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	2018 AGM[8]
NON-EXECUTIVE DIRECTOR					
Li Zhongye, Cindy[1] (appointed on 12 October 2018)	1/1	N/A	N/A	0/0	0/0
EXECUTIVE DIRECTORS					
Chiu Tao[2] (retired on 15 June 2018)	0/1	N/A	N/A	0/1	0/1
Ma Xiao[3] (resigned on 15 June 2018)	1/1	N/A	N/A	N/A	0/1
Wah Wang Kei, Jackie[4] (retired on 15 June 2018)	1/1	N/A	N/A	N/A	0/1
Leung Oi Kin	4/4	N/A	N/A	N/A	1/1
Leung Wai Yiu, Malcoln[5] (appointed on 16 April 2018)	3/3	N/A	N/A	N/A	1/1
INDEPENDENT NON-EXECUTIVE DIRECTORS					
Lo Wa Kei, Roy[6]	4/4	2/2	1/1	1/1	1/1
Chen Gong	4/4	2/2	1/1	1/1	1/1
Martin Que Meideng[7]	4/4	2/2	1/1	0/0	1/1

Notes:

1. Ms Li Zhongye, Cindy was appointed as the chairperson of the Company, a non-executive Director, and the chairperson and a member of the Nomination Committee on 12 October 2018.
2. Mr Chiu Tao retired as the chairman and acting CEO of the Company, an executive Director and the chairman of the EC and the Nomination Committee on 15 June 2018.
3. Mr Ma Xiao resigned as deputy CEO of the Company, an executive Director and a member of the EC on 15 June 2018.
4. Mr Wah Wang Kei, Jackie retired as an executive Director and a member of the EC on 15 June 2018.
5. Mr Leung Wai Yiu, Malcoln was appointed as an executive Director and a member of the EC on 16 April 2018.
6. Mr Lo Wa Kei, Roy was appointed as the chairman of the Nomination Committee on 15 June 2018 and subsequently ceased to be the chairman and a member of the Nomination Committee on 12 October 2018.
7. Mr Martin Que Meideng was appointed as a member of the Nomination Committee on 15 June 2018.
8. The AGM for the year 2017 was held on 15 June 2018.

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the Corporate Governance Code, the roles of chairman and CEO should be separated and should not be performed by the same individual. Prior to the retirement of Mr Chiu Tao on 15 June 2018, the positions of the chairman and acting CEO of the Company were held by Mr. Chiu Tao. The Board appointed Ms Li Zhongye, Cindy as the chairperson of the Company on 12 October 2018.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules, as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the Year under review.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statements and announcements to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

For the Year, the Group engaged Deloitte Touche Tohmatsu, auditors of the Company, to perform audit service. Their reporting responsibilities on the financial statements of the Group are set out in the Independent Auditor's Report on pages 37 to 41 of this annual report.

The services provided by Deloitte Touche Tohmatsu and the fees thereof were as follows:

Nature of services	**For the year ended 31 December 2018** USD'000
Audit services	199
Non-audit services in relation to tax advisory and other professional and advisory services	48
	247

SUPPLY AND ACCESS TO INFORMATION

The financial plans, including budgets and forecasts, are regularly discussed at Board meetings. Monthly reports to all Directors (including non-executive Directors) are issued, covering financial and operating highlights.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for maintaining a sound and effective internal control system for the Group. The Group's system of internal control, which includes a defined management structure with limits of authority, is designed to help the achievement of business objectives, safeguard assets against their unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislations and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. The Board adopts a "top-down" and "bottom-up" approach on the Group's risk management. The Audit Committee supports the Board in monitoring the Group's risk exposures, the design and implementation effectiveness of the current risk management and internal controls systems. Management assesses and presents regular reports at the meetings of the Audit Committee on its own assessments of key risks, the strengths and weaknesses of the overall internal controls systems, with action plans to address the weaknesses. The independent internal auditor engaged by the Group regularly reports on reviews of the business processes and activities, including action plans to address any identified control weaknesses. External auditors also report on any control issues identified in the course of their work.

The abovementioned system enables the Group to (i) systematically and thoroughly identify and assess all major risks which threaten the achievement of business objectives, (ii) optimise business opportunities and secure continuation of business, (iii) recognise and identify uncertainties and subsequently develop the prediction of risks and measures needed to manage risks, (iv) ensure the compliance with relevant rules and regulations, and (v) be cost-effective in risk management to avoid adopting unnecessary control and management procedures.

The Company has implemented proper procedures and internal controls for the handling and dissemination of inside information to ensure that all current and prospective investors of the Company and public are provided with appropriate information relating to the Group in a timely and simultaneous manner. The Group has a set of control process for management of communications with shareholders and investors and prohibition of the unauthorised use of confidential or non-public information. In general, the authorised spokespersons only make clarification and explanation on data that are available on the market, and avoid providing or divulging any unpublished inside information either by an individual or by a team. Before conducting any external interview, if the authorised spokespersons have any doubt about the data to be disclosed, they would seek verification from the relevant person or the person-in-charge of the relevant department, so as to determine if such data is accurate. In addition, discussions on the Company's key financial data or other financial indicators are prohibited during the blackout periods under the Listing Rules.

CORPORATE GOVERNANCE REPORT

Taking these into consideration, the Audit Committee reviews the effectiveness of the Group's system of internal controls and reports to the Board on such reviews. The Board, through the Audit Committee, has effectively assessed internal controls and risk management system in place for the Group and the Board is satisfied that the Group has fully complied with the code provisions of the Corporate Governance Code on internal control during the Year.

During the Year, the Group engaged an independent internal auditor to review and assess its internal control system. The review covered parts of the system including risks, operational, financial and compliance controls. The Board is of the view that the Group's current internal control review system is adequate and effective but will perform periodical reviews so as to improve and safeguard our internal control system.

The Audit Committee has established and adopted a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company. The whistleblowing policy is posted on the websites of the Company and is also available from the Company Secretary on request.

DIRECTORS' COMMITMENTS

The Company has received confirmation from each Director that he/she has given sufficient time and attention to affairs of the Company for the Year. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies or organisations and an indication of the time involved. Directors are also reminded to notify the Company Secretary in a timely manner and bi-annually confirm to the Company Secretary any change of such information. In respect of those Directors who stand for re-election at the AGM in 2019, all their directorships held in listed public companies in the past three years (if any) will be set out in the notice of AGM in 2019.

PARTICIPATION IN CONTINUOUS PROFESSIONAL DEVELOPMENT PROGRAMME IN 2018

During the Year, Directors received regular updates and presentations on changes and developments to the Group's business and to the legislative and regulatory environments in which the Group operates. All Directors are also encouraged to attend relevant training courses at the Company's expense. With effect from 1 January 2012, all Directors are required to provide the Company with his or her training record.

During the Year, the Company arranged two seminars on 22 October 2018 and 13 December 2018, respectively on compliance with legal and regulatory requirements to the Directors. The seminars covered the topics of continuing obligations of a Hong Kong listed company and its directors; and recent amendments to the Listing Rules. Most of the Directors have attended the seminars.

	Reading Regulatory Updates	Attending expert briefings/seminars/ conferences relevant to the business or Directors' duties
NON-EXECUTIVE DIRECTOR		
Li Zhongye, Cindy	✓	✓
EXECUTIVE DIRECTORS		
Leung Oi Kin	✓	✓
Leung Wai Yiu, Malcoln	✓	✓
INDEPENDENT NON-EXECUTIVE DIRECTORS		
Lo Wa Kei, Roy	✓	✓
Chen Gong	✓	✓
Martin Que Meideng	✓	✓

CORPORATE GOVERNANCE REPORT

INSURANCE ARRANGEMENT

Pursuant to the code provision A.1.8 under the Corporate Governance Code, the Company should arrange appropriate insurance to cover potential legal actions against its Directors. The Company has renewed its corporate liability insurance purchased for its Directors and senior management.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

The Corporate Governance Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election. All non-executive Director and INEDs have signed the letters of appointment with the Company for a term of three years but they continue to be subject to retirement by rotation and re-election at AGM under the Bye-laws of the Company.

MEMORANDUM OF ASSOCIATION AND BYE-LAWS

During the Year, there were no changes to the Memorandum of Association and Bye-Laws of the Company. The latest consolidated version of the Memorandum of Association and Bye-Laws of the Company is available on the websites of the Company and the Stock Exchange.

SHAREHOLDERS' RIGHT AND COMMUNICATION

We have been reporting our financial and non-financial results in a transparent fashion. Besides the annual report and the interim report, we published and released, from time to time, announcements and press releases.

The Company's corporate website – www.g-resources.com, provides an excellent channel for our shareholders and other interested parties to access information about the Company. Shareholders can find from the website all key corporate information and information of the Company including but not limited to:

- Financial Reports
- Announcements and Press Releases
- Information on Change of Share Capital
- Circulars
- Press Releases
- Terms of Reference of the various Board Committees
- Shareholders Communication Policy
- Whistleblowing Policy
- Board Diversity Policy
- Shareholders' Rights

Shareholders are encouraged to attend all general meetings of the Company and have the right to convene special general meetings, if shareholders find necessary.

The Company arranges for the notice to its shareholders to be sent at least 20 clear business days before each of the AGMs of the Company in accordance with code provision E.1.3 of the Corporate Governance Code. Separate resolutions are proposed at the AGMs on each substantially separate issue, including the election or re-election of each individual Director.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS ON CONVENING A SPECIAL GENERAL MEETING

Bye-laws of the Company

Bye-law 62 of the Company's Bye-laws sets out the position where a requisition is made by shareholders of the Company. Bye-law 62 provides that a special general meeting (the "SGM") shall be convened on requisition, as provided by the Companies Act 1981 of Bermuda (the "Bermuda Companies Act"), and, in default, may be convened by the requisitionists.

Bermuda Companies Act

1. Pursuant to Section 74 of the Bermuda Companies Act, the Directors, notwithstanding anything in its Bye-laws shall, on the requisition of members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a SGM of the Company.

2. The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda, and may consist of several documents in like form each signed by one or more requisitionists.

3. If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

4. A meeting convened under this section by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by Directors.

PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETING BY A SHAREHOLDER

1. Sections 79 and 80 of the Bermuda Companies Act allow certain shareholder(s) to make requisition to the Company to move a resolution at an AGM or circulate a statement at any general meeting of the Company.

2. Under section 79 of the Bermuda Companies Act, it shall be the duty of the Company on the requisition in writing of such number of members, at the expense of the requisitionists unless the Company otherwise resolves:

   (a) to give to members of the Company entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting;

   (b) to circulate to members entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

3. The number of members necessary for a requisition under paragraph 2 above shall be:

   (a) either any number of members representing not less than one-twentieth of the total voting rights of all the members having at the date of the requisition a right to vote at the meeting to which the requisition relates; or

   (b) not less than one hundred members.

4. Notice of any such intended resolution shall be given, and any such statement shall be circulated, to members of the Company entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each such member in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other member of the Company by giving notice of the general effect of the resolution in any manner permitted for giving him notice of meetings of the Company, provided that the copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

CORPORATE GOVERNANCE REPORT

5. Section 80 of the Bermuda Companies Act sets out the conditions to be met before the Company is bound to give notice of any resolution or to circulate any statement. Pursuant to section 80 of the Bermuda Companies Act, the Company shall not be bound to give notice of any resolution or to circulate any statement as mentioned in paragraph 2 above unless:

   (a) a copy of the requisition signed by the requisitionists, or two or more copies which between them contain the signatures of all the requisitionists, is deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda:

      i) in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

      ii) in the case of any other requisition, not less than one week before the meeting; and

   (b) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expense in giving effect to the procedures in paragraph 2 above.

Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the registered office of the Company at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the abovementioned time shall be deemed to have been properly deposited for the purposes thereof.

SUBMISSION OF ENQUIRIES TO THE BOARD

The Board established a shareholders' communication policy and has posted it on the website of the Company. The Board reviews it on a regular basis to ensure its effectiveness.

Enquiries, comments and suggestions to the Board or the Company are welcome and can be addressed to the Investor Relations Department by mail to Room 1801, 18/F, Capital Centre, No. 151 Gloucester Road, Wanchai, Hong Kong or by email at investor.relations@g-resources.com.

Questions about the Company's activities may be directed to information@g-resources.com.

INDEPENDENT AUDITOR'S REPORT

Deloitte.

德勤

TO THE SHAREHOLDERS OF G-RESOURCES GROUP LIMITED
國際資源集團有限公司
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of G-Resources Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 115, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Fair value of investment in unlisted security investments classified as financial assets at fair value through profit or loss and within Level 3 under the fair value hierarchy	
We identified the measurement of fair value of investment in unlisted security investments classified as financial assets at fair value through profit or loss and within Level 3 under the fair value hierarchy ("FV Level 3") as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, and significant judgements and estimates made by management for the fair value measurement of the financial assets at fair value through profit or loss. As at 31 December 2018, the unlisted security investments classified as financial assets at fair value through profit or loss and within FV Level 3 was USD159,723,000 as set out in note 33 to the consolidated financial statements which include unlisted investment funds and an unlisted equity investment with carrying value at 31 December 2018 of USD129,723,000 and USD30,000,000, respectively. The details of the valuation technique and unobservable inputs of FV Level 3 unlisted security investments are set out in notes 15 and 33 to the consolidated financial statements.	Our procedures in relation to fair value of investment in unlisted security investments classified as financial assets at fair value through profit or loss and within FV Level 3 included: • Obtaining an understanding of the entity's process regarding the determination of fair value of the unlisted security investments classified as financial assets at fair value through profit or loss and within FV Level 3; • Agreeing the investments held by the Group to the confirmations received independently from the third parties; • For the unlisted investment funds, checking the net asset value against the information provided by the general partners; • For the unlisted equity investment, performing the following procedures, with the assistance of our internal valuation specialist, as appropriate: – Assessing the qualification and experience of the independent valuer performing the valuation; and – Evaluating the appropriateness of the methodologies, judgements and estimates used in determining the fair value of the investment; • Reviewing the financial statement disclosures made in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Key audit matter (Continued)	**How our audit addressed the key audit matter** (Continued)
Fair value of an investment in a Hong Kong listed equity security classified as financial asset at fair value through profit or loss	
We identified the measurement of fair value of the shares which were suspended from trading classified as financial assets at fair value through profit or loss as a key audit matter due to the significant judgement in selecting an appropriate valuation technique and assumptions and estimates for the fair value measurement of the financial asset at fair value through profit or loss. As at 31 December 2018, the financial assets at fair value through profit or loss included investments in shares listed in The Stock Exchange of Hong Kong Limited. As at 31 December 2018, an equity investment amounted to approximately USD7,138,000 was suspended from trading. The fair value change during the year ended 31 December 2018 amounted to USD5,440,000, which was recognised in profit or loss during the year ended 31 December 2018. There is an absence of quoted prices for the investment in the shares which were suspended from trading and do not resume trading in a short period of time subsequent to period end. The fair value was determined by the management based on valuation conducted by an independent valuer. As disclosed in note 15, the fair value was estimated based on the last market bid price before suspension and adopted a discount for lack of marketability. The discount rate is based on a statistical research paper which examined samples on the average share price of the listed equity securities before and after delisting situation.	Our procedures in relation to fair value of the shares which were suspended from trading classified as financial assets at fair value through profit or loss included: • Obtaining an understanding of the entity's valuation process in selecting valuation techniques, adopting unobservable inputs as well as appointing independent valuer regarding the determination of fair value of the investment in the shares which were suspended from trading; • Assessing the qualification and experience of the independent valuer performing the valuation of the investment in the shares which were suspended from trading; • Involving our internal valuation specialist to evaluate the appropriateness of the valuation model and assumptions and estimates used to calculate the fair value of the investment in the shares which were suspended from trading; and • Evaluating the assumptions made by the management and reviewing the financial statement disclosures made in the consolidated financial statements.

