百德國際有限公司

Pak Tak International Limited

(Incorporated in Bermuda with limited liability)

Stock Code: 2668

Annual Report 2018

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Jian *(Chairman and Chief Executive Officer)*
Mr. Feng Guoming *(Appointed on 5 January 2018)*
Ms. Qian Pu

Non-executive Directors

Mr. Law Fei Shing
Mr. Shin Yick Fabian

Independent Non-executive Directors

Mr. Liu Kam Lung
Mr. Chan Kin Sang *(Appointed on 3 April 2018)*
Mr. Xie Xiaobiao *(Resigned on 3 April 2018)*
Mr. Zheng Suijun

AUDIT COMMITTEE

Mr. Liu Kam Lung *(Chairman)*
Mr. Chan Kin Sang *(Appointed on 3 April 2018)*
Mr. Xie Xiaobiao *(Resigned on 3 April 2018)*
Mr. Zheng Suijun

NOMINATION COMMITTEE

Mr. Liu Kam Lung *(Chairman)*
Ms. Qian Pu
Mr. Chan Kin Sang *(Appointed on 3 April 2018)*
Mr. Xie Xiaobiao *(Resigned on 3 April 2018)*
Mr. Zheng Suijun

REMUNERATION COMMITTEE

Mr. Liu Kam Lung *(Chairman)*
Ms. Qian Pu
Mr. Chan Kin Sang *(Appointed on 3 April 2018)*
Mr. Xie Xiaobiao *(Resigned on 3 April 2018)*
Mr. Zheng Suijun

STRATEGIC COMMITTEE

Mr. Wang Jian *(Chairman)*
Ms. Qian Pu
Mr. Shin Yick Fabian

INVESTMENT AND FUND RAISING COMMITTEE

Mr. Wang Jian *(Chairman)*
Ms. Qian Pu
Mr. Shin Yick Fabian

COMPANY SECRETARY

Mr. Sze Kat Man

AUTHORISED REPRESENTATIVES

Ms. Qian Pu
Mr. Sze Kat Man

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1902, 19/F
Tower 2 Lippo Centre
No. 89 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

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

AUDITOR

Baker Tilly Hong Kong Limited
Certified Public Accountants
2nd Floor, 625 King's Road
North Point
Hong Kong

HONG KONG LEGAL ADVISER

Chiu & Partners
40/F, Jardine House
1 Connaught Place
Central, Hong Kong

PRINCIPAL BANKERS

Chong Hing Bank Limited
DBS Bank (Hong Kong) Limited
Hang Sang Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE

2668

WEBSITE

www.paktakintl.com

DEAR SHAREHOLDERS

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Pak Tak International Limited (the "**Company**"), I am pleased to present the annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018.

Looking back in 2018, the global economic development encountered many challenges, difficulties and uncertainties under the haze of unstable political and economic landscape. Facing a volatile global stock market and heightened uncertainties, the securities market in Hong Kong has been full of ups and downs. Especially in the second half year of 2018, the global and domestic economy was being slow down its growth due to ongoing United States-China trade argument and unstable political environment of the European Union.

With benefit from the existing customers with long-term relationships, the manufacture and trading of garments, its revenue recorded approximately HKD278.3 million for the year ended 31 December 2018 which presented an increase of approximately 45% over for the of nine months ended 31 December 2017. Despite its overall performance had slightly improved, such segment was still loss making.

On the other hand, as the high competition in the money lending industry, its performance is not prominent as compared to the previous year. Our loan receivables amounted to approximately HKD45.1 million throughout the year as compared with HKD60.5 million for the nine months ended 31 December 2017. Under these external uncertainties, the Group will still implement a prudent strategy, maintain its focus on high net worth customers and remain cautious when granting the loans in order to minimise the credit risks. For the general trading business, its overall performance was growing steadily during the year. We believe that the general trading segment will continue to achieve more favourable return to the Group.

During the year, the equity investment and securities investment of the Group focused on the acquisition of minority interest in the financial services companies and invested in certain listed companies in Hong Kong. Despite of a weak performance of the long-term securities investment as at 31 December 2018, we believe that the Group intends to generate a long-term, stable and favourable return in the future.

LOOOKING FORWARD

Despite of the challenges and difficulties exposed of the Group in 2018, the Directors believe that the Group will continue to channel its resources to development of the existing business segments as achieving steady and stable growth and with good prospect to offset the impact of decline in the garments business and enhance the returns of the Company to be one of the top priorities of the Group for 2019. At the same time, due to uncertainties in trade disputes and Brexit outcome, and expectation of slower growth in major economies, the management will continue to exercise prudency to seeking for any suitable business opportunities in the future, so as to broaden the sources of our revenues and cash flows, taking into account the funding requirement and associated business risks.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude and appreciation toward all our shareholders, our customer, suppliers and business partners for their supports, trust and confidence, and to the management and staff for their outstanding efforts and dedication.

Wang Jian
Chairman

Hong Kong, 29 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2018, the principal activities of the Group are: i) manufacture and trading of garments (the "**Garments Business**"); ii) money lending business in Hong Kong under the provisions of the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) (the "**Money Lending Business**"); iii) the finance leasing business (the "**Leasing Business**"); iv) general trading (the "**General Trading**"); v) property investment and consultancy (the "**Property Investment**") and vi) securities investment (the "**Securities Investment**").

Garments Business

For the year ended 31 December 2018, the Garments Business was full of uncertainty due to the growing trade tension between the United States of America (the "**USA**") and the People's Republic of China (the "**PRC**"), especially because the USA is our major market of the Garments Business. In spite of that, the Group focused on the existing customers with long-term relationships and recorded a sales growth during the year. Even though the overall performance of garment business had slightly improved throughout the year, it is still loss-making and the Group will continue to monitor the business development closely to improve such situation.

Money Lending Business

The Group engages in the Money Lending Business since 2017, such as loans to customers comprising individuals and corporations to earn interest income. For the year ended 31 December 2018, the Group's loan receivables, which are repayable in accordance with the repayment schedules within 1 year, amounted to approximately HKD45.1 million, and the recognised loan interest income was approximately HKD3.9 million. The rate of return of the Money Lending Business is in the range of 8% to 10%. All the loan receivables are repayable according to the repayment schedules. To safeguard development of Money Lending Business, the Group will continue to adopt a prudent risk management policy, and also to carry out regularly review of credit risk over the existing borrowers.

Leasing Business

As at 31 December 2018, the aggregate finance lease receivables was HKD50.3 million and recognised the revenue of approximately HKD7.4 million for the year ended 31 December 2018. As at the date of this report, all the finance lease receivables as at 31 December 2018 have been collected and received on time according to the repayment schedule. The Group adopted a prudent approach in the Leasing Business to minimise its credit and business risks.

Securities Investment

In order to enhance the investment opportunities, the Group invested in several equities listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as short term and long-term investments in 2018. For the year ended 31 December 2018, the Securities Investment segment recorded revenue of approximately HKD7.8 million. Under the unstable global political and economic environments, we will closely monitor the market changes and adjust our investment strategy.

General Trading

For the year ended 31 December 2018, the revenue from the General Trading segment amounted to approximately HKD1,045.6 million, involving products including but not limited to the trading of non-ferrous metals, the marine products, construction materials and metal materials, of which the customers and the suppliers include listed companies and private companies in the PRC. In 2018, the management of the Company put effort to expand the operation of this segment for achieving a long-term growth development.

Property Investment

Since 2017, the Group had acquired 141 retailing shops which have a total floor area of approximately 18,000 square meter located in Yunfu, PRC. For the year ended 31 December 2018, the Group recorded the revenue of rental income and consultancy income amounted to approximately HKD15.8 million and as at 31 December 2018, the investment properties held by the Group measured at fair value amounted to HKD186.7 million, representing a fair value gains on investment properties of HKD5.1 million and decrease in exchange realignment of HKD10.1 million. The revenue from this segment proved that the investment properties could provide a considerable and steady return to the Group.

FINANCIAL REVIEW

Below is an analysis of our key financial information including, but not limited to revenue, expenses and loss for the year, which reflected the financial position of the business.

Revenue

The total revenue of the Group for the year ended 31 December 2018 amounted to HKD1,358.8 million. This represented a significant increase of 80.8% over the revenue of HKD751.5 million for the nine months ended 31 December 2017. Such increase was mainly due to the sharp increase in trading of non-ferrous metals, and recorded the revenue in General Trading of HKD1,045.6 million for the year ended 31 December 2018 as compared with HKD542.8 million for the nine months ended 31 December 2017.