Other Information

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

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

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

INDEPENDENT AUDITOR'S REPORT

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Wong Lam Ching.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	NOTES	2018 USD'000	2017 USD'000
Revenue			
Interest income	6	**20,326**	17,210
Dividend and distribution income	6	**10,865**	7,608
Fee and commission income	6	**896**	3,720
Rental income	6	**2,186**	1,585
		34,273	30,123
Other income		**10,443**	10,389
Administrative expenses		**(13,924)**	(17,620)
Gain on disposal of investments in debt instruments measured at amortised cost		**1,549**	–
Gain on disposal of available-for-sale investments		**–**	3,546
Fair value changes of financial assets at fair value through profit or loss		**8,609**	–
Fair value changes of held for trading investments		**–**	6,860
Reversal of expected credit losses on financial assets, net of provision		**268**	–
Gain on disposal of a subsidiary	31	**93**	–
Fair value loss recognised upon remeasurement of derivative component in convertible bond investment upon redemption	21	**–**	(929)
Increase in fair value of investment properties		**10,896**	6,943
Provision of impairment on non-financial assets	9	**(7,138)**	(10,587)
Other gain		**4,181**	3,972
Finance cost	7	**(644)**	(128)
Share of results of associates	17	**(231)**	(33)
Profit before taxation		**48,375**	32,536
Taxation	8	**(46)**	(374)
Profit for the year	9	**48,329**	32,162
Profit for the year attributable to:			
Owners of the Company		**48,208**	31,249
Non-controlling interests		**121**	913
		48,329	32,162
Earnings per share			
– Basic and diluted (US cent)	12	**0.18**	0.12

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 USD'000	2017 USD'000
Profit for the year	**48,329**	32,162
Other comprehensive (expenses)/income:		
Items that will not be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	**(5,606)**	(7,852)
Fair value loss on financial assets at fair value through other comprehensive income	**(5,243)**	–
	(10,849)	(7,852)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	**721**	2,349
Release of exchange reserve upon disposal of a subsidiary	**(93)**	–
Fair value gain on available-for-sale investments	**–**	4,914
Reclassification upon disposal of available-for-sale investments	**–**	(3,546)
	628	3,717
Other comprehensive expenses for the year	**(10,221)**	(4,135)
Total comprehensive income for the year	**38,108**	28,027
Total comprehensive income/(expenses) for the year attributable to:		
Owners of the Company	**39,312**	27,156
Non-controlling interests	**(1,204)**	871
	38,108	28,027

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	2018 USD'000	2017 USD'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**18,576**	48,164
Investment properties	14	**94,095**	83,384
Financial assets at fair value through profit or loss	15	**160,612**	–
Financial assets at fair value through other comprehensive income	15	**15,852**	–
Investments in debt instruments measured at amortised cost	15	**177,650**	–
Available-for-sale investments	15	**–**	379,728
Other receivables and deposits	16	**789**	1,906
Interests in associates	17	**664**	898
Intangible assets	18	**1,746**	515
Goodwill	19	**17,972**	1,469
		487,956	516,064
CURRENT ASSETS			
Accounts and other receivables	16	**27,669**	14,037
Loans receivable	20	**1,185**	15,266
Investments in debt instruments measured at amortised cost	15	**4,147**	–
Financial assets at fair value through profit or loss	15	**57,189**	–
Held for trading investments	15	**–**	78,719
Tax recoverable		**–**	79
Bank trust accounts balances	22	**28,342**	1,284
Bank balances and cash	23	**887,070**	780,142
		1,005,602	889,527
Non-current asset classified as held for sale	24	**10,000**	–
		1,015,602	889,527
CURRENT LIABILITIES			
Other borrowings	25	**13,381**	–
Accounts and other payables	26	**44,213**	15,395
Tax payable		**490**	474
		58,084	15,869
NET CURRENT ASSETS		**957,518**	873,658
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,445,474**	1,389,722
NON-CURRENT LIABILITY			
Deferred tax liabilities	27	**288**	64
		288	64
		1,445,186	1,389,658
CAPITAL AND RESERVES			
Share capital	28	**34,871**	34,871
Reserves		**1,406,060**	1,348,747
Equity attributable to owners of the Company		**1,440,931**	1,383,618
Non-controlling interests		**4,255**	6,040
TOTAL EQUITY		**1,445,186**	1,389,658

The consolidated financial statements on pages 42 to 115 were approved and authorised for issue by the Board of Directors on 28 March 2019 and are signed on its behalf by:

Leung Oi Kin
Director

Leung Wai Yiu, Malcoln
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company										
	Share capital USD'000	Share premium USD'000	Capital redemption reserve USD'000	Contributed surplus (Note) USD'000	Share options reserve USD'000	Exchange reserve USD'000	Investment revaluation reserve USD'000	Retained earnings USD'000	Total USD'000	Non-controlling interests USD'000	Total USD'000
At 1 January 2017	34,871	1,023,183	212	11,658	286	1,333	12,659	272,260	1,356,462	5,169	1,361,631
Profit for the year	–	–	–	–	–	–	–	31,249	31,249	913	32,162
Fair value gain on available-for-sale investments	–	–	–	–	–	–	4,914	–	4,914	–	4,914
Exchange difference arising on translation	–	–	–	–	–	(5,461)	–	–	(5,461)	(42)	(5,503)
Reclassified to profit or loss upon disposal of available-for-sale investments	–	–	–	–	–	–	(3,546)	–	(3,546)	–	(3,546)
Total comprehensive (expenses)/income for the year	–	–	–	–	–	(5,461)	1,368	31,249	27,156	871	28,027
Vested share options lapsed	–	–	–	–	(286)	–	–	286	–	–	–
At 31 December 2017	34,871	1,023,183	212	11,658	–	(4,128)	14,027	303,795	1,383,618	6,040	1,389,658
Adjustments (Note 2)	–	–	–	–	–	–	(14,027)	32,028	18,001	(134)	17,867
At 1 January 2018 (restated)	34,871	1,023,183	212	11,658	–	(4,128)	–	335,823	1,401,619	5,906	1,407,525
Profit for the year	–	–	–	–	–	–	–	48,208	48,208	121	48,329
Fair value loss on financial assets at fair value through other comprehensive income	–	–	–	–	–	–	(3,932)	–	(3,932)	(1,311)	(5,243)
Exchange difference arising on translation	–	–	–	–	–	(4,871)	–	–	(4,871)	(14)	(4,885)
Release of exchange reserve upon disposal of a subsidiary	–	–	–	–	–	(93)	–	–	(93)	–	(93)
Total comprehensive (expenses)/income for the year	–	–	–	–	–	(4,964)	(3,932)	48,208	39,312	(1,204)	38,108
Dividend paid to a non-controlling interests	–	–	–	–	–	–	–	–	–	(447)	(447)
At 31 December 2018	34,871	1,023,183	212	11,658	–	(9,092)	(3,932)	384,031	1,440,931	4,255	1,445,186

Note: The contributed surplus includes (i) the difference between the consolidated shareholders' funds of the subsidiaries at the date at which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1994; (ii) the surplus arising from the group reorganisation in 1998; and (iii) the surplus arising from capital reorganisation in June 2009.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	NOTES	2018 USD'000	2017 USD'000
OPERATING ACTIVITIES			
Profit before taxation		**48,375**	32,536
Adjustments for:			
Interest income		**(28,290)**	(23,444)
Depreciation of property, plant and equipment		**2,231**	3,341
Provision of impairment on non-financial assets		**7,138**	10,587
Fair value changes of financial assets at fair value through profit or loss		**(8,609)**	–
Fair value changes of held for trading investments		**–**	(6,860)
Gain on disposal of investments in debt instruments measured at amortised cost		**(1,549)**	–
Reversal of expected credit losses on financial assets, net of provision		**(268)**	–
Gain on disposal of a subsidiary		**(93)**	–
Finance cost		**644**	128
Increase in fair value of investment properties		**(10,896)**	(6,943)
Share of results of associates		**231**	33
Gain on disposal of available-for-sale investments		**–**	(3,546)
Fair value loss recognised upon remeasurement of derivative component in convertible bond investment upon redemption		**–**	929
Operating cash flows before movements in working capital		**8,914**	6,761
Increase in other receivable and deposits		**–**	(254)
(Increase)/decrease in accounts and other receivables		**(523)**	7,848
Loans advanced to money lending customers		**(42,057)**	(93,448)
Repayments from money lending customers		**56,042**	93,929
Decrease in financial assets at fair value through profit or loss		**13,819**	–
Decrease/(increase) in bank trust accounts balances		**691**	(831)
(Decrease)/increase in accounts and other payables		**(146)**	2,401
Decrease in held for trading investments		**–**	117
Cash generated from operations		**36,740**	16,523
Income taxes paid		**–**	(82)
Net cash from Operating Activities		**36,740**	16,441

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	NOTES	2018 USD'000	2017 USD'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(32)**	(18,871)
Acquisition of interests in associates		**–**	(934)
Purchase of financial assets at fair value through profit or loss		**(40,820)**	–
Purchase of financial assets at fair value through other comprehensive income		**(21,087)**	–
Purchase of investments in debt instruments measured at amortised cost		**(38,898)**	–
Proceeds from disposal of investments in debt instruments measured at amortised cost		**42,691**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**51,480**	–
Proceeds from return of capital of financial assets at fair value through profit or loss		**9,677**	–
Proceeds from disposal of property, plant and equipment through disposal of a subsidiary	31	**12,148**	–
Net proceeds from disposal of subsidiaries	31	**37,490**	–
Acquisition of subsidiaries	30	**(21,124)**	–
Interest received		**28,988**	23,523
Receipt of deferred cash consideration in relation to disposal of mining business		**1,703**	11,635
Purchase of available-for-sale investments		**–**	(152,123)
Proceeds from disposal of available-for-sale investments		**–**	65,894
Proceeds from return of capital of available-for-sale investments		**–**	14,821
Purchase of convertible bond investment		**–**	(9,230)
Proceeds from redemption of convertible bond investment		**–**	8,961
Addition of intangible assets		**–**	(64)
Net cash from/(used in) Investing Activities		**62,216**	(56,388)
FINANCING ACTIVITIES			
New other borrowings raised		**28,070**	23,099
Repayment of other borrowings		**(14,696)**	(23,099)
Interest expenses paid		**(562)**	(128)
Dividend paid to non-controlling shareholder		**(447)**	–
Net cash from/(used in) Financing Activities		**12,365**	(128)
Net increase/(decrease) in cash and cash equivalents		**111,321**	(40,075)
Cash and cash equivalents at beginning of the year		**780,142**	825,485
Effect of foreign exchange rate changes		**(4,393)**	(5,268)
Cash and cash equivalents at end of the year, represented by Bank Balances and Cash		**887,070**	780,142

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

G-Resources Group Limited (the "Company") is an exempted company with limited liability incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The address of the registered office and principal place of business of the Company is disclosed in the Corporate Information of the annual report.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 40.

The consolidated financial statements are presented in United States Dollars ("USD"), which is different from the Company's functional currency of Hong Kong Dollars ("HKD"). The management adopted USD as presentation currency as the management controls and monitors the performance and financial position of the Group based on USD. 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

New and Amendments to Hong Kong Financial Reporting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards ("HKAS"s), Hong Kong Financial Reporting Standards ("HKFRS"s), amendments and an interpretation (hereinafter collectively referred to as "New and Revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time.

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

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior year and/or disclosures set out in the consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded *HKAS 18 Revenue*, *HKAS 11 Construction Contracts* and the related interpretations.

The Group recognises revenue from commission income and handling charges from financial service which arise from contracts with customers. There is no material impact to the Group upon the initial application of HKFRS 15.

Information about the Group's performance obligations and accounting policies resulting from application of HKFRS 15 are disclosed in notes 6 and 3 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

New and Amendments to Hong Kong Financial Reporting Standards that are mandatorily effective for the current year (continued)

2.2 *Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments*

In the current year, the Group has applied *HKFRS 9 Financial Instruments* and the related consequential amendments to other HKFRSs. The new requirements introduced by HKFRS 9 that are applicable to the Group are for 1) the classification and measurement of financial assets and financial liabilities, and 2) expected credit losses ("ECL") for financial assets.

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

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

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

2.2.1 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available-for-sales investments USD'000	Held for trading investments USD'000	Financial assets at fair value through profit or loss USD'000	Investments in debt instruments measured at amortised cost USD'000	Financial assets classified as loans and receivables *(Note)* USD'000	Investment revaluation reserve USD'000	Retained earnings USD'000	Non-controlling interests USD'000
Closing balance at 31 December 2017 – HKAS 39	379,728	78,719	–	–	812,143	14,027	303,795	6,040
Effect arising from initial application of HKFRS 9:								
Reclassification								
From available-for-sale investments (note a)	(379,728)	–	176,462	195,970	–	(14,027)	6,731	–
From held for trading investments (note b)	–	(78,719)	78,719	–	–	–	–	–
Remeasurement								
From cost less impairment to fair value (note a)	–	–	25,820	–	–	–	25,820	–
Impairment under ECL model (note c)	–	–	–	(121)	(536)	–	(523)	(134)
	(379,728)	(78,719)	281,001	195,849	(536)	(14,027)	32,028	(134)
Opening balance at 1 January 2018 (restated)	–	–	281,001	195,849	811,607	–	335,823	5,906

Note: Financial assets classified as loans and receivables consist of accounts and other receivables, loans receivable, bank trust accounts balances and bank balances and cash.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

New and Amendments to Hong Kong Financial Reporting Standards that are mandatorily effective for the current year (continued)

2.2 *Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments* (continued)

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

Notes:

(a) Available-for-sale investments

From available-for-sale investments – listed debt securities to investments in debt instruments measured at amortised cost

At the date of initial application of HKFRS 9, certain investments in listed bonds with a fair value of USD203,266,000 were reclassified from available-for-sale investments to investments in debt instruments measured at amortised cost since the Group's business model is to hold these investments for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount outstanding. The carrying amounts were adjusted to amortised cost of USD195,970,000, with corresponding reversal of fair value gains of USD7,296,000 previously recognised in investment revaluation reserve.

From available-for-sale investments – unlisted securities to financial assets at fair value through profit or loss ("financial assets at FVTPL")

At the date of initial application of HKFRS 9, investments in unlisted investment funds with a fair value of USD48,107,000 were reclassified from available-for-sale investments to financial assets at FVTPL. Related fair value gains of USD6,731,000 were transferred from the investment revaluation reserve to retained earnings as at 1 January 2018. Furthermore, investments in other security investments of USD128,355,000 were reclassified from available-for-sale investments to financial assets at FVTPL. The fair value gains of USD25,820,000 relating to those investments previously carried at cost less impairment were adjusted to financial assets at FVTPL and retained earnings as at 1 January 2018.

(b) Held for trading investments to financial assets at FVTPL

The Group has reassessed its investments in equity securities classified as held for trading investments under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, USD78,719,000 of the Group's investments were held for trading and continued to be measured at fair value through profit or loss ("FVTPL").