The revenue in Garments Business recorded an increase of HKD86.9 million from HKD191.4 million for the nine months ended 31 December 2017 to HKD278.3 million for the year ended 31 December 2018. The increase is mainly due to the increase in sales order from our two major customers which indicated the slow recovery in the USA economy.

Apart from the General Trading and Garments Business, the revenue from Money Lending, Securities Investment, Leasing Business and Property Investment was amounted to HKD34.9 million in total for the year ended 31 December 2018 as compared to HKD17.3 million for the nine months ended 31 December 2017.

For the year ended 31 December 2018, the major market of the Group was in Asia, which accounted for 81.9% of the Group's total revenue, whereas 16.8% of the Group's total revenue was attributed to sales to USA and Europe.

Expenses

The Group's direct costs and operating expenses significantly increased by HKD581.4 million from HKD727.6 million for the nine months ended 31 December 2017 to HKD1,309.0 million for the year ended 31 December 2018. The increase in direct costs and operating expenses was mainly due to the significant growth in General Trading whereas the revenue from General Trading was accounted for 76.9% of the Group's total revenue.

The Group's administrative expenses from continuing operations increased by HKD14.4 million from HKD33.4 million for nine months ended 31 December 2017 to HKD47.8 million for the year ended 31 December 2018, as a result of the change in financial year end date.

The Group's selling expenses from continuing operations increased by HKD2.3 million from HKD5.0 million for the nine months ended 31 December 2017 to HKD7.3 million for the year ended 31 December 2018, such increase was in line with the increase in revenue in Garments Business. All the selling expenses were related to the Garments Business.

The Group's finance cost from continuing operations increased by HKD4.0 million from HKD6.6 million for the nine months ended 31 December 2017 to HKD10.6 million for the year ended 31 December 2018. The increase in finance cost was mainly due to the issuance of unlisted bond in the current year.

Loss for the Year

For the year ended 31 December 2018, the Group recorded a net loss of HKD9.1 million as compared to a net profit of HKD30.5 million for the nine months ended 31 December 2017, such loss was mainly due to (a) a substantial decrease of HKD67.7 million in the fair value gain on investment properties; and (b) the absence of a one-off gain on disposal of the new energy business companies of HKD10.5 million which recorded in previous period.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2018, the cash and cash equivalents (excluding bank overdrafts) of the Group were HKD138.4 million (2017: HKD535.8 million) and interest-bearing borrowings, included the unlisted bond, the borrowings and overdraft, were HKD323.9 million (2017: HKD426.1 million). The following table details the cash and cash equivalents, the bond and the borrowings and overdraft of the Group at the end of the reporting period denominated in original currencies:

		At 31 December 2018	
	HKD ('000)	**RMB** ('000)	**USD** ('000)
Cash and cash equivalents	8,866	108,612	758
Bond	97,764	—	—
Borrowings and overdraft	61,698	144,442	—

		At 31 December 2017	
	HKD ('000)	**RMB** ('000)	**USD** ('000)
Cash and cash equivalents	195,797	280,948	277
Borrowings and overdraft	50,283	313,060	—

The Group principally satisfies its demand for operating capital with cash inflow from its operations and the borrowings. As at 31 December 2018, the gearing ratio, which is calculated on the basis of total borrowings over total shareholders' fund of the Group, was 70.8% (2017: 82.9%). The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 0.97 (2017: 1.96). Decrease in liquidity ratio was due to the long-term investments made during the year.

UNLISTED WARRANTS

On 27 August 2015, the Company issued an aggregate of 283,000,000 unlisted warrants at the issue price of HKD0.02 per warrant to the subscribers, each of which would entitle the warrant holder(s) to subscribe in cash for one share at the exercise price of HKD3.00 (subject to adjustment) at any time during a period of 3 years commencing on the date immediately after the issue date of the unlisted warrants (the "**Unlisted Warrants**"). Upon full exercise of the subscription rights attaching to the Unlisted Warrants, a total of 283,000,000 warrant shares would be issued. The warrant shares, when fully paid and allotted would rank pari passu in all respects with the then existing issued shares of the Company. The exercise period of the Unlisted Warrants had expired on 27 August 2018, and no Unlisted Warrant was exercised by the warrant holder(s).

Upon the expiry of the Unlisted Warrants, the Company does not have any outstanding Unlisted Warrants.

FOREIGN EXCHANGE AND INTEREST RATE RISKS MANAGEMENT

The Group adopts strict and cautious policies in managing its exchange rate risk and interest rate risk. The principal foreign currency exchange risk stems from the exchange rate movements of the Hong Kong dollar, which is pegged to the United States dollar, and Renminbi. The sales of the Group and purchases of raw materials are mainly denominated in Renminbi and United States dollar, while the Group's operations in the PRC, the location of its production, are primarily conducted in Renminbi, its Hong Kong operations are conducted in Hong Kong dollar. The management will closely monitor such risk and will consider hedging significant foreign currency exposure should the need arise.

The interest rate risk arises from the borrowings and overdrafts, which, being obtained at variable rates and at fixed rates, expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group analyses its interest rate exposure on a dynamic basis and considers managing this risk in a cost-effective manner when appropriate, through a variety of means.

PLEDGED ON GROUP ASSETS

As at 31 December 2018, certain of the Group's investment properties located in Yunfu, PRC with net carrying amount of HKD186.7 million (2017: 191.7 million) were pledged to secure the banking facilities.

CAPITAL EXPENDITURES AND COMMITMENTS

During the period under review, the Group invested HKD75.9 million (2017: HKD120.8 million) on properties, plant and equipment and investment properties, which included leasehold improvements, plant and machinery, furniture, fixtures and equipment and motor vehicles. As at 31 December 2018 and 2017, the Group had no capital commitments.

EQUITY FUND RAISING ACTIVITIES

Set out below is the equity fund raising activities of the Company during the current and last reporting period:

Date of announcement	Fund raising activity	Net proceeds	Proposed use of the net proceeds	Actual use of the net proceeds as at the date of this report
11 October 2017	Placing of 326,750,000 new shares under specific mandate and subscription of 535,650,000 new shares under specific mandate	Approximately HK$192 million	(i) approximately HK$33.9 million for repayment of loans;	(i) used as intended;
			(ii) approximately HK$60.0 million for acquisition of property for use as office of the Company in Hong Kong;	(ii) used as intended;
			(iii) approximately HK$30.0 million for the Group's finance leasing business;	(iii) used as intended;

Date of announcement	Fund raising activity	Net proceeds	Proposed use of the net proceeds	Actual use of the net proceeds as at the date of this report
			(iv) approximately HK$30.0 million for the Group's money lending business;	(iv) used as intended;
			(v) approximately HK$20.0 million for the Group's securities trading and investment;	(v) used as intended;
			(vi) approximately HK$10.0 million for the prepayment or deposit payable to the suppliers for Group's general trading; and	(vi) used as intended;
			(vii) approximately HK$8.1 million as general working capital of the Group mainly for the administrative expenses and operation expenses, including salaries and office rental expenses.	(vii) used as intended.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2018, the significant investments held by the Group are as follows:

	31 December 2018 HKD'000	31 December 2017 HKD'000
Investment in an associate	**163,915**	–
Financial assets at fair value through other comprehensive income	**85,768**	–
Financial assets at fair value through profit or loss	**210**	26,329
	249,893	26,329

Information in relation to the financial assets at fair value through other comprehensive income and the financial assets at fair value through profit or loss as at 31 December 2018 are set out as follows:

Stock Code	Name of investee company	Nature of investment	Number of shares held	Percentage of shareholding in such stock	Fair value as at 31 December 2018 *HKD'000*	Percentage to the Group's total assets as at 31 December 2018	Change in fair value for the year ended 31 December 2018 *HKD'000*
Financial assets at fair value through other comprehensive income							
0299	New Sports Group Limited ("**New Sports**")	Investment in shares	36,500,000	0.90%	17,155	1.98%	(13,778)
1282	China Goldjoy Group Limited ("**China Goldjoy**")	Investment in shares	85,000,000	0.33%	40,800	4.70%	(1,266)
8057	Madison Holdings Group Limited ("**Madison Holdings**")	Investment in shares	25,100,000	0.59%	25,853	2.98%	(16,711)
Other					1,960		(1,664)
Sub-total					85,768		(33,419)
Financial assets at fair value through profit or loss							
Other					210		(61)
Total					85,978		(33,480)

The principal activities of the securities are as follows:

1. New Sports is a Hong Kong-based investment holding company and is principally engaged in information technology (IT) businesses into three segments: (1) software segment is engaged in the provision of outsourcing software development services and technical support services; (2) online game services segment is engaged in the provision of design, development and operation of mobile and web games; and (3) peer-to-peer (P2P) financial intermediary services segment is engaged in the provision of P2P financial intermediary services and other related consultancy services.

2. China Goldjoy is an investment holding company and is principally engaged in the manufacture of high-technology products, and the trading of automation-related equipment. The company operates through three business segments: automation, manufacturing and securities investment. The company is also engaged in the research and development, trading of software, manufacturing of printed circuit board touch pad, as well as the development of business and the marketing of products through its subsidiaries.

3. Madison Holdings is an investment holding company and is principally engaged in the sale of alcoholic beverages. The sales of alcoholic beverages segment is involved in the retail sales and wholesales of wine products and other alcoholic beverages. The financial services segment is involved in provision of corporate finance activities and asset management and corporate financial advisory services in Hong Kong. In addition, the company is engaged in the provision of block chain services and crypto-currency mining business in Asia and Europe. Furthermore, the company is also engaged in wine auction business and provision of platform.

Save as disclosed above, the Group also invested in other shares listed on the Stock Exchange. Each of the fair value of these shares represented less than 1% of the total assets of the Group as at 31 December 2018.

Save as disclosed above, there were no significant investments held by the Group for the year ended 31 December 2018.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

Discloseable Transaction in Relation to the Acquisition of the Property in Hong Kong

In March 2018, the Company through its direct wholly-owned subsidiary, entered into a provisional sale and purchase agreement with the independent third party in relation to the acquisition of the entire interest in and loan to Confield Worldwide Limited ("**Confield Worldwide**") a property holding company at a cash consideration of HKD71,632,000. The property held by Confield Worldwide is situated at Unit 1902, 19/F, Tower 2 Lippo Centre, No. 89 Queensway, Hong Kong and is a commercial property with a gross floor area of approximately 1,900 square feet, which is intended to be used as the office premises of the Group. The above-mentioned transaction was completed in November 2018 and accounted for as property, plant and equipment. The final consideration was HKD71.3 million. Please refer to the announcement of the Company dated 5 March 2018 for further details.

Discloseable Transaction in Relation to the Acquisition of Minority Interest in Financial Services Companies

In June 2018, the Company through its direct wholly-owned subsidiary, entered into a share transfer agreement with an independent third party in relation to the acquisition of 28% of the issued share capital of the Golden Affluent Limited ("**Golden Affluent**") at the cash consideration of HKD168,200,000. The acquisition was completed on 29 June 2018. The consideration was fully paid. After the acquisition, Golden Affluent and its subsidiaries, which was principally engaged in the provision of financial and bullion services in Hong Kong and private investment management services in the PRC, became the associates of the Company. Please refer to the announcement of the Company dated 3 June 2018 for further details.

Save as disclosed above, there were no other material acquisitions and disposals of subsidiaries and associates of the Group for the year ended 31 December 2018.

FINANCIAL GUARANTEES PROVIDED

As at 31 December 2018, the Company had provided corporate guarantees amounting to HKD111.9 million (2017: HKD151.1 million) in favour of certain banks and lenders in connection with facilities granted to certain subsidiaries of the Group.

The guarantees were provided by the Company at nil consideration. The transactions were not at arm's length, and it is not possible to measure reliably the fair value of these transactions in accordance with HKFRS 9, Financial instruments, had they been at arm's length. Accordingly, the guarantees have not been accounted for as financial liabilities and measured at fair value.

As at 31 December 2018, the Directors considered it was not probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees provided amounted to the facilities drawn down by the subsidiaries of HKD44.6 million (2017: HKD66.5 million).

ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

As a responsible corporation, the Group is committed to maintain the high level of environmental and social standards to ensure sustainable development of its business. The Group has complied, to best of our knowledge, with the relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

The Group maintains strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products to its customers so as to ensure sustainable development.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had a total of approximately 510 employees (2017: approximately 470 employees). The total staff cost of the Group amounted to approximately HKD56.4 million for the year ended 31 December 2018, representing 4.2% of the Group's turnover. Employees' remuneration and bonuses are based on their responsibilities, performances, experience and the prevailing industry practice. The Group's remuneration policies and packages were reviewed periodically by the management of the Company. The Group provides relevant training to its employees in accordance with the skills requirements of difference positions.

DIVIDEND

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

EVENTS AFTER THE REPORTING PERIOD

The Company does not have any significant events after the reporting period.

FUTURE PROSPECTS

Under the unstable global political and economic environments in 2018, the Garments Business is expected to continue facing significant challenges in 2019, i.e. the USA and PRC trading argument and the issues of Brexit. We shall maintain a cautious and prudent approach in Garments Business segments by closely monitoring the business development, also optimizing our resources and increasing operational efficiency, and will take any possible solutions to improve the overall performance of the Group. Meanwhile, we are going to divert more attention and resource to developing the General Trading, Money Lending Business, Leasing Business and Securities Investment, respectively.

Considering the challenging investment environment, the management will continue to exercise prudency in looking for any suitable business opportunities in future, so as to broaden the sources of our revenues and cash flows, taking into account the funding requirements and associated business risks.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

The Directors and senior management at the date of this annual report are as follows:

EXECUTIVE DIRECTORS

Mr. Wang Jian, aged 48, was appointed as Chairman and Executive Director of the Company on 23 August 2016 and subsequently appointed as Chief Executive Officer of the Company, and the Chairman of each of the strategic committee (the "**Strategic Committee**") and the investment and fund raising committee (the "**Investment and Fund Raising Committee**") of the Company.

Mr. Wang has about 13 years of managerial experience in the construction and engineering industry. He was a legal representative for over 8 years of a company incorporated in the PRC that specialize in the construction engineering industry. Currently, Mr. Wang is also the director of Massive Thriving Limited ("**Massive Thriving**").

Pursuant to Part XV of the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong) (the "**SFO**"), 546,953,000 shares of the Company are held by Massive Thriving, which is wholly-owned by Mr. Wang. Accordingly, he is deemed to be interested in these shares, representing 18.86% of the issued share capital of the Company, and is a substantial shareholder of the Company.

Mr. Feng Guoming, aged 52, was appointed as Executive Director of the Company on 5 January 2018.

Mr. Feng graduated from South China Normal University in the PRC. He has over 21 years of experience in technology, investments, banking, fund and finance industries in the PRC and Hong Kong. He served as the managing director of 上海豐實股權投資管理有限公司 (Shanghai Ample Harvest Equity Investments Management Limited), a subsidiary of Harvest Fund Management Co., Ltd. from 2015 to 2017, and he also served as the deputy general manager of China Financial International Investments Limited (stock code: 721), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited, from 2012 to 2015. He worked as the managing director of 北京埃希奧科技有限公司 from 2010 to 2012. Currently, Mr. Feng is also the director of Tengyue Holding Limited ("**Tengyue Holding**") and Beyond Glory Holdings Limited ("**Beyond Glory**"), respectively.

As at the date hereof, pursuant to Part XV of the SFO, 812,000,000 shares of the Company are held by Tengyue Holding, which is wholly-owned by Beyond Glory. As Beyond Glory is wholly-owned by Mr. Feng, he is deemed to be interested in these shares by virtue of SFO, representing 28% of the issued share capital of the Company, and is a substantial shareholder of the Company.

Ms. Qian Pu, aged 29, was appointed as Executive Director of the Company on 8 September 2016. She is a member of each of the nomination committee (the "**Nomination Committee**") and the remuneration committee (the "**Remuneration Committee**") of the Company, the Strategic Committee and the Investment and Fund Raising Committee of the Company and one of the authorised representatives of the Company. She also holds directorships in certain subsidiaries of the Company.

Ms. Qian graduated from Huazhong University of Science and Technology, the PRC with a bachelor's degree in Arts and Wuhan University of Science and Technology, PRC with a bachelor's degree in Engineering respectively in 2012. She has over 5 years of managerial experience in finance investment.

NON-EXECUTIVE DIRECTORS

Mr. Law Fei Shing, aged 59, was appointed as Executive Director of the Company on 6 August 2013 and re-designated from Executive Director to Non-Executive Director of the Company on 16 December 2014.

Mr. Law is a member of American Institute of Certified Public Accountants, USA ("**AICPA**") and an associate member of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). He has over 29 years of experience in audit and accounting services.