(c) Impairment under ECL model

Loss allowances for accounts receivables, loans receivable, investments in debt instruments measured at amortised cost and other financial assets at amortised cost mainly comprise of other receivables, bank trust accounts balances and bank balances and cash, are measured on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, additional credit loss allowance of USD523,000 and USD134,000 has been recognised against retained earnings and non-controlling interests respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

New and Amendments to Hong Kong Financial Reporting Standards that are mandatorily effective for the current year (continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (continued)

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

All loss allowances for financial assets including accounts receivables, loans receivable, investments in debt instruments measured at amortised cost and other financial assets at amortised cost (including other receivables, bank trust accounts balances and bank balances and cash) as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Impairment allowance under incurred loss model (HKAS 39) USD'000	Impairment allowance under remeasurement USD'000	Impairment allowance under ECL model (HKFRS 9) USD'000
Loans receivable	–	536	536
Investments in debt instruments measured at amortised cost (previously classified as available-for-sales investments under HKAS 39)	–	121	121
	–	657	657

New and Revised Hong Kong Financial Reporting Standards in issue but not yet effective

The Group has not early applied the following New and Revised HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
HKFRS 3 (Amendments)	Definition of a Business[4]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKAS 1 and HKAS 8 (Amendments)	Definition of Material[5]
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[1]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

New and Revised Hong Kong Financial Reporting Standards in issue but not yet effective (continued)

HKFRS 16 Leases

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer.

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

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands classified as investment properties while other operating lease payments are presented as operating cash flows. Under application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of USD907,000 as disclosed in note 34. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of USD274,000 and refundable rental deposits received of USD612,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payment and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and *HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. The Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings and other components of equity, without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of *HKFRS 2 Share-based Payment*, leasing transactions that are within the scope of *HKAS 17 Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in *HKAS 2 Inventories* or value in use in *HKAS 36 Impairment of Assets*.

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.

For financial instruments and investment properties which are measured at fair value and a valuation technique that uses unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

Profit or loss and each item of other comprehensive income ("OCI") are attributed to the owners of the Company and to the non-controlling interests.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests in subsidiaries are presented separately from Group's equity therein, which represent present ownership interests and entitle their holdings to a proportionate share of the relevant subsidiary's net assets in the event of liquidation. The non-controlling interests are initially measured either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Changes in the Group's interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in OCI in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (continued)

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

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

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

Revenue recognition

Revenue from financial services is recognised when the performance obligation is satisfied on the following basis:

- Commission and brokerage income from dealing in securities are recognised on a trade date basis;
- Underwriting commission income, sub-underwriting commission income, placing commission and sub-placing commission are recognised as income in accordance with the terms of the underwriting agreement or deal mandate when the acts have been completed; and
- Advisory, clearing and handling fee income are recognised when the relevant transactions have been arranged or the relevant services have been rendered.

Dividend and distribution income from investments including financial assets at FVTPL and available-for-sale financial assets are recognised when the shareholders' rights to receive payment have been established.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leases below.

Revenue recognition (before application of HKFRS 15 on 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

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

Revenue from sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with *HKAS 12 Income Taxes* and *HKAS 19 Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with *HKFRS 2 Share-based Payment* at the acquisition date as described in the accounting policy below; and
- assets (or disposal groups) that are classified as held for sale in accordance with *HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period as mentioned above, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business, which is described in the accounting policy above, less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purpose and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates

An associate is an entity over which the Group has 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 results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9/HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in OCI in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in OCI by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in OCI relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Non-current asset held for sale

Non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current asset classified as held for sale is measured at the lower of its previous carrying amount and fair value less costs to sell.

Intangible assets

Intangible assets acquired separately

Intangible assets with indefinite useful lives that are acquired separately are carried at costs less any subsequent accumulated amortisation losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses. The accounting policy in respect of impairment losses on intangible assets is described below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Intangible assets acquired in a business combination (continued)

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of asset is determined as the difference between the sales proceeds and the carrying amount of the item and is recognised in the profit or loss.

Leases

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

The Group as lessor

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Rental income which is derived from the Group's ordinary course of business is presented as revenue.

The Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasehold land and building (continued)

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise.

When an item of investment properties is transferred to owner-occupied property, the deemed cost of a property is its fair value at the date of change in use.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement and retranslation of monetary items are recognised in the profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. USD) at the rate of exchange prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in OCI and accumulated in equity (the exchange reserve), attributed to non-controlling interests as appropriate.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in OCI. Upon disposal of a foreign operation, the exchange reserve will be subsequently reclassified to profit or loss.

Borrowing costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits scheme

The retirement benefits scheme contributions relating to the Mandatory Provident Fund Scheme (the "MPF Scheme") for all employees in Hong Kong charged to profit and loss represent contributions payable to the MPF Scheme by the Group at rates specified in the rules of the MPF Scheme.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

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

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in OCI or directly in equity, in which case, the current and deferred tax are also recognised in OCI or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset and financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income from a financial asset and from margin financing; and distribution and dividend income from financial products which are derived from the Group's ordinary course of business are presented as revenue.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

Financial assets

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

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- 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.

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

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For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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

A financial asset is classified as held for trading and measured at financial assets at FVTPL if:

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

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

(i) *Amortised cost and interest income*

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

(ii) *Equity instruments designated as at FVTOCI*

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

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

(iii) *Financial assets at FVTPL*

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets under ECL model (upon application HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including accounts and other receivables, loans receivable, investments in debt instruments measured at amortised cost, bank trust accounts balances and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The ECL on these assets are assessed individually for debtors with significant balances.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) *Significant increase in credit risk*

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations;
- Prolonged adverse change of fair value of the collateral over the outstanding balance of the debtor.

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets under ECL model (upon application HKFRS 9 with transitions in accordance with note 2) (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in note 2.2.1.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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

The Group's financial assets are classified into one of the three categories, including financial assets at FVTPL, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from re-measurement recognised directly in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in fair value changes of held for trading investments. Fair value is determined in the manner described in note 33(c).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts and other receivables and deposits, loans receivable, bank trust accounts balances and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method, and changes in foreign exchange rates, if applicable are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in OCI and accumulated in the investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

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

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

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contracts, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of less than a week, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts and other receivables and loans receivables, where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in OCI are reclassified to profit or loss in the period.

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

In respect of available-for-sale investment equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in OCI and accumulated under the heading of investment revaluation reserve. In respect of available-for-sale investment debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification on debt or equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including accounts and other payables) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

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

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

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

Financial liabilities are derecognised only when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Convertible bond and embedded derivative (before application of HKFRS 9 on 1 January 2018)

Investment in convertible bond is accounted for by measuring the embedded derivative at FVTPL while the host contract is classified as loans and receivables. Both components are initially measure at fair value. The embedded derivative component is subsequently remeasured at fair value at the end of the reporting period with resulting gain or loss recognised in profit or loss immediately.

Provisions

Provisions are recognised when the Group has a present obligation (legal or construction) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of impairment loss (if any). The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amounts, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees of the Company

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

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting condition is expensed on a straight-line basis over the vesting period, based on the Group's estimate of share options that will eventually vest, with a corresponding increase in equity (share options reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited or lapsed after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

Equity-settled share-based payment transactions (continued)

Share options granted to suppliers/consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair values of the goods or services received, except where that fair value cannot be estimated reliably, in which case the goods or services received are measured at the fair value of the share options granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets.)

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Key sources of estimation uncertainty

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value, taking into account of other key assumptions including discount rate and future growth rate. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise.

As at 31 December 2018, the carrying amount of goodwill is USD17,972,000 (2017: USD1,469,000). Details of the recoverable amount calculation are disclosed in note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Fair value measurements and valuation processes

Some of the Group's financial assets are measured at fair value for financial reporting purposes.

In estimating the fair value of a financial asset, the Group uses market-observable data to the extent it is available. Where Level 1 and Level 2 inputs are not available, the fair value measurement is determined by (i) the general partners using valuation techniques; or (ii) the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The fluctuation in the fair value of the assets is reported and analysed periodically.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. The detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets are set out in note 33(c).

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2018 at their fair value of USD94,095,000 (2017: USD83,384,000). The fair value was based on valuation of these properties conducted by independent firms of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss.

Impairment loss on loans receivable, accounts receivables from clients and investments in debt instruments measured at amortised cost, since 1 January 2018

The management of the Group estimates the amount of loss allowance for loans receivable, accounts receivables from clients and investments in debt instruments measured at amortised cost based on the credit risk of respective financial assets. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.

The assessment of the credit risk of loans receivable, accounts receivables from clients and for investments in debt instruments measured at amortised cost involve high degree of estimation and uncertainty as the management of the Group estimates the loss rates based on historical data adjusted by forward-looking information. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly. As at 31 December 2018, the carrying amount of loans receivable, accounts receivables from clients and investments in debt instruments measured at amortised cost is USD1,185,000, USD11,229,000 and USD181,797,000, respectively.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Impairment loss on loans receivable, prior 1 January 2018

Management regularly reviewed the recoverability of the loans receivable. Appropriate impairment for estimated irrecoverable amount was recognised in profit and loss when there was objective evidence that the amount was not recoverable.

In determining whether allowance for bad and doubtful debts was required, the Group took into consideration of the credit quality, repayment history, value of collateral and likelihood of collection. Specific allowance was only made for the loans receivable that were unlikely to be collected and is recognised on the difference between the carrying amount of loans receivable and the present value of estimated future cash flow discounted using the original effective interest rate. Where the actual future cash flows were less than expected, a material impairment loss may arise. As at 31 December 2017, there was no impairment made and the carrying amount of loans receivable was USD15,266,000.

Impairment loss on accounts receivables from clients, prior 1 January 2018

The Group reviewed its accounts receivables from clients to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in profit or loss, the Group made judgments as to whether there was any observable data indicating that there was objective evidence of impairment that would result in a measurable decrease in the estimated future cash flows from a portfolio of advances. Moreover, the Group also reviewed the value of the securities collateral received from the customers in determining the impairment. The Group reviewed the methodology and assumptions used for estimating both the amount and timing of future cash flows regularly to reduce any differences between loss estimates and actual loss experience. Details of accounts receivables from clients are set out in note 16.

Estimated impairment on available-for-sale investments, prior 1 January 2018

Management reviewed the recoverability of the Group's available-for-sale investments stated at cost less impairment loss with reference to current market environment whenever events or changes in circumstances indicated that the carrying amounts of the assets exceeded their corresponding recoverable amounts. Appropriate impairment for estimated irrecoverable amounts were recognised in profit and loss when there was objective evidence that the asset was impaired.

In determining whether impairment on available-for-sale investments stated at cost less impairment loss was required, the Group took into consideration the current market environment and the estimates of future cash flows which the Group expected to receive. Impairment was recognised based on the present value of estimated future cash flows. If the market environment/circumstances changed significantly, resulting in a decrease in the recoverable amount of these available-for-sale investments stated at cost less impairment loss, additional impairment loss might be required. As at 31 December 2017, the carrying amount of available-for-sale investments stated at cost less impairment loss was USD128,355,000.

5. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purpose of resource allocation and assessment of segment performance focuses on the nature of their operations and types of products and services provided. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments.

The Group has three (2017: three) operating business units which represent three (2017: three) operating segments, namely, principal investment business, financial services business and real property business.

(a) Segment revenue and results

An analysis of the Group's revenue and results by operating and reportable segment is as follows:

For the year ended 31 December 2018

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Total USD'000
Interest income	17,950	2,376	–	20,326
Dividend and distribution income	8,355	2,510	–	10,865
Fee and commission income	–	896	–	896
Rental income	–	–	2,186	2,186
Segment revenue	26,305	5,782	2,186	34,273
Segment results	47,315	1,466	2,186	50,967
Unallocated corporate income				3,311
Unallocated corporate expenses				(9,661)
Increase in fair value of investment properties				10,896
Provision of impairment on non-financial assets				(7,138)
Profit before taxation				48,375

For the year ended 31 December 2017

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Total USD'000
Interest income	13,436	3,774	–	17,210
Dividend and distribution income	7,608	–	–	7,608
Fee and commission income	–	3,720	–	3,720
Rental income	–	–	1,585	1,585
Segment revenue	21,044	7,494	1,585	30,123
Segment results	44,458	5,851	1,154	51,463
Unallocated corporate expenses				(15,283)
Increase in fair value of investment properties				6,943
Provision of impairment on non-financial assets				(10,587)
Profit before taxation				32,536

5. SEGMENT INFORMATION (continued)

(a) Segment revenue and results (continued)

The accounting policies of the reporting segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned or generated by each segment without allocation of central administration costs, corporate income, increase in fair value of investment properties and provision of impairment on non-financial assets. This is the measure reported to the executive directors of the Company for the purposes of resources allocation and assessment of segment performance.

(b) Segment assets and liabilities

An analysis of the Group's assets and liabilities by operating and reportable segment is as follows:

At 31 December 2018

	Principal investment business USD'000	**Financial services business USD'000**	**Real property business USD'000**	**Total USD'000**
ASSETS				
Segment assets	**1,279,917**	**100,502**	**94,310**	**1,474,729**
Unallocated corporate assets				**28,829**
Total assets				**1,503,558**
LIABILITIES				
Segment liabilities	**121**	**46,552**	**805**	**47,478**
Liabilities relating to discontinued operation				**9,839**
Unallocated corporate liabilities				**1,055**
Total liabilities				**58,372**

At 31 December 2017

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Total USD'000
ASSETS				
Segment assets	1,228,356	40,855	85,677	1,354,888
Assets relating to discontinued operation				1,691
Unallocated corporate assets				49,012
Total assets				1,405,591
LIABILITIES				
Segment liabilities	109	1,986	909	3,004
Liabilities relating to discontinued operation				9,839
Unallocated corporate liabilities				3,090
Total liabilities				15,933

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

- all assets are allocated to operating segment other than certain property, plant and equipment, other receivables and non-current asset classified as held for sale.
- all liabilities are allocated to operating segment other than certain other payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. SEGMENT INFORMATION (continued)

(c) Other segment information

For the year ended 31 December 2018

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Unallocated USD'000	Total USD'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	**–**	**19,745**	**–**	**5**	**19,750**
Additions to financial assets at FVTPL	**40,820**	**83**	**–**	**–**	**40,903**
Additions to financial assets at fair value through other comprehensive income	**–**	**21,087**	**–**	**–**	**21,087**
Additions to investments in debt instruments measured at amortised cost	**38,898**	**–**	**–**	**–**	**38,898**
Depreciation	**–**	**(15)**	**–**	**(2,216)**	**(2,231)**
Finance cost	**–**	**(644)**	**–**	**–**	**(644)**
Share of results of associates	**–**	**(231)**	**–**	**–**	**(231)**
Fair value change of financial assets at FVTPL	**8,605**	**4**	**–**	**–**	**8,609**
Gain on disposal of investments in debt instruments measured at amortised cost	**1,549**	**–**	**–**	**–**	**1,549**
Interest income (including interest on bank deposits)	**28,270**	**2,396**	**–**	**–**	**30,666**

For the year ended 31 December 2017

	Principal investment business USD'000	Financial services business USD'000	Real property business USD'000	Unallocated USD'000	Total USD'000
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	–	78	–	18,888	18,966
Additions to available-for-sale investments	152,123	–	–	–	152,123
Acquisition of interests in associates	–	934	–	–	934
Depreciation	–	(11)	–	(3,330)	(3,341)
Finance cost	–	(128)	–	–	(128)
Share of results of associates	–	(33)	–	–	(33)
Fair value change of held for trading investments	6,860	–	–	–	6,860
Gain on disposal of available-for-sale investments	3,546	–	–	–	3,546
Interest income (including interest on bank deposits)	23,418	3,782	18	–	27,218

5. SEGMENT INFORMATION (continued)

(c) Other segment information (continued)

Note: Non-current assets excluded financial assets at FVTPL, financial assets at fair value through other comprehensive income ("financial assets at FVTOCI"), investments in debt instruments measured at amortised cost and other receivables and deposits (2017: available-for-sale investments and other receivables and deposits).

(d) Geographical information

The following table sets out (i) information about the geographical location of the Group's revenue from external customers determined based on the location of financial products, the location of financial services business operated and location of properties in the case of rental income and (ii) information of the non-current assets by the geographical area in which the assets are located are detailed below:

	Segment revenue		Non-current assets excluding financial instruments	
	2018 USD'000	2017 USD'000	**2018 USD'000**	2017 USD'000
Singapore	**3,760**	6,899	**–**	–
Hong Kong	**20,839**	14,638	**133,053**	134,430
United States of America	**643**	4,066	**–**	–
Europe	**5,423**	3,950	**–**	–
Others	**3,608**	570	**–**	–
	34,273	30,123	**133,053**	134,430

Note: Non-current assets excluded financial assets at FVTPL, financial assets at FVTOCI, investments in debt instruments measured at amortised cost and other receivables and deposits (2017: available-for-sale investments and other receivables and deposits).

(e) Information about major customers

For the year ended 31 December 2018, two (2017: one) customers contributed over 10% of the total revenue with the amount of USD11,419,000 (2017: USD3,644,000) from principal investment business (2017: principal investment business).

6. REVENUE

The following is an analysis of the Group's revenue from its major products and services:

	2018 USD'000	2017 USD'000
Interest income from financial products	**10,069**	13,436
Interest income from money lending business	**1,142**	2,401
Interest income from margin financing	**1,234**	1,373
Interest income from financial institutions' term deposits	**7,881**	–
Interest income	**20,326**	17,210
Dividend and distribution income from financial products	**10,865**	7,608
Commission income and handling charges from financial services	**896**	3,720
Rental income	**2,186**	1,585
	34,273	30,123

The Group's performance obligations in contracts with customers in accordance with HKFRS 15 set out below:

Commission income and handling charges from financial services

The Group provides financial services to customers which mainly include securities trading and placing services. Such service income is recognised at a point in time when a performance obligation is satisfied.

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For the year ended 31 December 2018

7. FINANCE COST

	2018 USD'000	2017 USD'000
Interest expense on other borrowings	**644**	128
Finance cost for the year	**644**	128

8. TAXATION

	2018 USD'000	2017 USD'000
Current tax – Hong Kong Profits Tax		
Charge for the year	**96**	374
Under-provision in prior year	**14**	–
Deferred tax	**(64)**	–
Taxation for the year	**46**	374

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2018 USD'000	2017 USD'000
Profit before taxation	**48,375**	32,536
Tax at Hong Kong Profits Tax rate of 16.5% (2017: 16.5%)	**7,982**	5,368
Tax effect of expenses not deductible for tax purpose	**5,786**	3,620
Tax effect of income not taxable for tax purpose	**(15,407)**	(7,411)
Tax effect of tax losses not recognised	**1,676**	551
Utilisation of tax losses previously not recognised	**(5)**	(1,759)
Tax effect of share of results of associates	**–**	5
Under-provision of tax in prior year	**14**	–
Taxation for the year	**46**	374

9. PROFIT FOR THE YEAR

	2018 USD'000	2017 USD'000
Profit for the year has been arrived at after charging/(crediting):		
Staff costs		
– Directors' emoluments	**1,416**	1,390
– Other staff costs	**2,844**	3,301
– Contributions to retirement benefits schemes, excluding directors	**84**	75
Total staff costs	**4,344**	4,766
Auditor's remuneration	**199**	234
Depreciation of property, plant and equipment	**2,231**	3,341
Operating lease payments in respect of office premises and warehouse	**803**	819
Provision of impairment on non-financial assets:		
– Property, plant and equipment	**5,159**	10,587
– Goodwill	**1,466**	–
– Intangible assets	**513**	–
	7,138	10,587
Exchange gain, net, included in other gain	**(4,181)**	(3,972)
Interest income	**(30,666)**	(27,218)

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' Emoluments

The emoluments paid or payable to each of the directors for the year were as follows:

For the year ended 31 December 2018

	Fees USD'000	Salaries and other emoluments USD'000	Discretionary bonus USD'000	Contributions to retirement benefits scheme USD'000	Allowances USD'000	Total USD'000
Executive directors: (Note b)						
Chiu Tao (Note a)	–	–	–	–	–	–
Ma Xiao (Note k)	–	169	–	1	56	226
Wah Wang Kei, Jackie (Note j)	–	184	–	1	73	258
Leung Oi Kin	–	230	230	2	–	462
Leung Wai Yiu, Malcoln (Note d)	21	141	230	2	–	394
Non-executive director: (Note c)						
Li Zhongye, Cindy (Note l)	7	–	–	–	–	7
Independent non-executive directors: (Note c)						
Lo Wa Kei, Roy (Note e)	31	–	–	–	–	31
Chen Gong (Note f)	19	–	–	–	–	19
Martin Que Meideng (Note f)	19	–	–	–	–	19
	97	724	460	6	129	1,416

For the year ended 31 December 2017

	Fees USD'000	Salaries and other emoluments USD'000	Discretionary bonus USD'000	Contributions to retirement benefits scheme USD'000	Allowances USD'000	Total USD'000
Executive directors: (Note b)						
Chiu Tao (Note a)	–	–	–	–	–	–
Ma Xiao (Note k)	–	372	128	2	–	502
Wah Wang Kei, Jackie (Note j)	–	370	180	2	–	552
Hui Richard Rui (Note g)	–	25	–	–	–	25
Leung Oi Kin	–	169	43	2	–	214
Independent non-executive directors: (Note c)						
Or Ching Fai (Note h)	45	–	–	–	–	45
Ma Yin Fan (Note i)	2	–	–	–	–	2
Leung Hoi Ying (Note i)	2	–	–	–	–	2
Lo Wa Kei, Roy (Note e)	14	–	–	–	–	14
Chen Gong (Note f)	17	–	–	–	–	17
Martin Que Meideng (Note f)	17	–	–	–	–	17
	97	936	351	6	–	1,390

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For the year ended 31 December 2018

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' Emoluments (continued)

Notes:

(a) Mr Chiu Tao was the acting Chief Executive and retired on 15 June 2018. His emoluments disclosed above include those for services rendered by him as the Chief Executive.
(b) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.
(c) The independent non-executive directors' and non-executive director's emoluments shown above were for their services as directors of the Company.
(d) Mr Leung Wai Yiu, Malcoln was appointed on 16 April 2018.
(e) Mr Lo Wa Kei, Roy was appointed on 17 July 2017.
(f) Mr Chen Gong and Mr Martin Que Meideng were appointed on 3 February 2017.
(g) Mr Hui Richard Rui resigned on 3 February 2017.
(h) Dr Or Ching Fai retired on 30 June 2017.
(i) Ms Ma Yin Fan and Mr Leung Hoi Ying resigned on 3 February 2017.
(j) Mr Wah Wang Kei, Jackie retired on 15 June 2018.
(k) Mr Ma Xiao resigned on 15 June 2018.
(l) Ms Li Zhongye, Cindy was appointed on 12 October 2018.

Bonuses which are discretionary are determined with reference to individual performance. Mr Chiu Tao suspended his salary with effect from October 2010. Mr Chiu Tao had not drawn any salary for the year ended 31 December 2018 and 2017. No other director waived any emoluments in the year. The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

(b) Employees' Emoluments

(i) Of the five individuals with the highest emoluments in the Group, four (2017: three) were executive directors of the Company as at 31 December 2018. One of them was an employee and subsequently appointed as director during the year ended 31 December 2018. The emoluments of the other three (2017: three) directors are included in the disclosures above. The emoluments of the director appointed during the year ended 31 December 2018 and the remaining one (2017: two) individual, which was the employee, were as follows:

	2018 USD'000	2017 USD'000
Salaries and other benefits	**565**	631
Retirement benefits scheme contributions	**4**	4
Discretionary bonus	**230**	160
	799	795

Their emoluments were within the following bands:

	Number of Employees	
	2018	2017
HKD1,500,001 (USD191,384) to HKD2,000,000 (USD255,179)	**–**	1
HKD2,500,001 (USD318,974) to HKD3,000,000 (USD382,768)	**1**	–
HKD3,500,001 (USD446,563) to HKD4,000,000 (USD510,358)	**1**	–
HKD4,000,001 (USD510,358) to HKD4,500,000 (USD574,152)	**–**	1
	2	2

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' Emoluments (continued)

(ii) The emoluments of senior management were within the following bands:

	Number of Employees 2018	2017
HKD nil (USD nil) to HKD500,000 (USD63,795)	**2**	–
HKD500,001 (USD63,795) to HKD1,000,000 (USD127,589)	**2**	3
	4	3

The senior management of the Group are solely determined by the directors. The senior management for the 2018 are Clive Derek Conway Louis Rigby, John Lawrence Sigerson, Lau Yue Wah, Brian and Nguyen Gia Vinh, Patrick (2017: Lau Yue Wah, Brian, David Ki and Nguyen Gia Vinh, Patrick). For the year ended 31 December 2017 and 2018, none of the senior management is included within the five individuals with the highest emoluments in the Group.

(c) Save as disclosed above, no emoluments have been paid by the Group to any directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office for the year.

11. DIVIDEND

No dividend for the years ended 31 December 2017 and 2018 was declared, proposed, or paid for ordinary shareholders of the Company during the year of 2018 and since the end of the reporting period.

12. EARNINGS PER SHARE

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

	2018 USD'000	2017 USD'000
Profit for the year attributable to owners of the Company, for the purposes of basic and diluted earnings per share	**48,208**	31,249

	Number of shares 2018	2017
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**27,048,844,786**	27,048,844,786

The computation of diluted earnings per share does not assume the exercise of the Group's outstanding share options as the exercise price of those options is higher than the average market price for shares for the years ended 31 December 2017 and 2018.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings USD'000	Leasehold improvements USD'000	Furniture, fixtures and equipment USD'000	Aircraft USD'000	Vessel USD'000	Total USD'000
COST						
At 1 January 2017	–	277	354	26,493	–	27,124
Exchange realignments	(92)	(4)	(3)	(205)	(54)	(358)
Additions	–	559	77	–	18,266	18,902
Transfer from investment properties (Note 14)	18,824	–	–	–	–	18,824
At 31 December 2017 and 1 January 2018	18,732	832	428	26,288	18,212	64,492
Exchange realignments	(43)	(2)	(1)	(16)	(41)	(103)
Additions	–	–	32	–	–	32
Acquisition of subsidiaries (Note 30)	–	–	11	–	–	11
Disposal of subsidiaries (Note 31)	–	–	–	(26,272)	–	(26,272)
Transfer to non-current asset classified as held for sale (Note 24)	–	–	–	–	(18,171)	(18,171)
At 31 December 2018	18,689	830	470	–	–	19,989
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2017	–	267	293	1,900	–	2,460
Exchange realignments	(1)	(2)	(3)	(50)	(4)	(60)
Provided for the year	250	44	54	1,622	1,371	3,341
Impairment loss recognised in profit or loss	–	–	–	10,587	–	10,587
At 31 December 2017 and 1 January 2018	249	309	344	14,059	1,367	16,328
Exchange realignments	–	(1)	(1)	(9)	1	(10)
Provided for the year	374	87	52	74	1,644	2,231
Disposal of subsidiaries (Note 31)	–	–	–	(14,124)	–	(14,124)
Impairment loss recognised in profit or loss	–	–	–	–	5,159	5,159
Transfer to non-current asset classified as held for sale (Note 24)	–	–	–	–	(8,171)	(8,171)
At 31 December 2018	623	395	395	–	–	1,413
CARRYING VALUES						
At 31 December 2018	18,066	435	75	–	–	18,576
At 31 December 2017	18,483	523	84	12,229	16,845	48,164

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The property, plant and equipment are depreciated on a straight-line basis after taking into account their estimated residual value, at the following rates per annum:

Buildings	2%
Leasehold improvements	10% to 20% or over the terms of the leases whichever is shorter
Furniture, fixtures and equipment	20% to 50%
Aircraft	7%
Vessel	9%

During the year ended 31 December 2018, the Group recognised an impairment loss in respect of vessel of USD5,159,000. The impairment loss represents the difference of carrying amount and the recoverable amount of the vessel. During the year ended 31 December 2018, the Group has a detailed plan to sell the vessel and expects the sale would be completed within 12 months after the end of the reporting period. Based on the information provided by agents and dealers, the Group determined that the recoverable amount was lower than the carrying value and an impairment of USD5,159,000 was recognised. The recoverable amount was determined based on the estimated net saleable amount of the vessel. During the year ended 31 December 2017, the Group recognised an impairment loss of USD10,587,000. The impairment loss represents the difference of carrying amount and the recoverable amount of the aircraft. The recoverable amount was determined based on the quoted price of the aircraft to be disposed of.

14. INVESTMENT PROPERTIES

At fair value	USD'000
At 1 January 2017	95,934
Fair value change during the year	6,943
Transferred to property, plant and equipment (Note 13)	(18,824)
Exchange realignments	(669)
At 31 December 2017 and 1 January 2018	83,384
Fair value change during the year	10,896
Exchange realignments	(185)
At 31 December 2018	94,095

The investment properties comprise commercial office units and car park spaces situated in a commercial building in Hong Kong. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December 2018 has been arrived at on the basis of a valuation carried out by Valtech Valuation Advisory Limited (2017: Asset Appraisal Limited), independent qualified professional valuers not connected to the Group.

Both Valtech Valuation Advisory Limited and Asset Appraisal Limited have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value as at 31 December 2017 and 2018 was determined based on direct comparison method that reflects recent transaction prices for similar building, adjusted for differences in nature, timing and condition of the properties under review.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2017 and 2018 are as follows:

	Level 3 2018 USD'000	Level 3 2017 USD'000
Commercial office units in Hong Kong	**90,559**	79,072
Car parking spaces in Hong Kong	**3,536**	4,312
	94,095	83,384

For the investment properties categorised into Level 3 of the fair value hierarchy, the valuation method used is direct comparison method and the key inputs for valuation technique of the commercial office units in Hong Kong is price per square feet and the car parking spaces in Hong Kong is price per car parking space. The price per square feet using market direct comparable and taking into account of location and other individual factors such as floor range and change in market environment for the timing differences of comparable transactions of the range from HKD20,621 to HKD23,616 (2017: the range from HKD19,608 to HKD22,863) and HKD2,727,500 to HKD2,866,667 (2017: HKD3,360,000) per car parking space. A slight increase in price per square feet and price per car parking space will increase significantly the fair value of commercial office units and car parking spaces respectively.

15. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTISED COST/FINANCIAL ASSETS AT FVTPL/FINANCIAL ASSETS AT FVTOCI/AVAILABLE-FOR-SALE INVESTMENTS/HELD FOR TRADING INVESTMENTS

	2018 USD'000	2017 USD'000
Investments in debt instruments measured at amortised cost		
Debt securities listed outside Hong Kong		
Fixed Rate Senior Notes (Notes a, b, c)	90,218	–
Floating Rate Perpetual Notes (Notes a, b, d)	56,478	–
Floating Rate Senior Notes (Notes a, e)	35,434	–
Less: Expected credit losses (Note a)	(333)	–
	181,797	–
Less: Investments in debt instruments measured at amortised cost classified as current assets	(4,147)	–
Investments in debt instruments measured at amortised cost classified as non-current assets	177,650	–
Financial assets at FVTPL classified as non-current assets		
Unlisted securities		
Managed investment funds (Note f)	889	–
Unlisted security investments (Note g)	159,723	–
	160,612	–
Financial assets at FVTOCI		
Hong Kong listed equity securities (Note h)	15,852	–
Financial assets at FVTPL classified as current assets/Held for trading investments		
Hong Kong listed equity securities (Note h)	57,189	78,719
Available-for-sale investments		
Listed debt securities, at fair value		
Listed in Hong Kong		
Floating Rate Perpetual Securities (Notes a, b, d)	–	10,695
Listed outside Hong Kong		
Fixed Rate Senior Notes (Notes a, b, c)	–	98,884
Floating Rate Perpetual Notes (Notes a, b, d)	–	60,852
Floating Rate Senior Notes (Notes a, b, e)	–	32,835
Unlisted securities		
Managed investment funds (Note f)	–	48,107
Other security investments (Note g)	–	128,355
	–	379,728

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15. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTISED COST/FINANCIAL ASSETS AT FVTPL/FINANCIAL ASSETS AT FVTOCI/AVAILABLE-FOR-SALE INVESTMENTS/HELD FOR TRADING INVESTMENTS (continued)

Notes:

(a) Upon the adoption of HKFRS 9 on 1 January 2018, the listed Senior Notes, Perpetual Notes and Perpetual Securities were measured at amortised cost (31 December 2017: at fair value) since the Group's business model is to hold these investments for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount outstanding. The Group's investments in debt instruments measured at amortised cost mainly comprise instruments that have a low risk of default and the counterparties have a strong capacity to repay (e.g. financial instruments that are of investment grade or issuer with good credit history and capacity to repay etc). The details of the impairment assessment on investment in debt instruments measured at amortised cost with ECL model is disclosed in note 33(b).