Currently, Mr. Law is an executive director, deputy chief executive officer and the company secretary of Anxian Yuan China Holdings Limited (stock code: 922) since June 2009; and a non-executive director of S. Culture International Holdings Limited (stock code: 1255) since June 2017, shares of all which are listed on the Main Board of the Stock Exchange.

Mr. Law was a non-executive director of each of Beautiful China Holdings Company Limited (stock code: 706) from January 2014 to December 2017; and an executive director and a non-executive director of Legend Strategy International Holdings Group Company Limited (stock code: 1355) from November 2014 to April 2016 and from April 2016 to December 2016 respectively, shares of all which are listed on the Main Board of the Stock Exchange. He was also the company secretary of Orient Securities International Holdings Limited (stock code: 8001) from February 2009 to May 2016 and an executive director of China Assurance Finance Group Limited (stock code: 8090) from December 2015 to March 2019, respectively, shares of all which are listed on GEM of the Stock Exchange.

Mr. Shin Yick Fabian, aged 50, was appointed as Non-executive Director of the Company on 9 February 2017. He is a member of each of the Strategic Committee and the Investment and Fund Raising Committee.

Mr. Shin graduated from The University of Birmingham in England with a bachelor's degree in commerce. He is a fellow member of each of the HKICPA, the Association of Chartered Certified Accountants (the "**ACCA**"), The Institute of Chartered Secretaries and Administrators of the United Kingdom (the "**ICSA**") and The Hong Kong Institute of Company Secretaries (the "**HKICS**"). He has over 28 years of experience in investment banking and financial management.

Currently, Mr. Shin is an independent non-executive director of each of LISI Group (Holdings) Limited (stock code: 526), Newton Resources Ltd. (stock code: 1231) and China Tianrui Automotive Interiors Co., Ltd (stock code: 6162) since January 2013, August 2015 and December 2018, respectively, shares of all which are listed on the Main Board of the Stock Exchange. In November 2017, he is also appointed as the director of Bio-key International Inc. (stock code: BKYI), shares which are listed on the NASDAQ Stock Market in the USA.

From January 2016 to February 2016, Mr. Shin was a non-executive director of Qianhai Health Holdings Limited (formerly known as Hang Fat Ginseng Holdings Company Limited) (stock code: 911), shares which are listed on the Main Board of the Stock Exchange. He was also an independent non-executive director of each China Shun Ke Long Holdings Limited (stock code: 974) from August 2015 to October 2018 and Huabang Financial Holdings Limited (formerly known as Goldenmars Technology Holdings Limited) (stock code: 3638) from September 2016 to October 2018, shares of all which are listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Kam Lung, aged 55, was appointed as Independent Non-executive Director of the Company on 24 September 2014. He is the Chairman of each of the Audit Committee, the Nomination Committee and the Remuneration Committee.

Mr. Liu has over 28 years of experience in the financial industry. He obtained a Diploma of Business Administration from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in 1990. Mr. Liu is a fellow of the ACCA and an associate of the HKICPA. He is also an associate of both HKICS and ICSA. He was a full member of the Society of Registered Financial Planners and an associate of the Taxation Institute of Hong Kong.

Currently, Mr. Liu is the chief executive officer of China Rise Finance Group Company Limited, a subsidiary of Symphony Holdings Limited (stock code: 1223) and a non-executive director of New Western Group Limited (formerly known as Megalogic Technology Holdings Limited) (stock code: 8242) since October 2014, shares of all which are listed on the Main Board and GEM of the Stock Exchange, respectively.

Mr. Liu was an independent non-executive director of Enterprise Development Holdings Limited (stock code: 1808) for the period from January 2015 to April 2017, which is listed on the Main Board of the Stock Exchange.

Mr. Chan Kin Sang, aged 67, was appointed as Independent Non-executive Director of the Company on 3 April 2018. He is the member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee.

Mr. Chan is currently a senior partner of Messrs. Peter K.S. Chan & Co., Solicitors and Notaries (a law firm which provides various services including corporate matters and litigations). He obtained a bachelor's degree in Laws from the University of Hong Kong in 1979 and a postgraduate certificate in Laws from the University of Hong Kong in 1980. He has been a practising solicitor in Hong Kong since April 1982 and has been admitted as a Notary Public since April 1997 and a China-appointed Attesting Officer since January 2000. Mr. Chan has also been a Fellow of The Hong Kong Institute of Directors since August 2004 and a chairman of the Appeal Tribunal (Buildings Ordinance Cap.123) since February 2007.

Currently, Mr. Chan is an independent non-executive director of each of China Fortune Financial Group Limited (stock code: 290) since July 2014 and; Tianhe Chemicals Group Limited (stock code: 1619) since May 2014, which are listed on the Main Board of the Stock Exchange and Huakang Biomedical Holdings Company Limited (stock code: 8622) since November 2018, which is listed on GEM of the Stock Exchange. He is also an independent non-executive director of Luxking Group Holdings Limited (stock code: BKK) and a non-executive director of Pan Hong Holdings Group Limited (stock code: P36), all of which are listed on the Singapore Exchange Limited. He is also acting as a director of Guanghe Landscape Culture Communication Co., Ltd, Shanxi (stock code: 600234) which is listed on the Shanghai Stock Exchange.

In the past three years, Mr. Chan held directorships in a number of Hong Kong listed companies, namely as an independent non-executive director of each of Munsun Capital Group Limited (formerly known as China Precious Metal Resources Holdings Co., Limited) (stock code: 1194) from June 2004 to October 2016; CEFC Hong Kong Financial Investment Company Limited (formerly known as Runway Global Holdings Company Limited (stock code: 1520) from October 2015 to December 2016, all of which are listed on Main Board of the Stock Exchange; Tianjin TEDA Biomedical Engineering Company Limited (stock code: 8189) from May 2013 to December 2016, which is listed on the GEM of the Stock Exchange and China Taifeng Beddings Holdings Limited (stock code: 873) from November 2009 to September 2017, which is listed on the Main Board of the Stock Exchange and was delisted in February 2019. He also acted as a non-executive director of each of China Healthcare Enterprise Group Limited (stock code: 1143) from October 2016 to July 2017 and Combest Holdings Limited (stock code: 8190) from June 2011 to January 2017, all of which are listed on the Main Board and GEM of the Stock Exchange, respectively.

Mr. Zheng Suijun, aged 56, was appointed as Independent Non-executive Director of the Company on 31 August 2016. He is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company.

Mr. Zheng has more than 13 years of managerial experience in taxation advisory business. Currently, Mr. Zheng is a chairman of the board of directors of Shenzhen Jinnuo Tax Agency Co., Ltd. since 2004.

SENIOR MANAGEMENT

Mr. Cheng Kwai Chun, John, aged 47, joined the Group in 1996 and is in charge of major manufacturing and trading subsidiaries of the Group. He obtained a bachelor's degree in science from the University of New South Wales, Australia, and a master's degree in Finance from the RMIT University, Australia. Mr. Cheng is also awarded the "Professional Diploma in Corporate Governance and Directorship" by Hong Kong Productivity Council and The Hong Kong Institute of Directors and a diploma in business management by the Hong Kong Management Association.

Mr. Sze Kat Man, aged 32, joined the Group in October 2014 as the Financial Controller of the Group and was appointed as company secretary and authorised representative of the Company on 16 April 2017. He also holds directorships in certain subsidiaries of the Company. He is currently responsible for the overall financial management and company secretarial matters of the Group. Mr. Sze graduated from City University of Hong Kong with an Associate of Business Administration in Accountancy and is a member of the HKICPA. He has over 10 years of experience in professional audit and accounting fields.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in the Garments Business, Money Lending Business, Leasing Business, General Trading, Property Investment and Securities Investment. The principal activities and other particulars of the Company's subsidiaries are set out in note 38 to the consolidated financial statements.

SEGMENT INFORMATION

Details of the segment information of the Group for the year ended 31 December 2018 by segments are set out in note 12 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 123 of this annual report.

BUSINESS REVIEW

Details of the Group's business review and business prospect during the year are set out in the section headed "Management Discussion and Analysis" of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 43 and 44 of this annual report.

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

RESERVES

Details of the movements in the reserves of the Group during the year ended 31 December 2018 are set out in the consolidated statement of changes in equity on page 47 of this annual report.

SHARE CAPITAL

As at 31 December 2018, the issued share capital of the Company was 2,900,000,000 ordinary shares of HKD0.02 each (the "**Share(s)**").

Movements in the share capital of the Company during the year are set out in note 30(c) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

CHARITABLE DONATIONS

During the year ended 31 December 2018, the Group made charitable donations amounting to HKD30,000 (2017: HK$30,000).