(b) As at 31 December 2017, the fair value was determined based on the quoted price from financial institutions supported by observable inputs. During the year ended 31 December 2017, a decrease in fair value of USD1,328,000 was recognised in the OCI. Two senior notes were redeemed and the gain on disposal of available-for-sale investments were USD3,246,000. During the year ended 31 December 2018, one of the Perpetual Securities and one of the Senior Notes were sold, one of the Senior Notes was redeemed and one of the Senior Notes was partially redeemed. The gain on disposal including redemption of investments in debt instruments measured at amortised cost was USD1,549,000.

(c) Senior Notes held by the Group bear a fixed coupon interest rate of ranging from 2.375% to 8.5% (2017: from 2.375% to 8.5%) per annum and with maturity dates from 4 June 2019 to 13 November 2024 (2017: from 30 November 2019 to 13 November 2024).

(d) Perpetual Notes and Perpetual Securities held by the Group bear a floating rate of ranging from 4.5% to 7.625% (2017: from 4.5% to 7.625%) per annum and it is callable from 23 September 2019 to 16 May 2025 (2017: from 23 September 2019 to 16 May 2025). The interest rate is subject to change at reset day with reset rate ranging from 2.648% to 7.773% (2017: from 2.648% to 7.773%) plus mid-market swap rate or USD 5 years mid-swap rate or the prevailing yield for U.S. Treasury Securities having a designated maturity of 5 years or 3 months USD LIBOR or semi-annual USD 5 years mid-swap rate. During the year ended 31 December 2017, an increase in fair value of USD3,917,000 was recognised in the OCI.

(e) Senior Notes held by the Group bear a floating rate of ranging from 3.887% to 5% (2017: from 2.911% to 5%) per annum and with maturity dates from 10 August 2021 to 9 November 2047 (2017: from 10 August 2021 to 9 November 2047). The interest rate is subject to change at reset day with reset rate ranging from 1.400% to 3.472% (2017: from 1.400% to 3.472%) plus 3 months USD LIBOR or the prevailing yield for U.S. Treasury Securities having a designated maturity of 5 years or USD 5 years mid-swap rate. During the year ended 31 December 2017, an increase in fair value of USD443,000 was recognised in the OCI.

(f) The Group held one (2017: four) unlisted investment fund which is managed by a financial institution and invests in real estate properties (2017: invest in real estate properties, financial products and unlisted equity investments, respectively where the financial products include listed equity shares, straight bonds, convertible bond, REITs, business trusts and derivatives). The fair value of the real estate properties is determined by the market transaction prices of similar properties of the relevant locations. As at 31 December 2017, the underlying financial products and unlisted equity investment were valued at quoted prices in the open market or observable prices of comparable investments, or measured using valuation techniques in which significant input is based on observable market data. During the year ended 31 December 2018, three of the unlisted investment funds with carrying value amounting to USD45,209,000 were disposed of. During the year ended 31 December 2018, a decrease in fair value of USD2,009,000 (2017: increase in fair value of USD2,831,000) is recognised in the profit or loss (2017: OCI). The Group received a return of capital from one of its unlisted investments funds of USDnil (2017: USD2,700,000) plus distribution of USD113,000 (2017: USD3,644,000).

15. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTISED COST/FINANCIAL ASSETS AT FVTPL/FINANCIAL ASSETS AT FVTOCI/AVAILABLE-FOR-SALE INVESTMENTS/HELD FOR TRADING INVESTMENTS (continued)

Notes: (continued)

(g) As at 31 December 2018, the unlisted security investments classified as financial assets at FVTPL include unlisted investment funds and an unlisted equity investment with carrying value at 31 December 2018 of USD129,723,000 and USD30,000,000, respectively. In accounting for the fair value measurement of the investment in unlisted investment funds, management has determined that the reported net asset value of the unlisted investment funds provided by the general partners represent the fair value of the unlisted investment funds. The general partners used methodology based on relevant comparable data whether possible to quantify the adjustment from cost or latest financing price when adjustment if necessary, or to justify that cost or latest financing price is still a proper approximation of fair value of the underlying investments held by the investment funds in determining the net asset value. The factors to be considered in assessment may require the judgement. The underlying investments held by the investment funds as at 31 December 2018 were valued using transaction prices or latest financing price without adjustment.

In estimating the fair value of the unlisted equity investment, the Group engages an independent valuer to perform the valuation that is reviewed by management. The independent valuer utilised the market approach and the valuation method used is the Enterprise Value Multiples Methodology, adjusted for consideration of discount for lack of marketability.

As at 31 December 2017, the investments through partnership or direct investment with an aggregate carrying value of USD128,355,000 represent eight security investments which were stated at cost less impairment loss as the range of reasonable fair value estimates are so significant and the directors of the Company are of the opinion that the fair value cannot be measured reliably.

As at 31 December 2018, one (2017: three) out of these four (2017: eight) unlisted security investments accounted for 78% (2017: 79%) of the aggregate carrying value, with the investment portfolio is focused in unlisted equity investments in technology, media and telecommunications industry (2017: unlisted equity investments in technology, media and telecommunications industry, health care industry and information technology companies in finance industry).

During the year ended 31 December 2018, an increase in fair value of USD18,186,000 was recognised in the profit or loss and six of the unlisted security investments of USD43,761,000 was disposed. During the year ended 31 December 2018, the Group received returns of capital of USD9,677,000 (2017: USD7,121,000) and plus distribution of USD5,798,000 (2017: USD1,452,000) from three (2017: two) of its unlisted securities investments.

(h) The fair value is determined based on the closing price per share quoted on the Hong Kong Stock Exchange and quoted market bid price as at the end of the respective reporting periods apart from the shares which were suspended from trading as described below.

The Hong Kong listed equity investments amounting to USD15,852,000 as at 31 December 2018 represent ordinary shares of certain entities listed in Hong Kong. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as financial assets at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

As at 31 December 2018, one of the financial assets at FVTPL (2017: held for trading investments) of USD7,138,000 (2017: USD12,610,000) was shares which were suspended from trading. As there was an absence of quoted prices for the shares which were suspended for trading, the fair value was determined by valuation conducted by an independent valuer. The fair value was estimated based on the last market bid price before suspension and adopted a discount for lack of marketability (2017: The fair value was estimated by Finnerty model to derive a discount for lack of marketability).

16. ACCOUNTS AND OTHER RECEIVABLES AND DEPOSITS

	2018 USD'000	2017 USD'000
Accounts receivables from the business of dealing in securities:		
Clients (Note b)	**11,229**	10,617
Clearing house and brokers	**3,232**	50
Accounts receivables from the business of dealing in futures contracts:		
Clearing house and brokers	**705**	–
Accounts receivables (Note a)	**15,166**	10,667
Other receivables and deposits (Note d)	**13,294**	5,276
Less: Impairment allowance (Note c)	**(2)**	–
	28,458	15,943
Less: Other receivables and deposits classified as non-current assets (Note d)	**(789)**	(1,906)
Accounts and other receivables classified as current assets	**27,669**	14,037

Notes:

(a) As at 31 December 2018, accounts receivables from clearing house and certain clients from the business of dealing in securities is repayable on the settlement date, which is two business days after trade date, except for the remaining accounts receivables from the business of dealing in securities and futures contracts are repayable on demand. No ageing analysis is disclosed as, in the opinion of the directors of the Company, an ageing analysis does not give additional value in view of the nature of these businesses.

(b) Majority of the accounts receivables from clients are secured by clients' securities as collaterals with fair value of USD55,310,000 (2017: USD83,147,000). Significant portion of the collaterals are listed equity securities in Hong Kong. These receivables are mainly repayable on demand subsequent to settlement date and carry interest typically at 1.875% to 12.25% (2017: 8.5% to 9%) per annum as at 31 December 2018. The collateral held can be sold at the Group's discretion to settle any outstanding amount owed by customers. No ageing analysis is disclosed as, in the opinion of the directors of the Company, an ageing analysis does not give additional value in view of the nature of the business.

(c) Impairment assessment on accounts and other receivables with ECL model

As part of the Group's credit risk management, the Group applied internal credit rating for its customers and considers the fair value of its collateral. The Group assessed the ECL for accounts receivables from clients individually as at 1 January 2018 and 31 December 2018.

The Group held collateral of listed equity securities with a fair value of USD55,310,000 (2017: USD83,147,000) at the end of the reporting period in respect of accounts receivables from clients. No impairment allowance has been made for accounts receivables from clients with an aggregate outstanding balance of USD11,197,000 (2017: USD10,617,000) based on the Group's impairment assessment with ECL model (2017: evaluation of their collectability). The details of the impairment assessment on accounts and other receivables with ECL model is disclosed in note 33(b).

(d) As at 31 December 2017, included in other receivables are deferred cash consideration recoverable amounting to USD1,691,000 (2018: nil) in relation to the disposal of mining business.

17. INTERESTS IN ASSOCIATES

	2018 USD'000	2017 USD'000
Cost of investment in associates, unlisted	**928**	931
Share of post-acquisition results and other comprehensive expense	**(264)**	(33)
	664	898

The principal activities of the associates directly held by the Group are investment holding companies and their subsidiaries engaged in financial service business.

Aggregate information of associates that are not individually material

The summarised information below represents the aggregate amount of the Group's share of its interests in associates which are not individually material.

All of these associates are accounted for using the equity method in these consolidated financial statements.

	2018 USD'000	2017 USD'000
The Group's share of loss and total comprehensive expense for the year	**(231)**	(33)
Aggregate carrying amount of the Group's interests in these associates	**664**	898

18. INTANGIBLE ASSETS

	Trading rights USD'000
COST	
At 1 January 2017	455
Additions	64
Exchange realignments	(4)
At 31 December 2017 and 1 January 2018	515
Arising on acquisition of subsidiaries (Note 30)	1,746
Exchange realignments	(2)
At 31 December 2018	2,259
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 January 2017, 31 December 2017 and 1 January 2018	–
Impairment loss recognised in profit or loss	513
At 31 December 2018	513
CARRYING VALUES	
At 31 December 2018	1,746
At 31 December 2017	515

Trading rights confer rights to the Group to trade securities, options contracts and futures contracts on or through the Hong Kong Stock Exchange and Hong Kong Futures Exchange Limited such that the Group can conduct the business of brokerage of securities and futures contracts, placing and underwriting services, margin financing, advisory, assets management and money lending.

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For the year ended 31 December 2018

18. INTANGIBLE ASSETS (continued)

Trading rights are considered by the directors of the Company as having indefinite useful lifes because there is no foreseeable limit on the periods over which the trading rights are expected to generate cash flows to the Group. Trading rights are not amortised until their useful lifes are determined to be finite. Instead, they are tested for impairment annually and whenever there is an indication that they may be impaired. For such purposes, trading rights are allocated to two cash generating units ("CGU"s). The businesses of CGU 1 are brokerage of securities and futures contracts, placing and underwriting services, margin financing. The businesses of CGU 2 are brokerage of securities and futures contracts, placing and underwriting services, margin financing, asset management and money lending.

For the purposes of impairment testing, trading rights with indefinite useful lives have been allocated to CGU 1 and CGU 2. The cost of trading rights as at 31 December 2018 allocated to CGU 1 and CGU 2 are USD513,000 (2017: USD515,000 for CGU 1) and USD1,746,000 respectively.

The recoverable amounts of the CGUs have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rates of 13.35% (2017: 16.2% for CGU 1) and 13.13% for CGU 1 and CGU 2, respectively. The cash flows beyond the five-year period are extrapolated using a steady 3% (2017: 3% for CGU 1) growth rate for CGU 1 and CGU 2. This growth rate is based on past performance and the management's expectations for the market development. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and such estimation is based on the unit's past performance and the management's expectations for the market development.

On this basis, management assessed that the carrying amount of CGU 2 approximate to its recoverable amount. No impairment loss was recognised in profit or loss for intangible assets of CGU 2 during the year ended 31 December 2018. The management believes that any reasonably possible change in any of these assumptions might cause the carrying amount of the CGU to exceed the recoverable amount of the CGU.

For CGU 1, management of the Company determined that there were no impairments of the CGU containing intangible assets with indefinite useful lives during the year ended 31 December 2017. During the year ended 31 December 2018, management of the Company is of the opinion that their previous expectation for market development including the fluctuation in the economic environment as at 31 December 2017 on the budgeted revenue need to be adjusted and the actual revenue has fallen below expectation, and therefore management has revised downward the cash flow forecast. During the year ended 31 December 2018, the Group recognised an impairment loss of USD513,000 in relation to intangible assets of CGU 1 as the carrying amount of CGU 1 exceeded its recoverable amount.

19. GOODWILL

	CGU 3 USD'000	CGU 2 USD'000	Total USD'000
COST			
At 1 January 2017	1,480	–	1,480
Exchange realignments	(11)	–	(11)
At 31 December 2017 and 1 January 2018	1,469	–	1,469
Arising on acquisition of subsidiaries (Note 30)	–	17,972	17,972
Exchange realignments	(3)	–	(3)
At 31 December 2018	1,466	17,972	19,438
ACCUMULATED IMPAIRMENT			
At 1 January 2017, 31 December 2017 and 1 January 2018	–	–	–
Impairment loss recognised in profit or loss	1,466	–	1,466
At 31 December 2018	1,466	–	1,466
CARRYING VALUES			
At 31 December 2018	–	17,972	17,972
At 31 December 2017	1,469	–	1,469

For the purposes of impairment testing, goodwill has been allocated to CGU 2 and CGU 3. The business of CGU 3 are brokerage of securities and futures contracts, placing and underwriting services, margin financing, advisory, asset management and money lending and the business of CGU 2 is disclosed in note 18.

For the purposes of impairment testing, the basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amounts of the CGUs have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discount rates of 13.13% and 12.35% (2017: 15.2% for CGU 3) for CGU 2 and CGU 3, respectively. The cash flows beyond the five-year period are extrapolated using a steady 3% (2017: 3% for CGU 3) growth rate for CGU 2 and CGU 3. This growth rate is based on past performance and the management's expectations for the market development. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and such estimation is based on the unit's past performance and management's expectations for the market development including the fluctuation in the current economic environment.

On this basis, management assessed that the carrying amount of CGU 2 approximate to its recoverable amount. No impairment loss for goodwill of CGU 2 was recognised in profit or loss during the year ended 31 December 2018. The management believes that any reasonably possible change in any of these assumptions might cause the carrying amount of the CGU to exceed the recoverable amount of the CGU.

For CGU 3, the management of the Company determined that there was no impairment loss of CGU 3 containing goodwill for during year ended 31 December 2017. During the year ended 31 December 2018, the management of the Company is of the opinion that their previous expectation as at 31 December 2017 on the budgeted revenue need to be adjusted and the actual revenue has fallen below expectation, and therefore management has revised downward the cash flow forecast. On this basis, management assessed that the carrying amount of CGU 3 was higher than its recoverable amount. The impairment loss is allocated to the goodwill in the CGU. Impairment loss in respect of goodwill of USD1,466,000 is recognised in profit or loss during the year ended 31 December 2018.

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For the year ended 31 December 2018

20. LOANS RECEIVABLE

	2018 USD'000	2017 USD'000
Fixed-rate loans receivable, current	**1,237**	15,266
Less: Expected credit losses	**(52)**	–
	1,185	15,266

The range of effective interest rate (which are fixed rates, also equal to contractual interest rates) on the Group's loans receivable is 7.5% to 24.0% (2017: 7.5% to 36.0%) per annum. The contractual maturity date of the loans receivable ranges from six months to one year (2017: less than one month to two years) and are all denominated in HKD.

As at 31 December 2018, loans receivable with gross carrying amount of USD1,237,000 (2017: USD15,266,000) are unsecured.

As at 31 December 2018, included in the Group's loans receivable balance with gross carrying amount of USD63,000 (2017: USD794,000) which was past due as at the reporting date. The Group has provided for certain impairment loss for such loans receivable as at 31 December 2018 based on the ECL model under 12m ECL as there is no significant change in credit risk. The Group has not provided for impairment loss for such loans receivable as at 31 December 2017. As at 31 December 2018, the Group received USD63,000 (2017: USD794,000) for such loans receivable subsequent to the date of reporting period. The details of impairment assessment on loans receivable with ECL model is disclosed in note 33(b).

21. CONVERTIBLE BOND/DERIVATIVE COMPONENT IN CONVERTIBLE BOND

During the year ended 31 December 2017, the Group acquired a convertible bond issued by an independent party, a listed issuer in Hong Kong from two independent third parties, with an aggregate principal amount of USD9,018,000 (which is denominated in HKD with the principal amount of HKD70,000,000), which carried interest at 8% per annum payable on 18 November 2017 with maturity on the same date at a redemption amount of 100% of the principal amount.

The convertible bond could be converted into ordinary share of the listed company in Hong Kong at any time from the initial issue date before the maturity date. The fair value at initial recognition of the debt component and derivative component, which amounted to USD8,297,000 (equivalent to HKD64,402,000) and USD933,000 (equivalent to HKD7,240,000) respectively, were determined based on the valuation provided by Roma Appraisals Limited, independent professional qualified valuers not connected with the Group. Subsequent to the initial recognition, the debt component was carried at amortised cost using the effective interest method and the derivative component was carried at fair value. The convertible bond was matured on 18 November 2017 and the Group received the principal amount and unpaid interest of the convertible bond.

The Group's convertible bond is recognised as follows:

	Debt component USD'000	Derivative component USD'000
At acquisition date on 6 March 2017	8,297	933
Accretion of interest	1,437	–
Fair value loss recognised in profit or loss	–	(929)
Proceeds from redemption of convertible bond	(8,961)	–
Interest received	(717)	–
Exchange realignment	(56)	(4)
At 31 December 2017	–	–

The methods and assumptions applied for the valuation of the convertible bond are as follows:

(i) Valuation of debt component

At initial recognition, the fair value of debt component was calculated based on the present value of contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the credit risk of the convertible bonds issuer and maturity term of the convertible bond. The effective interest rate of the debt component was 23.71%.

(ii) Valuation of derivative component

Derivative component was measured at fair value using the Trinomial Option Pricing Model, at initial recognition. The inputs into the model as at date of acquisition was as follows:

	6 March 2017
Stock price	HKD0.330
Conversion price	HKD0.350
Volatility	37.419%
Dividend yield	0.000%
Option life	0.7 year
Risk free rate	1.171%

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22. BANK TRUST ACCOUNTS BALANCES

The Group maintains segregated trust accounts with licensed financial institutions to hold clients' monies arising from the business of dealing in securities and futures contracts. The Group has classified the clients' monies as cash held on behalf of customers under the current assets of the consolidated statement of financial position and recognised the corresponding accounts payables to respective clients on grounds that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

23. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.001% to 3.410% (2017: 0.001% to 2.800%) per annum.

24. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2018, the management of the Group has a detailed plan to sell the vessel under property, plant and equipment with carrying amount of USD10,000,000 and expects the sale would be completed within 12 months after the end of the reporting period.

As at 31 December 2018, the Group had classified such vessel under property, plant and equipment as a non-current asset classified as held for sale which was separately presented in the consolidated statement of financial position.

25. OTHER BORROWINGS

	2018 **USD'000**	2017 USD'000
Fixed-rate unsecured other borrowings at 7% per annum, repayable in full on 31 March 2019	**13,381**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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26. ACCOUNTS AND OTHER PAYABLES

	2018 USD'000	2017 USD'000
Accounts payables from the business of dealing in securities:		
Clients	**30,563**	1,341
Accounts payables from the business of dealing in futures contracts:		
Clients	**1,371**	–
Accounts payables (Note a)	**31,934**	1,341
Other payables (Note b)	**12,279**	14,054
	44,213	15,395

Notes:

(a) Accounts payables to clients mainly include money held in banks, brokers and clearing house on behalf of customers from the business of dealing in securities and futures contracts. The majority of the accounts payables from the business of dealing in securities and futures contracts are repayable on demand except for certain accounts payables from the business of dealing in securities are repayable on settlement date, which is two business days after trade date. No ageing analysis is disclosed for the accounts payables from the business of dealing in securities and futures contracts as, in the opinion of directors of the Company, an ageing analysis does not give additional value in view of the nature of these businesses.

(b) As at 31 December 2018, included in other payables are USD9,839,000 (2017: USD9,839,000) relating to the liabilities arising from the disposal of mining business.

27. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities recognised and movements thereon during the current year and prior year:

	Amortisation USD'000
At 1 January 2017, 31 December 2017 and 1 January 2018	64
Arising from acquisition of subsidiaries (Note 30)	288
Credit to profit or loss	(64)
At 31 December 2018	288

At the end of the reporting period, the Group has unused tax losses of USD111,778,000 (2017: USD62,260,000) available for offset against future profits. During the year ended 31 December 2018, there was an acquisition of subsidiaries with unused tax losses of USD39,390,000. No deferred tax asset has been recognised in respect of unused tax losses due to the unpredictability of future profits streams. The tax losses may be carried forward indefinitely.

28. SHARE CAPITAL

	Number of shares	Value USD'000
Authorised:		
Ordinary shares of HKD0.01 each		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	60,000,000,000	76,923
Issued and fully paid:		
Ordinary shares of HKD0.01 each		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	27,048,844,786	34,871

29. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme was adopted pursuant to a resolution passed on 30 July 2004 (the "2004 Scheme"), for the purpose of providing incentives or rewards to directors, employees, invested entities, suppliers and customers of the Group and entities that provide research, development or technological support or other services to the Group, any shareholders of any members of the Group or any invested entities or any holders of any securities issued by any members of the Group or any invested entities. The 2004 Scheme expired on 29 July 2014. Under the 2004 Scheme, the Board of Directors of the Company might grant options to eligible employees, including executive directors of the Company or its subsidiaries, to subscribe for shares in the Company. The Company adopted a new share option scheme pursuant to a resolution passed by shareholders on 18 June 2014 (the "2014 Scheme") for the purpose of providing incentives or rewards to directors, employees, customers, suppliers, providers of research, development or technical support, shareholders and holders of securities of the Group and its invested entities, in which the Group holds not less than 10% equity interest ("Eligible Participants"). Under the 2014 Scheme, the Board of Directors may grant options to Eligible Participants to subscribe for shares in the Company. The Company revised the general scheme limit allowing the Company to issue options representing no more than 1,352,442,239 shares under the 2014 Scheme for the option incentive purpose of the Group and made certain amendments in relation to the scheme limit which have been approved at the annual general meeting of the Company held on 15 June 2018 ("Amendments to the 2014 Scheme").

Upon the Amendments to the 2014 Scheme, the maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2004 Scheme and 2014 Scheme or any other share option scheme adopted by the Company must not in aggregate exceed 15% of its issued share capital from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the 2004 Scheme and 2014 Scheme and any other share option scheme of the Group must not in aggregate exceed 5% of the shares in issue unless it is approved by shareholders in a general meeting of the Company. The maximum number of shares issuable under the options to each eligible participant in any twelve-month period is limited to 0.5% of the shares in issue unless it is approved by shareholders in a general meeting of the Company. Any grant of options under the 2004 Scheme and 2014 Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their respective associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HKD5,000,000 (approximately USD641,000), in any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

No option was granted during the years ended 31 December 2018 and 2017.

29. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Options granted must be taken up within 28 days of the date of grant, upon payment of HKD1 as the consideration for accepting the grant. The exercise period of the share options granted under the 2004 Scheme shall be determined by the Board of Directors when such options are granted, provided that such period shall not end more than ten years from the date of grant.

The exercise price is determined by the Board of Directors of the Company, and will not be less than the highest of the closing price of the Company's shares at the date of grant, the average closing price of the Company's shares for the five trading days immediately preceding the date of grant and the nominal value of the Company's shares.

The following table discloses the movements of the Company's share options for the reporting period:

Share options granted under 2004 Scheme

Category of Participants	Date of grant	Exercise period	Exercise price per share HKD	Adjusted exercise price per share HKD Note 3	Note	Outstanding at 01.01.2017	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2017, 01.01.2018 and 31.12.2018
Others (Note 2)	3.1.2012	3.1.2012–2.1.2017	0.60	0.5311	1	20,617,025	–	–	(20,617,025)	–
	10.1.2012	10.1.2012–9.1.2017	0.60	0.5311	1	3,389,100	–	–	(3,389,100)	–
						24,006,125	–	–	(24,006,125)	–
Exercisable at the end of the year						24,006,125				–
Weighted average exercise price (HKD)						0.53	–	–	0.53	–

Notes:

1. The share options would vest upon the occurrence of:

   i) as to 50%, 180 days after the first gold production by G-Resources Martabe Pty Ltd and its subsidiary under the Martabe Mine;

   ii) as to 25%, upon the process plant of the Martabe Mine being in operation and having reached its designed capacity of not less than a monthly cumulated average of gold production of 90% of the board approved production output for that year over a period of any six consecutive months after the first gold production at the Martabe Mine; and

   iii) as to 25%, upon the process plant of the Martabe Mine being in operation and having reached its designed capacity of not less than a monthly cumulated average of gold production of 90% of the board approved production output for that year over a period of any twelve consecutive months after the first gold production at the Martabe Mine,

   provided always that, in each case, no share options shall be vested at any time prior to the expiry of nine months from the date of grant of the share options.

2. The share options were granted to individuals other than the directors and employees of the Group.

3. The Company has made adjustments to the outstanding share options upon the completion of the rights issue which was announced on 28 August 2013 and completed on 7 October 2013.

No share option was granted for the years ended 31 December 2018 and 2017. During the year ended 31 December 2017, the Group transferred from share option reserve to retained earnings amounting to USD286,000 (2018:nil) upon unvested share options lapsed.

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29. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Share options granted under 2004 Scheme (continued)

The following assumptions were used to calculate the fair values of share options:

Grant date	10 January 2012	10 January 2012	10 January 2012
Lot	1	2	3
Weighted average share price on date of grant*	HKD0.417	HKD0.417	HKD0.417
Exercise price*	HKD0.600	HKD0.600	HKD0.600
Expected life	2.9 years	3.0 years	3.3 years
Expected volatility	58.64%	61.88%	68.23%
Dividend yield	0%	0%	0%
Risk-free interest rate	0.487%	0.513%	0.567%

Grant date	3 January 2012	3 January 2012	3 January 2012	3 January 2012
Tranche/Lot	A1	A2	A3	B
Weighted average share price on date of grant*	HKD0.439	HKD0.439	HKD0.439	HKD0.439
Exercise price*	HKD0.600	HKD0.600	HKD0.600	HKD0.600
Expected life	2.9 years	3.0 years	3.3 years	2.6 years
Expected volatility	58.68%	63.42%	68.17%	56.59%
Dividend yield	0%	0%	0%	0%
Risk-free interest rate	0.496%	0.527%	0.581%	0.452%

* Before the adjustments for the rights issue

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

Expected volatility was determined by using the volatility of a set of companies in the mining industry. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations. At each reporting date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share options reserve.

30. ACQUISITION OF SUBSIDIARIES/BUSINESS

On 20 July 2018, Empire Glaze Limited ("Purchaser"), an indirect wholly-owned subsidiary of the Company, the Company being the Purchaser's guarantor, Norfyork International Limited ("Vendor") and Hongkong Chinese Limited ("Vendor's Guarantor") entered into a sale and purchase agreement. Pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire issued share capital of Lippo Securities Holdings Limited ("LSHL") at the consideration of approximately USD44,587,000, (equivalent to HKD348,665,101). This acquisition was completed on 11 December 2018 and has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was USD17,972,000. LSHL and its subsidiaries ("LSHL Group") are engaged in the financial services business. LSHL was acquired so as to complement the Group's financial services business.

	USD'000
Consideration transferred:	
Cash paid	44,587

The acquisition-related costs of the acquisition were insignificant.

30. ACQUISITION OF SUBSIDIARIES/BUSINESS (continued)

	11 December 2018 USD'000
Assets acquired and liabilities recognised at the date of acquisition are as follows (determined on a provisional basis):	
Property, plant and equipment	11
Intangible assets	1,746
Accounts and other receivables and deposits	2,849
Bank trust accounts balances	27,752
Bank balances and cash	23,463
Accounts and other payables	(28,918)
Deferred tax liabilities	(288)
Net assets acquired	26,615
Goodwill arising on acquisition:	
Consideration transferred	44,587
Less: net assets acquired	(26,615)
Goodwill arising on acquisition	17,972
Net cash outflow arising on acquisition of LSHL Group:	
Cash consideration paid	(44,587)
Bank balances and cash acquired	23,463
	(21,124)

The fair value of accounts and other receivables and deposits at the date of acquisition amounted to USD2,849,000. The gross contractual amounts of those accounts and other receivables and deposits acquired amounted to USD11,113,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to USD8,264,000.

Goodwill arose in the acquisition of LSHL Group because the cost of the combination included a control premium. In addition, the consideration transferred for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of LSHL Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The provisional goodwill and intangible assets arising from the acquisition is determined on a provisional basis as the Group is in the process of completing the identification of separable intangible assets and independent valuation to assess the provisional fair value of identifiable assets acquired. They may be adjusted upon the completion of initial accounting year which shall not exceed one year from the acquisition date.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

For the year ended 31 December 2018, included in the profit for the year, loss after taxation of USD144,000 is attributable to the additional business generated by LSHL Group. Revenue for the year includes USD64,000 generated from LSHL Group.

Had the acquisition been completed on 1 January 2018, total group revenue for the year would have been USD36,383,000, and profit for the year would have been USD47,108,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is it intended to be a projection of future results.

31. DISPOSAL OF SUBSIDIARIES

On 17 January 2018, the Group disposed of entire equity interest of Prime Century Worldwide Limited ("Prime Century") which was the registered owner of an aircraft at a consideration of USD12,148,000.

On 11 September 2018, the Group disposed of entire equity interests of Adair Ventures Limited, Golden Avenue Investments Limited and Westfield Global Investments Limited ("Investment companies") which held financial assets at FVTPL at an aggregate consideration of USD33,150,000.

On 19 September 2018, the Group disposed of entire equity interest of Victoria Vale Holdings Limited ("Victoria Vale") which held a financial asset at FVTPL at a consideration of USD4,346,000.