BORROWINGS

As at 31 December 2018, the Group had borrowings and overdraft totaling HKD323,923,000.

PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2018, the Group acquired property, plant and equipment at a cost of approximately HKD75.9 million (2017: HKD6.9 million) for the purpose of expanding the Group's business.

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, the five largest customers of the Group together accounted for 67.4% of the Group's total revenue, with the largest customer accounting for 35.2% of the Group's total turnover. The aggregate purchases attributable to the Group's five largest suppliers was 76.6% of the total purchase of the Group for the year ended 31 December 2018, and the largest supplier accounted for 42.8% of the Group's total purchases.

During this period under review, none of the Directors or any of their associates or any shareholder of the Company, which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital, had any beneficial interests in the Group's five largest customers and suppliers mentioned above.

EQUITY-LINK AGREEMENT

Save for the share option scheme of the Group as disclosed in the section headed "Share Option Scheme", no equity-linked agreements were entered into by the Group or existed during the year ended 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

RELATED PARTY TRANSACTION

The Group entered into certain related party transactions as disclosed in note 36 to the consolidated financial statements. Details of any related party transactions which also constitute continuing connected transactions not exempted under Rule 14A.73 of the Listing Rules are disclosed in the section headed "Continuing Connected Transactions" in this annual report. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of such transactions.

CONTINUING CONNECTED TRANSACTION

(1) Licence Agreement and Lease Agreement

On 18 June 2014, the Company, as licencee, entered into a licence agreement (the "**HK Licence Agreement**") with Pak Tak Knitting & Garment Factory Limited ("**Pak Tak Knitting**"), as licensor, in relation to the licencing of certain part located at Units 405-410, 4/F., Fanling Industrial Centre, 21 On Kui Street, Fanling, New Territories, Hong Kong.

On the same day, Pak Tak Knitting (Dong Guan) Limited ("**Pak Tak DG**"), an indirectly wholly-owned subsidiary of the Company, as tenant, entered into a lease agreement (the "**PRC Lease Agreement**") with Pak Tak Knitting, as landlord, in relation to the leasing of certain part of the factory complex located at Qiao Long Road, Qiaotou Town, Dongguan, Guangdong Province, the PRC.

Mr. Cheng is a director of the Company's subsidiary and the director of Pak Tak Knitting, and accordingly, Pak Tak Knitting is a connected person of the Company by virtue of being an associate of Mr. Cheng. Consequently, the transactions under the HK Licence Agreement and the PRC Lease Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Details of the HK Licence Agreement and the PRC Lease Agreement were as follows:

HK Licence Agreement

Term	:	Five years from 19 September 2014 to 18 September 2019
Monthly licence fee	:	HKD75,100
Use of the licence	:	As ancillary office by the Company

PRC Lease Agreement

Term	:	Five years from 19 September 2014 to 18 September 2019
Monthly rent fee	:	HKD320,000
Use of the premises	:	As factory and ancillary office by the Pak Tak DG

The annual caps in respect of the transactions under the HK Licence Agreement and the PRC Lease Agreement for each financial year during the term of each of the HK Licence Agreement and the PRC Lease Agreement is HKD901,200 and HKD3,840,000 respectively. The annual licence fee and annual rent paid or payable by the Company and Pak Tak DG under the HK Licence Agreement and PRC Lease Agreement respectively, for each of the five financial years was as follows:

Term	**Licence fee** *HKD'000*	**Rent** *HKD'000*
19 September 2014 to 31 March 2015	478	2,037
1 April 2015 to 31 March 2016	901	3,840
1 April 2016 to 31 March 2017	901	3,840
1 April 2017 to 31 December 2017	676	2,880
1 January 2018 to 31 December 2018	901	3,840
1 January 2019 to 18 September 2019	648	2,763

The terms of the HK Licence Agreement and the PRC Lease Agreement were arrived at after arm's length negotiations between the Company, Pak Tak DG and Pak Tak Knitting and determined with reference to the prevailing market rent of the surrounding comparable premises in the vicinity of the licensed premises and the leased premises based on the opinion of an independent qualified professional valuer. Further details of the continuing connected transactions were set out in the announcement of the Company dated 18 June 2014 and the circular of the Company dated 29 July 2014.

(2) Sales Agreements

On 26 July 2017, indirect wholly-owned subsidiaries, Pak Tak Hong Kong Trading Limited ("**PTHK**") and Pak Tak Knitting & Garment (Dong Guan) Limited ("**PTDG**") (as suppliers) entered into the sales agreements (the "**Sales Agreements**") with Pak Tak (Kwong Tai) Knitting Factory Ltd ("**PTKT**"), Sunny Dragon International Limited ("**SDIL**") and Sunny Dragon Apparels (Dong Guan) Limited ("**SDDG**") (as customers) in relation to the sales of garments, shall remain in force until the end of the period on 31 March 2018 from 1 April 2017.

Mr. Cheng is a director of each of PTHK and PTDG, and also he is a controlling shareholder of each of PTKT, SDIL and SDDG, of whom he has 49%, 100% and 100% of equity interests in PTKT, SDIL and SDDG, respectively. Accordingly, PTKT, SDIL and SDDG are the associates of Mr. Cheng, and therefore is a connected person of the Company under Chapter 14A of the Listing Rules. The maximum annual caps in respect of the continuing provision of Sales Agreements for the period from 1 January 2018 to 31 March 2018 are subject to proposed caps and shall not exceed the amounts of HKD2,475,000*. For the period from 1 January 2018 to 31 March 2018, the total value of the Sales Agreements was approximate HKD1,593,000.

The prices of the garments supplied will be based on the prevailing selling prices of the garments as from time to time determined by the Group. Such terms and conditions shall be negotiated on an arm's length basis and will be no less favourable than those available from other independent third parties customers. Payments for the garments will be on normal commercial terms in accordance with the credit terms that the Group would typically extend to its customers. The actual amount, specification and price of the garments to be sold to PTKT, SDIL and SDDG will be subject to individual orders placed by PTKT, SDIL and SDDG and accepted by PTHK and PTDG. PTHK and PTDG shall not be obliged to accept any order from PTKT, SDIL and SDDG for the garments on terms and conditions that are less favourable to the Group than those agreed between the Group and its other independent third parties customers.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported the factual findings on these procedures to the Board of Directors.

The auditor has confirmed to the Board in writing that for the year ended 31 December 2018, the abovementioned continuing connected transactions:

(i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions had not been approved by the Board;

(ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) nothing has come to their attention that causes them to believe that the transactions were not entered into in accordance with the relevant agreements governing such transactions; and

(iv) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual caps as set and disclosed by the Company in the Company's announcements dated 29 July 2014 and 26 July 2017.

* *These amounts are based on the annual cap for the period form 1 April 2017 to 31 March 2018 and pro-rata to three-month period from 1 January 2018 to 31 March 2018.*

Confirmation of Independent Non-executive Directors

The Independent Non-executive Directors have reviewed the continuing connected transactions and confirmed that for the year ended 31 December 2018 such transaction has been entered into:

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

(ii) on normal commercial terms; and

(iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

DIRECTORS

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

Executive Directors

Mr. Wang Jian *(Chairman and Chief Executive Officer)*
Mr. Feng Guoming *(Appointed on 5 January 2018)*
Ms. Qian Pu

Non-executive Directors

Mr. Law Fei Shing
Mr. Shin Yick Fabian

Independent Non-executive Directors

Mr. Liu Kam Lung
Mr. Chan Kin Sang *(Appointed on 3 April 2018)*
Mr. Xie Xiaobao *(Resigned on 3 April 2018)*
Mr. Zheng Suijun

DIRECTORS' SERVICE CONTRACTS

Each Executive Director has entered into continuous service contract with the Company. Except for one Non-executive Director, all Non-executive Directors (including Independent Non-executive Directors) are appointed for an initial term of one year or three years. All the Directors are subject to retirement in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the Bye-laws.

In accordance with the Bye-laws, Mr. Wang Jian, Ms. Qian Pu, Mr. Shin Yick Fabian and Mr. Zheng Suijun will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

The Company has received an annual confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors as independent.

The biographical details of Directors are set out in the section headed "Directors and Senior Management Profile" of this annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No Directors nor a connected entity of Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which any of the Company, its controlling shareholder or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2018.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during this period.

COMPETING INTERESTS

During the year ended 31 December 2018, Mr. Law Fei Shing, being Non-executive Director had interests in the following businesses (apart from the businesses of the Group) conducted through the companies named below, their subsidiaries, associated companies or other investment forms which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Company or its subsidiaries conducted during the year required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules:

Name of Company	Interest in the Competing Business	Nature of Competing Business
Excel Precise International Limited	Director and substantial shareholder	Money Lending Business
Excel Precise Securities Limited	Director and substantial shareholder	Securities Investment

Save as disclosed above, none of Directors is interested in any business (apart from the business of the Company or its subsidiaries) which compete, either directly or indirectly, with the principal business of the Company or its subsidiaries during year.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was adopted pursuant to the shareholders' resolution passed on 23 August 2011 for the primary purpose of granting options to eligible participants as incentives or rewards for their contribution to the Group and will be valid and effective for a period of 10 years commencing on the date on which the Scheme was adopted. Under the Scheme, the Directors may grant options to eligible employees, any executive and non-executive director (including independent non-executive director) of the Group and other eligible participants to subscribe for shares in the Company, at a price to be determined by the Directors, but shall not be less than the higher of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

An offer of the grant of the option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Scheme for the holding of an option before it can be exercised. A nominal consideration of HKD1 is payable on acceptance of the grant of an option.

Shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option scheme of the Company must not exceed 10% of the Shares in issue on the date of approval of the refreshed limit. The resolution of refreshment of the share option scheme limit under the Scheme was duly passed on 22 August 2016. As at 31 December 2018, the total number of Shares available for issue under the Scheme was 141,500,000 Shares, representing 4.88% of the issued Shares of the Company.

Unless approved by shareholders of the Company, the total number of Shares issued and which may fall to be issued upon exercise of the options to be granted under the Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

No options under the Scheme were granted or exercised during the year and there were no outstanding options as at 31 December 2018.

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

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

Name of Directors	**Number of Shares Held** *(Note 1)*	**Capacity**	**Approximate% of Shareholding** *(Note 2)*
Mr. Feng Guoming *(Note 3)*	812,000,000	Interests of controlled corporation	28.00%
Mr. Wang Jian *(Note 4)*	546,953,000	Interests of controlled corporation	18.86%

Notes:

1. All interests disclosed above represent long positions in the Shares/underlying Shares of the Company.

2. The percentage was calculated based on the total number of Shares of the Company as at 31 December 2018, which was 2,900,000,000.

3. These 812,000,000 Shares are owned by Tengyue Holding which is wholly-owned by Beyond Glory. In addition, Beyond Glory is wholly owned by Mr. Feng. Accordingly, Beyond Glory and Mr. Feng are deemed to be interested in all the Shares held by Tengyue Holding by virtue of SFO.

4. These 546,953,000 Shares owned by Massive Thriving which is wholly-owned by Mr. Wang. Accordingly, Mr. Wang is deemed to be interested in all the Shares held by Massive Thriving by virtue of SFO.

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in the sections headed "Directors' and Chief Executives' Interests in Shares and Underlying Shares" and "Share Option Schemes" above, at no time during the year ended 31 December 2018 was the Company, or any of its holding companies or fellow subsidiaries or subsidiaries a party to any arrangements to enable the Directors of the Company or their connected entities to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

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

Name of Shareholders	**Number of Shares Held** *(Note 1)*	**Capacity**	**Approximate% of Shareholding** *(Note 2)*
Tengyue Holding	812,000,000	Beneficial owner *(Note 3)*	28.00%
Beyond Glory	812,000,000	Interest of controlled corporation *(Note 3)*	28.00%
Massive Thriving	546,953,000	Beneficial owner *(Note 4)*	18.86%
Mr. Huang Shilong	275,500,000	Beneficial owner	9.50%

Notes:

1. All interests disclosed above represent long positions in the Shares/underlying Shares of the Company.

2. The percentage was calculated based on the total number of Shares of the Company as at 31 December 2018, which was 2,900,000,000.

3. These 812,000,000 Shares are owned by Tengyue Holding which is wholly-owned by Beyond Glory. In addition, Beyond Glory is wholly owned by Mr. Feng Guoming. Accordingly, Beyond Glory and Mr. Feng are deemed to be interested in all the Shares held by Tengyue Holding by virtue of SFO.

4. These 546,953,000 Shares owned by Massive Thriving which is wholly-owned by Mr. Wang Jian. Accordingly, Mr. Wang is deemed to be interested in all the Shares held by Massive Thriving by virtue of SFO.

Save as disclosed above, as at 31 December 2018, the Company had not been notified of any other person or corporation (other Directors or chief executive of the Company) as being interested or deemed to have interests or short positions in Shares or underlying Shares of the Company which would fall to be disclosed to the Company or the Stock Exchange under Part XV of the SFO.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company since the date of the 2018 interim Report of the Company are set out below:

Directors	Details of Changes
Mr. Chan Kin Sang	Appointed as an independent non-executive director of Huakang Biomedical Holdings Company Limited, a company listed on GEM of the Stock Exchange (stock code: 8622) on 26 November 2018
Mr. Shin Yick Fabian	Resigned as an independent non-executive director of Huabang Financial Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3638) on 2 October 2018
	Resigned as an independent non-executive director of China Shun Ke Long Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 974) on 31 October 2018
	Appointed as an independent non-executive director of China Tianrui Automotive Interiors Co., Ltd, a company listed on the Main Board of the Stock Exchange (stock code: 6162) on 18 December 2018
Mr. Law Fei Shing	Resigned as an executive director of China Assurance Finance Group Limited, a company listed on GEM of the Stock Exchange (stock code: 8090) on 18 March 2019.

CLOSURE OF REGISTER OF MEMBERS

The 2019 Annual General Meeting of the Company is scheduled to be held on Friday, 21 June 2019 (the "**AGM**"). The register of members of the Company will be closed from Monday, 17 June 2019 to Friday, 21 June 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all properly completed transfer of share(s) accompanied by the relevant share certificate(s), must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 14 June 2019

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, the Company maintained a sufficient public float with at least 25% of the issued Shares of the Company as required under the Listing Rules throughout the year ended 31 December 2018 and up to the date of this annual report.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duties in their offices.

Such permitted indemnity provision has been in force throughout the year and is still in force. In addition, the Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group have complied the relevant laws and regulations during the year.

CORPORATE GOVERNANCE

The Board and management of the Company are committed to maintaining high standards of corporate governance. The Company has complied with all the applicable code provision as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules throughout the year under review, with the exception of a few deviations. The Board will continue to review and monitor the corporate governance practices of the Company for the purpose of maintaining high corporate governance standards.

Detailed information on the Company's corporate governance principles and practices are set out in the section headed "Corporate Governance Report" of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Company is being prepared and will be published within three months after the publication of this annual report.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2018 have been audited by Baker Tilly Hong Kong Limited, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board
Wang Jian
Chairman and Chief Executive Officer

Hong Kong, 29 March 2019

The Company's corporate governance structure mirrors the provisions of the CG Code as set out in Appendix 14 of the Listing Rules. The Company ascribes to good governance and transparency with a view that through these business ethics, shareholders and other stakeholders are assured of a solid and credible business framework. The Company recognises the need to adapt and improve business practices in the light of the evolving business environment, investor expectations and regulatory requirements. The Board is tasked to review the corporate governance structure of the Company and effect changes whenever necessary. It views the need for transparency in practices and policies and making informed decisions as fundamental.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2018, the Company has applied the principles of, and complied with, the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules, except for the following deviations:

Under code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wang Jian served as both the Chairman of the Board and the Chief Executive Officer of the Company. Mr. Wang has extensive experience in the construction and engineering industry and is responsible for the overall corporate strategies, planning and business development of the Group. Accordingly, the Board believes that this structure has the advantage of a strong and consistent leadership which is conducive to making and implementing decision efficiently and consistently, and the balance of power and authority is adequately ensured by the operation of the Board which comprises experienced and high caliber individuals, with the majority of the member of the Board being non-executive Directors (including independent non-executive Directors);

Under code provision A.4.1, non-executive directors should be appointed for a specific term and are subject to re-election. Mr. Law Fei Shing, who is a non-executive Director of the Company, was not appointed for a specific term but is subject to retirement by rotation and re-election at annual general meeting at least once every three years in accordance with the Bye-laws of the Company. When Mr. Law is due for re-election, the Nomination Committee and the Board will review his performance and consider whether a recommendation should be made to the shareholders of the Company on his re-election at the annual general meeting in accordance with the Company's policy on selection and nomination of Directors. As such, the Board is of the view that sufficient safeguards are in place to ensure that Mr. Law will remain suitable for directorship of the Company; and

Under code provisions A.6.7 and E.1.2, the chairman of the board should attend the annual general meeting, and independent non-executive directors and other non-executive directors should attend general meetings. Mr. Wang, Mr. Law and Mr. Shin Yick Fabian were unable to attend the annual general meeting of the Company held on 25 May 2018, due to other prearranged business commitments which had to attend.