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

	Prime Century USD'000	Investment companies USD'000	Victoria Vale USD'000
Analysis of assets and liabilities over which control was lost:			
Property, plant and equipment	12,148	–	–
Financial assets at FVTPL	–	33,144	4,346
Bank balances and cash	–	6	–
Net assets disposed of	12,148	33,150	4,346
Cumulative exchange differences	(93)	–	–
Gain on disposal	93	–	–
	12,148	33,150	4,346
Consideration received:			
Cash received	12,148	33,150	4,346
Net cash inflow/(outflow) arising on disposal:			
Cash consideration received	12,148	33,150	4,346
Less: bank balances and cash disposed of	–	(6)	–
	12,148	33,144	4,346

32. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, share buy-backs or raising of new debt.

33. FINANCIAL INSTRUMENTS

33a. Categories of financial instruments

	2018 USD'000	2017 USD'000
Financial assets		
Amortised cost	**1,126,410**	–
Financial assets classified as loans and receivables (including cash and cash equivalents)	**–**	812,143
Financial assets at FVTPL	**217,801**	–
Financial assets at FVTOCI	**15,852**	–
Available-for-sale financial assets	**–**	379,728
Held for trading investments	**–**	78,719
Financial liabilities		
Amortised cost	**56,597**	15,160

33b. Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, financial assets at FVTOCI, investments in debt instruments measured at amortised cost, accounts and other receivables and deposits, loans receivable, bank trust accounts balances, bank balances and cash, accounts and other payables and other borrowings (2017: held for trading investments, accounts and other receivables and deposits, available-for-sale investments, loans receivable, bank trust accounts balances, bank balances and cash and accounts and other payables). Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate Senior Notes and cash flow interest rate risk in relation to variable-rate Senior Notes and Perpetual Notes; and bank balances.

The interest income is derived from the Group's current and fixed deposits that carry interest at the respective banking deposit rate of the banks located in Hong Kong. The Group's bank deposits (set out in note 23) carried at prevailing market rates.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for variable-rate Senior Notes and Perpetual Notes; and bank balances. The analysis is prepared assuming the financial instruments outstanding at the end of the period were outstanding for the whole year. A 50 basis points (2017: 50 basis points) increase or decrease is used for variable-rate Senior Notes and Perpetual Notes; and bank balances, and when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates respectively.

If interest rates had been 50 basis points (2017: 50 basis points) for variable-rate Senior Notes and Perpetual Notes; and bank balances higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2018 would increase/decrease by USD4,895,000 (2017: increase/decrease by USD4,423,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate Senior Notes and Perpetual Notes; and bank balances.

33. FINANCIAL INSTRUMENTS (continued)

33b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Other price risk

The Group is exposed to securities price risk through the Group's Hong Kong listed equity securities, unlisted managed investment funds and unlisted security investments (2017: held for trading investments, variable-rate Perpetual Notes, fixed-rate and variable-rate Senior Notes, managed investment funds and other security investments) which are measured at fair value. Management manages this exposure by maintaining a portfolio of investments with different risks. The Group's listed equity price risk is mainly concentrated in equity instruments quoted on the Hong Kong Stock Exchange for which quoted market bid price is available except for the shares which were suspended from trading, the fair value was estimated based on the last market bid price before suspension and adopted a discount for lack of marketability (2017: The fair value of the shares which were suspended from trading were estimated by Finnerty model to derive a discount for lack of marketability. The model uses unobservable data inputs which include stock price, volatility, dividend yield, the expected end of suspension period and the liquidity discount rate). The fair value of unlisted managed investment funds for the real estate properties is determined by the market transaction prices of similar properties of the relevant locations and for the underlying financial products are valued at quoted market prices in the open market or observable prices of comparable investments, or measured using valuation techniques in which significant input is based on observable market data. The unlisted security investments classified as financial assets at FVTPL include unlisted investment funds and an unlisted equity investment. The fair value measurement of the investment in unlisted investment funds is based on reported net assets value of the unlisted investment funds provided by the general partners. The general partners used methodology based on relevant comparable data whether possible to quantify the adjustment from cost or latest financing price when adjustment if necessary, or to justify that cost or latest financing price is still a proper approximation of fair value of the underlying investments held by the investment funds in determining the net asset value. The factors to be considered in assessment may require the judgement. The underlying investments held by the investment funds as at 31 December 2018 were valued using transaction prices or latest financing price without adjustment. The fair value of the unlisted equity investment is determined based on the valuation conducted by an independent valuer by using the Enterprise Value Multiples Methodology, adjusted for consideration of discount for lack of marketability.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to securities price risks at the reporting date.

If the prices of the respective securities had been 10% (2017: 10%) higher/lower, the Group's post-tax profit for the year ended 31 December 2018 would increase/decrease by USD20,836,000 (2017: USD6,573,000) as a result of the changes in fair value of Hong Kong listed equity securities, unlisted managed investment funds and unlisted security investments under financial assets at FVTPL; and the Group's investment revaluation reserve as at 31 December 2018 would be increase/decrease by USD1,585,000 (2017: USD25,137,000) as a result of the changes in fair value of Hong Kong listed equity securities under financial assets at FVTOCI (2017: variable-rate Perpetual Securities, Perpetual Notes and Senior Notes, Fixed-rate Senior Notes, unlisted managed investment fund and unlisted other security investments under available-for-sale investments).

33. FINANCIAL INSTRUMENTS (continued)

33b. Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) *Currency risk*

Most of the Group's financial assets and liabilities are denominated in USD and HKD which are the same as the functional currency of the respective Group entities. In addition, the Group has certain financial assets and financial liabilities denominated in Australian Dollar ("AUD"), Chinese Yuan Renminbi ("CNY"), Euro ("EUR") and Pound Sterling ("GBP") (2017: AUD, CNY, EUR and Indonesian Rupiah ("IDR")).

In the opinion of the directors, USD are stable with HKD under the Linked Exchange Rate System, and accordingly, the Group does not have any significant foreign exchange risk in respect of transactions or balances as denominated in HKD. Accordingly, no sensitivity analysis is performed on HKD.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follow:

	2018 USD'000	2017 USD'000
Assets		
AUD	**1,154**	4
CNY	**742**	22,792
EUR	**102**	3,769
GBP	**1,561**	–
IDR	**–**	1,691
Liabilities		
AUD	**1,115**	–
CNY	**42**	17
EUR	**99**	–
GBP	**1,544**	–

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

Sensitivity analysis

The Group's foreign currency risk is mainly concentrated on the fluctuation among AUD, CNY, EUR and GBP (2017: AUD, CNY, EUR and IRD) against USD. The following table details the Group's sensitivity to a 7% (2017: 7%) increase and decrease in the USD against the foreign currencies. 7% (2017: 7%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. As at 31 December 2018, a positive/(negative) number indicates and increase/decrease in profit before taxation for the year where the USD strengthens against the relevant foreign currencies. For a 7% (2017: 7%) weakening of the USD against the relevant foreign currencies, there would be an equal and opposite impact on profit before taxation.

	Profit before taxation	
	2018 USD'000	2017 USD'000
AUD	**(3)**	–
CNY	**(49)**	(1,594)
EUR	**–**	(264)
GBP	**(1)**	–
IDR	**–**	(118)
	(53)	(1,976)

33. FINANCIAL INSTRUMENTS (continued)

33b. Financial risk management objectives and policies (continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to discharge their obligations in relation to each class of recognised financial assets excluding equity investments are the amounts stated in the consolidated statement of financial position. In order to minimise the credit risk, management of the Group has determined credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentrations of credit risk comprising deposits placed at a financial institution for the Group's bank balances of USD376,669,000 (2017: USD417,380,000), which represents approximately 42% (2017: 54%) of the Group's total bank balances and cash. Management considered the credit risk on such balances held at the financial institution and the credit risk are limited because the financial institution is with high credit rating.

Impairment assessment under ECL model

As at 31 December 2018, except for the credit risks associated with accounts receivables from clients from the business of dealing in securities, which are mitigated by the security over equity securities, the Group does not hold any collateral or other credit enhancements to cover the credit risks associated with other financial assets. Those carrying amounts are the best represent the maximum exposure to credit risk. Due to the failure of the counterparties to discharge their obligation, the Group's maximum exposure to credit risk will be the financial loss of the carrying amount of the respective financial assets recognised in the consolidated statement of financial position.

Accounts receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new client, the Group assesses the potential customer's credit quality and defines its credit limit. Credit limits attributed to client are reviewed regularly. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on accounts balances individually.

The management performs periodic evaluations on clients to ensure the Group's exposure to bad debts is not significant. The experience in collection of accounts receivables from clients from the business of dealing in securities falls within the expectation of the directors. The management has continued to adopt business initiatives to enlarge the customer base of business of dealing in securities in order to reduce and also mitigate concentrations of credit risk.

The accounts receivables from clients from the business of dealing in securities have been reviewed by the management to assess impairment allowances which based on evaluation of collectability and on management's judgement, including the current creditworthiness and the past collection statistics of individual account and collateral held by the Group. ECL on accounts receivables amounting to USD2,000 was recognised during the year ended 31 December 2018.

The credit risk for accounts receivables from clearing houses and brokers is considered as not material taking into account the good market reputations and high credit ratings of the counterparties.

33. FINANCIAL INSTRUMENTS (continued)

33b. Financial risk management objectives and policies (continued)

Impairment assessment under ECL model (continued)

Other receivables

In determining the ECL for other receivables, the management of the Group has taken into account the historical default experience, for example, the Group has considered the consistently low historical default rate in connection with payments as adjusted by forward-looking information, and concluded that credit risk inherent in the group's outstanding other receivables is insignificant.

Loans receivable

The Group has a policy for assessing the impairment on loans receivable on an individual basis. The ECL rates are estimated based on historical observed default rates and the credit quality classification and are adjusted for forward-looking information, including but not limited to the historical settlement patterns and financial status of each borrower.

In order to minimise the credit risk, the management of the Group has delegated a team to develop and maintain the Group's internal credit risk grading to categories exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its borrowers.

The Group's current credit risk grading framework comprises the following categories under the general approach:

Internal credit rating	Description	Loans receivable
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Watch list	Borrowers frequently repays after due dates but usually settle after due date or extension of loan mutually agreed by the Group and borrower	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the borrowers is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

In determining the ECL of the loans receivable, the Group will consider the change in the credit quality of the loans receivable, if any, from the date the loans initially granted up to the reporting date. This includes assessing the credit history of the borrowers, such as past experience of financial difficulties or default in payments, and current market conditions.

The Group is exposed to credit risk in respect of its loans receivable. As at 31 December 2018, the gross carrying amount of loans receivable was of USD1,237,000 (2017: USD15,266,000). The Group had concentration of credit risk as 79% (2017: 86%) of the total loans receivable as at 31 December 2018 was due from one (2017: two) borrower(s). The Group seeks to maintain strict control over its outstanding loans receivable to minimise credit risk. The management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis. Impairment allowances on outstanding loans receivable are determined by an evaluation of financial background, as well as financial condition of the borrower and the anticipated receipts for that individual loan, at the end of the reporting period.

33. FINANCIAL INSTRUMENTS (continued)

33b. Financial risk management objectives and policies (continued)

Impairment assessment under ECL model (continued)

Investments in debt instruments at amortised cost

The Group's investments in debt instruments at amortised cost mainly comprise instruments that have a low risk of default and the counterparties have a strong capacity to repay (e.g. financial instruments that are of investment grade or issuer with good credit history and capacity to repay etc). During the year ended 31 December 2018, ECL on investments in debt instruments at amortised cost amounting to USD333,000 was made, USD212,000 and USD121,000 were recognised in the profit or loss and retained earnings, respectively.

Bank balances and cash and bank trust accounts balances

The management of the Group considers the bank balances and bank trust accounts balances that are deposited with the financial institutions with high credit rating to be low credit risk financial assets. The management of the Group considers the probability of default is negligible on the basis of high credit rating issuers, accordingly, no loss allowance was recognised.

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

As at 31 December 2018	Notes	ECL Model	Gross carrying amount USD'000	Loss Allowance USD'000
Financial assets at amortised cost				
Investments in debt instruments measured at amortised cost	15	12m ECL	182,130	333
Loans receivable	20	12m ECL	1,237	52
Accounts receivables	16	12m ECL	15,166	2
Other receivables	16	12m ECL	12,852	–
Bank trust accounts balances	22	12m ECL	28,342	–
Bank balances and cash	23	12m ECL	887,070	–

33. FINANCIAL INSTRUMENTS (continued)

33b. Financial risk management objectives and policies (continued)

Impairment assessment under ECL model (continued)

The following table shows reconciliation of loss allowances that have been recognised for investments in debt instruments measured at amortised cost, loans receivable and accounts receivables.

	12m ECL for investments in debt instruments measured at amortised cost USD'000	12m ECL for loans receivable USD'000	12m ECL for accounts receivables USD'000	Total USD'000
As at 31 December 2017 under HKAS 39	–	–	–	–
Adjustment upon application of HKFRS 9	121	536	–	657
At 1 January 2018 (restated)	121	536	–	657
Impairment allowance recognised/ (reversed)	212	(482)	2	(268)
Exchange realignment	–	(2)	–	(2)
At 31 December 2018	333	52	2	387

During the year ended 31 December 2018, there is no impairment allowance for other receivables, bank trust accounts balances and bank balances and cash. As at 31 December 2018, impairment allowances of USD333,000, USD52,000 and USD2,000 were made for investments in debt instruments at amortised cost, loans receivable and accounts receivables, respectively.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the operations of the Group and to maintain a balance between continuity of funding and flexibility through the use of borrowings.

The following tables detail the remaining contractual maturity for the non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity tables

	Weighted average effective interest rate	On demand or less than 1 month USD'000	1–3 months USD'000	3 months to 1 year USD'000	More than 1 year USD'000	Total undiscounted cash flow USD'000	Carrying amount USD'000
At 31 December 2018							
Non-derivative financial liabilities							
Accounts and other payables	–	43,216	–	–	–	43,216	43,216
Other borrowings	7%	–	13,612	–	–	13,612	13,381
		43,216	13,612	–	–	56,828	56,597
At 31 December 2017							
Non-derivative financial liabilities							
Accounts and other payables	–	15,160	–	–	–	15,160	15,160

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33. FINANCIAL INSTRUMENTS (continued)

33c. Fair value measurements of financial instruments

The fair value of financial assets are measured at fair value on a recurring basis:

- the fair value of Hong Kong listed equity securities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices; except for the shares which were suspended from trading, the fair value was estimated based on the last market bid price before suspension and adopted a discount for lack of marketability (2017: fair value was estimated by Finnerty model to derive a discount for lack of marketability); and

- the fair value of unlisted managed investment funds and unlisted security investments is based on fair value of quoted prices in the open market or observable prices or using valuation techniques, more details are stated in note 15.

The fair value of financial assets and financial liabilities are not measured at fair value on a recurring basis:

- the fair value of other financial assets and financial liabilities (excluding financial assets at FVTPL and financial assets at FVTOCI) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the input to the fair value measurements are observable and the significance of the inputs to the fair value measurement:

		Level 1 USD'000	Level 2 USD'000	Level 3 USD'000	Total USD'000
At 31 December 2018					
Financial assets					
Unlisted managed investment funds (classified as financial assets at FVTPL)	(Note a)	**–**	**889**	**–**	**889**
Unlisted security investments (classified as financial assets at FVTPL)	(Note a)	**–**	**–**	**159,723**	**159,723**
Hong Kong listed equity securities (classified as financial assets at FVTOCI)	(Note b)	**15,852**	**–**	**–**	**15,852**
Hong Kong listed equity securities (classified as financial assets at FVTPL)	(Note b)	**50,051**	**–**	**7,138**	**57,189**
		65,903	**889**	**166,861**	**233,653**
At 31 December 2017					
Financial assets					
Listed debt securities (classified as available-for-sale investments)	(Note c)	–	203,266	–	203,266
Unlisted managed investment funds (classified as available-for-sale investments)	(Note a)	–	48,107	–	48,107
Held for trading investments	(Notes b, d)	66,109	–	12,610	78,719
		66,109	251,373	12,610	330,092

33. FINANCIAL INSTRUMENTS (continued)

33c. Fair value measurements of financial instruments (continued)

Fair value of Group's financial assets that are measured at fair value on a recurring basis (continued)

Notes:

(a) As at 31 December 2018, the fair value of the unlisted managed investment funds classified as financial assets at FVTPL was determined based on the market transaction prices of the similar properties of the relevant location of the real estate property held by the investment fund. The higher the market price of the properties, the higher the fair value of the unlisted managed investment fund.