Save for the above deviations, none of Directors is aware of any information which would reasonably indicate that the Company is not, or, was not during in compliance with code provisions of the CG Code as set out in Appendix 14 of the Listing Rules.

The Board will continuously review the effectiveness of the corporate governance structure of the Company and effect changes whenever necessary.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code for the year ended 31 December 2018.

BOARD OF DIRECTORS

Composition of the Board

As at 31 December 2018, the Board comprised of eight Directors, including three Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. During the year and up to the date of this report, the composition of the Board is as follows:

Executive Directors

Mr. Wang Jian *(Chairman and Chief Executive Officer)*
Mr. Feng Guoming *(Appointed on 5 January 2018)*
Ms. Qian Pu

Non-executive Directors

Mr. Law Fei Shing
Mr. Shin Yick Fabian

Independent Non-executive Directors

Mr. Liu Kam Lung
Mr. Chan Kin Sang *(Appointed on 3 April 2018)*
Mr. Xie Xiaobiao *(Resigned on 3 April 2018)*
Mr. Zheng Suijun

The biographical details of the Directors are set out in the section headed "Directors and Senior Management Profile". The relationships (including financial, business, family or other material or relevant relationships) among members of the Board are also disclosed therein.

Responsibilities of the Board

Apart from its statutory and fiduciary responsibilities, the Board is primarily responsible for reviewing and oversighting the financial and business performance of the Group. It is accountable for the overall strategic development of the Group with the objective to maximise shareholders' value. Material matters are reserved for the Board's considerations or decisions which include, among other things, overall strategy of the Group, business plans, annual budgets, significant capital expenditure, financial reports, dividend policy and payments, material acquisitions, disposals or investment proposals, directors' appointments, reappointments or removal, and other material transactions. The Bye-laws provide that all Director must declare their respective interests, if any, with regards to the resolutions of the Board. In case, a Director has a conflict of interest in a material matter, such Director shall abstain from voting and not be counted in quorum.

It has also delegated for managing and implementing the daily operations and business strategies of the Group to the Chief Executive Officer, Executive Directors and senior management of the Company. Moreover, the Board has delegated certain of its responsibilities to the Audit Committee, Remuneration Committee, Nomination Committee, Strategic Committee and Investment and Fund Raising Committee.

Independent Non-executive Directors

The Company has appointed three Independent Non-executive Directors; and at least one of whom has appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The Company has received from each Independent Non-executive Director 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. Each Independent Non-executive Directors is required to inform the Company as soon as practicable if there is any change that may affect his independence.

Continuous Professional Development

Under code provision A.6.5 of CG Code regarding continuous professional development (the "**CPD**"), Directors should participate in CPD to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. For the year ended 31 December 2018, all Directors have participated in appropriate CPD activities either by attending training courses or by reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

During the year ended 31 December 2018, all Directors confirmed to the Company that they had received CPD training. The participation by individual Directors in 2018 is recorded as follows:

Name of Directors	Attending semnars/ conferences or reading materials relating to the business, accounting, law, rules and regulations
Executive Directors	
Mr. Wang Jian	Yes
Mr. Feng Guoming *(Appointed on 5 January 2018)*	Yes
Ms. Qian Pu	Yes
Non-executive Directors	
Mr. Law Fei Shing	Yes
Mr. Shin Yick Fabian	Yes
Independent Non-executive Directors	
Mr. Liu Kam Lung	Yes
Mr. Chan Kin Sang *(Appointed on 3 April 2018)*	Yes
Mr. Xie Xiaobiao *(Resigned on 3 April 2018)*	N/A
Mr. Zheng Suijun	Yes

Director's Attendance of the Meetings

During the year ended 31 December 2018, Board meets regularly to review the financial and operating performance of the Group, to make important decisions and to approve future strategies. Nine Board meetings, two Audit Committee meetings, three Remuneration Committee meetings, three Nomination Committee meetings and one annual general meeting were held. Attendances of these meetings by Directors are set out below:

	Meetings Attended / Held				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Executive Directors					
Mr. Wang Jian	7/9	N/A	N/A	N/A	No
Mr. Feng Guoming *(Appointed on 5 January 2018)*	7/9	N/A	N/A	N/A	Yes
Ms. Qian Pu	8/9	N/A	3/3	3/3	Yes
Non-executive Directors					
Mr. Law Fei Shing	7/9	N/A	N/A	N/A	No
Mr. Shin Yick Fabian	8/9	N/A	N/A	N/A	No
Independent Non-executive Directors					
Mr. Liu Kam Lung	9/9	2/2	3/3	3/3	Yes
Mr. Chan Kin Sang *(Appointed on 3 April 2018)*	5/5	1/1	N/A	N/A	Yes
Mr. Xie Xiaobiao *(Resigned on 3 April 2018)*	2/3	1/1	2/2	2/2	N/A
Mr. Zheng Suijun	8/9	2/2	3/3	3/3	Yes

BOARD COMMITTEES

The Board has maintained five board committees (the "**Board Committees**"). Each of the Board Committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Investment and Fund Raising Committee and the Strategic Committee, is to assist in the execution of the Board's responsibilities and to oversee particular aspect of the Group's affairs. Each Board Committee is provided with sufficient resources to discharge its duties properly, and holds meetings in accordance with the Bye-laws, its specific written terms of reference and, where applicable, the proceedings of Board meeting.

Audit Committee

The Audit Committee was established on 9 November 2001. The Audit Committee comprises three members of all whom are Independent Non-executive Directors, namely:

Mr. Liu Kam Lung *(Chairman)*
Mr. Chan Kin Sang *(Appointed on 3 April 2018)*
Mr. Xie Xiaobiao *(Resigned on 3 April 2018)*
Mr. Zheng Suijun

The major duties of the Audit Committee are to review and supervise the financial reporting process, financial controls, internal control and risk management system of the Group, and to provide recommendation and advices to the Board on the appointment, reappointment and removal of external auditor as well as their terms of appointment. The authority and duties of the Audit Committee are set out in its specific written terms of reference. The Audit Committee has explicit authority to investigate any activity within its duties and responsibilities and the authority to obtain outside legal or other independent professional advice if it considers necessary. Full text of the terms of reference of the Audit Committee is available on the websites of the Company and the Stock Exchange.

The Audit Committee meets at least twice a year. During the year ended 31 December 2018, two committee meetings were held. Attendances of the meetings have been disclosed on page 29 of this annual report.

During the year ended 31 December 2018, a summary of the work of the Audit Committee is as follows:

1. reviewing the audited final results for the nine months ended 31 December 2017 and the unaudited interim results for the six months ended 30 June 2018, with a recommendation to the Board for approval;

2. reviewing the external auditors' statutory audit plan and the letters of representation;

3. reviewing the findings and recommendations of the internal auditors;

4. review the Group's financial and accounting policies and practices;

5. reviewing the external auditor's independence and objectivity and the effectiveness of the audit process, with a recommendation to the Board for the re-appointment of the external auditor at the 2019 annual general meeting;

6. considering and approving the remuneration and terms of engagement letters for the purpose of appointing the external auditor, BTHK, in connection with the statutory audit and review of the results announcements by BTHK;

7. reviewing the "Continuing Connected Transaction" set forth on page 18 of this annual report; and

8. overseeing and reviewing the effectiveness of the internal control and risk management systems, and the adequacy of the accounting, internal audit and financial reporting function of the Group.

The chairman of the Audit Committee will report the findings and recommendations, if any, to the Board after each meeting.

The consolidated financial statements for the year ended 31 December 2018 was reviewed and recommended by the Audit Committee for the Board's approval for public release.