As at 31 December 2018, the fair value of unlisted security investments classified as financial assets at FVTPL include unlisted investment funds and an unlisted equity investment. In accounting for the fair value measurement of the investment in unlisted investment funds, management has determined that the reported net asset value of unlisted investment funds provided by the general partners represent the fair value of the unlisted investment funds. The general partners used methodology based on relevant comparable data whether possible to quantify the adjustment from cost or latest financing price when adjustment if necessary, or to justify that cost or latest financing price is still a proper approximation of fair value of the underlying investments held by the investment funds in determining the net asset value. The factors to be considered in assessment may require the judgement. The underlying investments held by the investment funds as at 31 December 2018 were valued using transaction prices or latest financing price without adjustment. The higher the latest financing price, the higher the fair value of the unlisted investment funds. The fair value of the unlisted equity investment was determined using the Enterprise Value Multiples Methodology, adjusted for consideration of discount for lack of marketability. The lower the discount rate, the higher the fair value of the unlisted equity investment.

As at 31 December 2017, the fair value of unlisted managed investment funds and unlisted other security investment included in available-for-sale investments was based on fair value of quoted prices in the open market or quoted price from financial institutions or observable prices or using valuation techniques. The lower the discount rate, the higher the fair value.

The details of the valuation techniques and key inputs are set out in note 15 to the consolidated financial statements.

(b) The fair value of Hong Kong listed equity securities included in financial assets at FVTOCI and financial assets at FVTPL (2017: held for trading investments) with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices; except for the shares which were suspended from trading, the fair value was estimated based on the last market bid price before suspension and adopted a discount for lack of marketability (2017: the fair value was estimated by Finnerty model to derive discount for lack of marketability). The lower the discount for lack of marketability, the higher the fair value.

(c) The fair value of listed debt securities included in available-for-sale investments was determined based on the quoted price from the financial institutions supported by observable inputs.

(d) During the year ended 31 December 2017, a held for trading investment which, was suspended from trading, was transferred from Level 1 to Level 3 fair value hierarchy. (2018: no transfer among Level 1, 2 and 3 during the year.)

33. FINANCIAL INSTRUMENTS (continued)

33c. Fair value measurements of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial asset

	USD'000
At 1 January 2017	35,949
Purchases	933
Disposals	(36,162)
Transfer from Level 1 to Level 3	12,610
Gain/(loss) recognised in	
– profit or loss	529
– OCI (Note)	(1,249)
At 31 December 2017	12,610
Remeasurement from cost less impairment to fair value	92,001
At 1 January 2018 (restated)	104,611
Purchases	40,252
Return on capital	(7,973)
Gain/(loss) recognised in	
– profit or loss	30,003
– OCI (Note)	(32)
At 31 December 2018	166,861

Note: The gain or loss included in OCI for the year related to the Hong Kong listed equity securities which were suspended from trading (2017: debt investments) held at the end of the reporting period and are reported as changes of "exchange reserve" (2017: investment revaluation reserve).

33d. Financial assets and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments that are either:

- offset in the Group's consolidated statement of financial position; or
- not offset in the Group's consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC") and brokers, the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC and brokers on the same settlement date and the Group intends to settle these balances on a net basis.

In addition, the Group has a legally enforceable right to set off the accounts receivables and payables with its same retail customers in the Group's brokerage business ("brokerage clients") that are due to be settled on the same date with reference to the settlement method set by the HKSCC and the Group intends to settle these balances on a net basis.

33. FINANCIAL INSTRUMENTS (continued)

33d. Financial assets and financial liabilities offsetting (continued)

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to HKSCC, brokers and brokerage clients that are not to be settled on the same date, financial collateral including cash and securities received by the Group and deposits placed with HKSCC and brokers do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

	Gross amounts of recognised financial assets after impairment USD'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position USD'000	Net amounts of financial assets presented in the consolidated statement of financial position USD'000	Related amounts not offset in the consolidated statement of financial position		Net amount USD'000
				Financial instruments USD'000	Collateral received USD'000	
As at 31 December 2018						
Accounts receivables from the business of dealing in securities	**16,461**	**(2,002)**	**14,459**	**–**	**(11,215)**	**3,244**
As at 31 December 2017						
Accounts receivables from the business of dealing in securities	11,056	(389)	10,667	–	(10,617)	50

	Gross amounts of recognised financial liabilities USD'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position USD'000	Net amounts of financial liabilities presented in the consolidated statement of financial position USD'000	Related amounts not offset in the consolidated statement of financial position		Net amount USD'000
				Financial instruments USD'000	Collateral received USD'000	
As at 31 December 2018						
Accounts payables from the business of dealing in securities	**32,565**	**(2,002)**	**30,563**	**–**	**–**	**30,563**
As at 31 December 2017						
Accounts payables from the business of dealing in securities	**1,730**	**(389)**	**1,341**	**–**	**–**	**1,341**

The gross amounts of the recognised financial assets and financial liabilities and their net amounts as presented in the Group's consolidated statement of financial position, both of which have been disclosed in the above tables, are measured as accounts receivable from, or payable to brokerage clients, clearing house and brokers at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 USD'000	2017 USD'000
Within one year	748	588
In the second to fifth year inclusive	159	492
	907	1,080

Operating lease payments represented rentals payables by the Group for certain of its office premises and warehouse. Leases are negotiated for terms ranging from one to three years.

The Group as lessor

During the year ended 31 December 2018, the Group had property rental income and sub-lease income of approximately USD2,186,000 and USD3,000 (2017: USD1,585,000 and nil), respectively.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2018 USD'000	2017 USD'000
Within one year	2,108	2,313
In the second to fifth year inclusive	3,181	2,719
	5,289	5,032

35. OTHER COMMITMENTS

At the end of the reporting period, the Group had the following other commitments:

	2018 USD'000	2017 USD'000
Other commitments contracted for but not provided for in the consolidated financial statements in respect of capital contribution in unlisted security investments which are recognised as financial assets at FVTPL (2017: available-for-sale investments)	120,814	47,523

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

36. RELATED PARTY DISCLOSURES

Key management personnel compensation

	2018 USD'000	2017 USD'000
Short-term benefits	**1,392**	1,287
Post-employment benefits	**6**	6
	1,398	1,293

37. RETIREMENT BENEFITS SCHEMES

The Group participates in the MPF Scheme under the Mandatory Provident Fund Schemes Ordinance, for all its employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Under the rules of MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules of the MPF Scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. No forfeited contributions are available to reduce the contributions payable in future years.

During the year ended 31 December 2018, the total amount contributed by the Group to the MPF Scheme charged to the consolidated statement of profit or loss was USD90,000 (2017: USD81,000).

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Other borrowings USD'000	Other payables USD'000	Dividend payables USD'000	Total USD'000
At 1 January 2017	–	–	–	–
Net financing cash outflows	(128)	–	–	(128)
Interest expenses	128	–	–	128
At 31 December 2017 and 1 January 2018	–	–	–	–
Net financing cash inflows/(outflows)	13,374	(562)	(447)	12,365
Dividend declared to non-controlling shareholder	–	–	447	447
Interest expenses	–	644	–	644
Exchange realignments	7	–	–	7
At 31 December 2018	13,381	82	–	13,463

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTE	2018 USD'000	2017 USD'000
NON-CURRENT ASSETS			
Property, plant and equipment		**18**	53
Investments in subsidiaries		**–**	307,000
Other receivable		**–**	1,691
		18	308,744
CURRENT ASSETS			
Other receivables		**386**	306
Amounts due from subsidiaries		**1,205,256**	994,419
Bank balances and cash		**168,122**	48,064
		1,373,764	1,042,789
CURRENT LIABILITIES			
Other payables		**1,047**	1,112
Amounts due to subsidiaries		**17,385**	17,085
		18,432	18,197
NET CURRENT ASSETS		**1,355,332**	1,024,592
		1,355,350	1,333,336
CAPITAL AND RESERVES			
Share capital		**34,871**	34,871
Reserves	a	**1,320,479**	1,298,465
Total equity		**1,355,350**	1,333,336

Note:

(a) Reserves

	Share premium USD'000	Capital redemption reserve USD'000	Contribution surplus USD'000	Share options reserve USD'000	Exchange reserve USD'000	Retained earnings USD'000	Total USD'000
At 1 January 2017	1,023,183	212	23,618	286	1,115	231,419	1,279,833
Profit for the year	–	–	–	–	–	26,484	26,484
Exchange realignment	–	–	–	–	(7,852)	–	(7,852)
Total comprehensive (expense)/income for the year	–	–	–	–	(7,852)	26,484	18,632
Vested share options lapsed	–	–	–	(286)	–	286	–
At 31 December 2017 and 1 January 2018	1,023,183	212	23,618	–	(6,737)	258,189	1,298,465
Profit for the year	–	–	–	–	–	27,620	27,620
Exchange realignment	–	–	–	–	(5,606)	–	(5,606)
Total comprehensive (expense)/income for the year	–	–	–	–	(5,606)	27,620	22,014
At 31 December 2018	1,023,183	212	23,618	–	(12,343)	285,809	1,320,479

The contributed surplus of the Company includes (i) the difference between the consolidated shareholders' funds of the subsidiaries at the date at which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1994; (ii) the surplus arising from the group reorganisation in 1998; and (iii) the surplus arising from capital reorganisation in June 2009.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The reserve available for distribution to shareholders at 31 December 2018 is USD309,427,000 (2017: USD281,807,000).

40. PRINCIPAL SUBSIDIARIES

General information of subsidiaries

Particulars of the principal subsidiaries at 31 December 2018 and 31 December 2017 are as follows:

Name of subsidiary	Place of incorporation/ operation	Class of shares/equity held	Nominal value of issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				31.12.2018 %	31.12.2017 %	31.12.2018 %	31.12.2017 %	31.12.2018 %	31.12.2017 %	31.12.2018 %	31.12.2017 %	
ABNER HOLDINGS LIMITED	British Virgin Islands	Ordinary	USD1	–	–	100	100	–	–	100	100	Real property
ABUNDANT IDEA LIMITED	British Virgin Islands	Ordinary	USD1	–	–	100	100	–	–	100	100	Real property
ACE EMPEROR LIMITED	British Virgin Islands	Ordinary	USD1	–	–	100	100	–	–	100	100	Real property
CLASSIC IDEA INVESTMENTS LIMITED	British Virgin Islands	Ordinary	USD1	–	–	100	100	–	–	100	100	Fund investment
Enhanced Finance Limited	Hong Kong	Ordinary	HKD19,300,000	–	–	75	75	–	–	75	75	Money lending
Enhanced Investment Management Limited	Hong Kong	Ordinary	HKD739,170	–	–	75	75	–	–	75	75	Asset management
Enhanced Securities Limited	Hong Kong	Ordinary	HKD150,000,000	–	–	75	75	–	–	75	75	Dealing in securities and futures contracts, provision of securities margin financing and advising on corporate finance
G-Financial Services Group Ltd.	Cayman Islands	Ordinary	USD200	–	–	100	100	–	–	100	100	Securities investment
GLOBAL ACCESS DEVELOPMENT LIMITED	Hong Kong	Ordinary	HKD1	–	–	100	100	–	–	100	100	Money lending
LIPPO ASSET MANAGEMENT (HK) LIMITED	Hong Kong	Ordinary	HKD400,000	–	–	100	–	–	–	100	–	Provision of fund management services
LIPPO FUTURES LIMITED	Hong Kong	Ordinary	USD2,000,000	–	–	100	–	–	–	100	–	Dealing in futures contracts, advising on futures contracts and asset management
LIPPO SECURITIES LIMITED	Hong Kong	Ordinary	HKD220,000,000	–	–	100	–	–	–	100	–	Dealing in securities, provision of securities margin financing and advising on securities and corporate finance, and asset management

40. PRINCIPAL SUBSIDIARIES (continued)

General information of subsidiaries (continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares/equity held	Nominal value of issued and fully paid share capital/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				31.12. 2018 %	31.12. 2017 %	31.12.2018 %	31.12.2017 %	31.12.2018 %	31.12.2017 %	31.12.2018 %	31.12.2017 %	
LIPPO SECURITIES (NOMINEES) LIMITED	Hong Kong	Ordinary	HK10,000	–	–	100	–	–	–	100	–	Provision of trust and company services
PRIME CLASSIC HOLDINGS LIMITED	British Virgin Islands	Ordinary	USD1	–	–	100	100	–	–	100	100	Securities investment
RAVI GLOBAL LIMITED	British Virgin Islands	Ordinary	USD1	–	–	100	100	–	–	100	100	Securities investment
SMART BLEND LIMITED	British Virgin Islands	Ordinary	USD1	–	–	100	100	–	–	100	100	Fund investment
TOP CONCEPT GLOBAL LIMITED	British Virgin Islands	Ordinary	USD1	–	–	100	100	–	–	100	100	Fund investment
WELL ADVANTAGE GLOBAL LIMITED	British Virgin Islands	Ordinary	USD1	–	–	100	–	–	–	100	–	Fund investment
WIN GENIUS INVESTMENTS LIMITED	Hong Kong	Ordinary	HKD1	–	–	100	100	–	–	100	100	Securities investment

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

None of the subsidiaries of the Group had any debt securities outstanding at the end of the reporting period or at any time during the year.

The directors of the Company are of the option that none of the Group's subsidiaries that have non-controlling interests are material to the consolidated financial statements as a whole, therefore, the financial information in respect of those subsidiaries that have non-controlling interests are not presented.

FIVE-YEAR FINANCIAL SUMMARY

(a) RESULTS

For the year ended 31 December

	2014 USD'000	2015 USD'000	2016 USD'000	2017 USD'000	**2018** **USD'000**
Revenue					
– Continuing operations	3,462	11,613	29,985	30,123	**34,273**
– Discontinued operation	384,115	391,468	78,270	–	**–**
	387,577	403,081	108,255	30,123	**34,273**
Profit before taxation	8,601	5,104	10,235	32,536	**48,375**
Taxation	–	–	3	(374)	**(46)**
Profit for the year from discontinued operation	55,866	56,204	118,566	–	**–**
Profit for the year	64,467	61,308	128,804	32,162	**48,329**
Profit for the year attributable to:					
Owners of the Company	62,737	59,423	127,938	31,249	**48,208**
Non-controlling interests	1,730	1,885	866	913	**121**
	64,467	61,308	128,804	32,162	**48,329**

(b) ASSETS AND LIABILITIES

As at 31 December

	2014 USD'000	2015 USD'000	2016 USD'000	2017 USD'000	**2018** **USD'000**
Total assets	1,297,859	1,370,174	1,374,871	1,405,591	**1,503,558**
Total liabilities	(101,181)	(118,833)	(13,240)	(15,933)	**(58,372)**
	1,196,678	1,251,341	1,361,631	1,389,658	**1,445,186**
Equity attributable to owners of the Company	1,175,366	1,228,240	1,356,462	1,383,618	**1,440,931**
Non-controlling interests	21,312	23,101	5,169	6,040	**4,255**
	1,196,678	1,251,341	1,361,631	1,389,658	**1,445,186**

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