Remuneration Committee

The Remuneration Committee was established on 23 March 2001. The Remuneration Committee comprises four members, a majority of them being Independent Non-executive Directors, namely:

Mr. Liu Kam Lung *(Chairman)*
Ms. Qian Pu
Mr. Chan Kin Sang *(Appointed on 3 April 2018)*
Mr. Xie Xiaobiao *(Resigned on 3 April 2018)*
Mr. Zheng Suijun

The major duties of the Remuneration Committee are to assist the Board to develop and administer fair and transparent procedure for setting remuneration policies of the Directors (including Non-executive Directors) and senior management of the Company, and to make recommendations to the Board on the specific remuneration packages of all Directors and senior management of the Company, including benefits-in-kind, pension rights, and compensation payments. Director's remuneration is determined by reference to each Director's duties and responsibilities and accountability in the Group as well as the overall performance of the respective company and the Group and the prevailing market situation and competitiveness in the industry. The remuneration packages of the Directors are recommended by the Remuneration Committee and determined by the Board except that no Director or any of his/her associates and senior management can determine his/her own remuneration. The authority and duties of the Remuneration Committee are set out in its specific written terms of reference. Full text of the terms of reference of the Remuneration Committee is available on the websites of the Company and the Stock Exchange.

The Remuneration Committee meets at least once a year. During the year ended 31 December 2018, three committee meetings were held. Attendances of the meetings have been disclosed on page 29 of this annual report.

During the year ended 31 December 2018, a summary of the work of the Remuneration Committee is as follows:

a) reviewing the existing remuneration packages and emolument of the Board and senior management; and

b) considering and making recommendation to the Board relating to the remuneration of newly appointed Directors (including Executive Director and Independent Non-executive Director).

Remuneration of Members of the Senior Management by Band

Pursuant to code provision B.1.5 of the CG Code, the remuneration of members of the senior management by band for the year ended 31 December 2018 is set out below:

Within the band of	**Number of individuals**
HKD500,001 to HKD1,000,000	4
Nil to HKD500,000	1
Total	5

Details of the remuneration of each Directors for the year ended 31 December 2018 are set out in note 9 to the consolidated financial statements of this annual report.

Nomination Committee

The Nomination Committee was established on 23 March 2005. The Nomination Committee comprises four members, a majority of them being Independent Non-executive Directors, namely:

Mr. Liu Kam Lung *(Chairman)*
Ms. Qian Pu
Mr. Chan Kin Sang *(Appointed on 3 April 2018)*
Mr. Xie Xiaobiao *(Resigned on 3 April 2018)*
Mr. Zheng Suijun

The major duties of the Nomination Committee are to formulate a formal and transparent process for the Company in the appointment of new Directors; to identify and nominate candidates for directorship; to assess the independence of each Independent Non-executive Director and make recommendations to the Board on such appointments. The Nomination Committee also reviews the Board structure and composition by considering the benefits of all aspects of diversity, including but not limited to differences in the background, experience, knowledge, expertise and perspectives of members of the Board. The authority and duties of the Nomination Committee are set out in its specific written terms of reference. Full text of the terms of reference of the Nomination Committee is available on the websites of the Company and the Stock Exchange.

The Nomination Committee shall meet at least once a year. During the year ended 31 December 2018, three committee meetings were held. Attendances of the meetings have been disclosed on page 29 of this annual report.

During the year ended 31 December 2018, a summary of the work of the Nomination Committee is as follows:

1. reviewing and considered that the structure, size, diversity and composition of the Board are appropriate;

2. assessing the independence of Independent Non-executive Directors;

3. considered and recommended to the Board the appointment of Mr. Feng Guoming as Executive Director and Mr. Chan Kin Sang as Independent Non-executive Director; and

4. considering and recommended to the Board the re-election of the retiring Directors at the last annual general meeting held on 25 May 2018.

The Board has adopted a policy on board diversity ("**Board Diversity Policy**"). Pursuant to the Board Diversity Policy, the Board shall consider the benefits of diversity when it reviews the Board composition. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience and qualifications, skills, knowledge, length of service and industry and regional experience. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Investment and Fund Raising Committee

The Investment and Fund Raising Committee was established on 28 March 2017. The Investment and Fund Raising Committee comprises three members, a majority of them being Executive Directors, namely:

Mr. Wang Jian *(Chairman)*
Ms. Qian Pu
Mr. Shing Yick Fabian

The Board has established the Investment and Fund Raising Committee for the purpose of, among others, reviewing and providing recommendations to the Board for appropriate investment and treasury strategies; and considering, reviewing, evaluating and making recommendations to the Board on different investment opportunities from time to time proposed by the management team of the Company and its subsidiaries.

During the year ended 31 December 2018, four Investment and Fund Raising Committee meetings were held. Attendance of the members at the meeting is set out as follows:

Committee members	**Meeting attended/held**
Mr. Wang Jian	4/4
Ms. Qian Pu	4/4
Mr. Shin Yick Fabian	4/4

The Investment and Fund Raising Committee provided recommendation to the Board for the fund-raising activities and investment opportunities for the Company; and reviewed annual performances of property and securities investments during the year.

Strategic Committee

The Strategic Committee was established on 28 March 2017. The Strategic Committee comprises three members, a majority of them being Executive Directors, namely:

Mr. Wang Jian *(Chairman)*
Ms. Qian Pu
Mr. Shing Yick Fabian

The Board established the Strategic Committee for the purpose of, among others, reviewing and providing recommendations to the Board for appropriate long-term development strategy of the Company and its subsidiaries.

During the year ended 31 December 2018, one Strategic Committee meeting was held. Attendance of the members at the meeting is set out as follows:

Committee members	Meeting attended/held
Mr. Wang Jian	1/1
Ms. Qian Pu	1/1
Mr. Shin Yick Fabian	1/1

The Strategic Committee provided recommendation to the Board for the medium-term and long-term strategic development planning for the Company; and reviewed overall performances of the Group during the year.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibility to prepare the financial statements for each financial period which give a true and fair view of the financial affairs of the Group. The Directors also ensure that the financial statements of the Group are prepared in accordance with statutory requirements and applicable accounting standards on a going concern basis. The Board ensures that the publication of the financial statements of the Group is in a timely manner. The Directors have also made judgments and estimates that are prudent and reasonable in the preparation of the consolidated financial statements.

The independent auditor's report, which contains the statement of the external auditor about its reporting responsibilities on the Group consolidated financial statements, is set out in the section headed "Independent Auditor's Report" of this annual report.

Risk Management and Internal Control

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

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

The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs.

During the year, the Group appointed Corporate Governance Professional Limited ("**CGPL**") as an external independent professional to:

- assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and
- independently perform internal control reviews and assess effectiveness of the Group's risk management and internal control systems.

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

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

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

Auditors' Remuneration

The external auditors perform independent review or audit of the financial statements prepared by the management. BTHK has been engaged as the Company's external auditors.

For the year ended 31 December 2018, the fee payable to BTHK for the audit services and non-audit services amounted to approximately HKD950,000 and HKD258,000, respectively.

COMPANY SECRETARY

Mr. Sze Kat Man joined the Company as the Financial Controller of the Group since 2014, and was appointed as Company Secretary of the Company in April 2017. The biographical details of Ms. Sze are set out the section headed "Directors and Senior Management Profile". During the year ended 31 December 2018, Mr. Sze has complied with Rule 3.29 of the Listing Rules for taking no less than 15 hours of relevant professional training.

DIVIDEND POLICY

The Company formulates the dividend policy aims at enhancing transparency of the Company and facilitating the shareholders and investors to make informed investment decision relating to the Company. The Board shall also take into account the following factors of the Group before considering the declaration and payment of dividends:

- earnings and financial condition;
- operating requirements;
- capital requirements and expenditure plans;
- financial results;
- cash flow situation;
- business conditions and strategies;
- interests of the shareholders of the Company;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

The policy will continue to be reviewed from time to time by the Board and there can be no assurance that dividends will be paid in any particular amount, if at all, for any given period.

SHAREHOLDERS' RIGHT

1. Procedures for Convening a Special General Meeting

Pursuant to the Bye-laws of the Company, the shareholder(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company have rights to require a special general meeting to be called by the Board for the transaction of any business specified in written requisition, which must be signed by the requisitionist(s). The requisition must be deposited at the registered office of the Company at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda (the "**Registered Office**") for the attention of the Company Secretary of the Company. To ensure that the requisition is received by the Company at the earliest opportunity, a copy of the signed requisition should also be deposited at the Company's principal place of business in Hong Kong at Unit 1902, 19/F, Tower 2 Lippo Centre, No.89 Queensway, Hong Kong (the "**Head Office**") for the attention of the Company Secretary.

2. Procedures for Putting Forward Proposals at General Meetings

Pursuant to the Companies Act 1981 of Bermuda (the "**Companies Act**"), the Shareholders holding at the date of deposit of the requisition not less than one-twentieth of the total voting right at general meetings of the Company or not less than one hundred Shareholders may provide a written requisition to the Company stating the resolution intended to be proceeded at the general meeting. The requisition must be deposited at the Registered Office for the attention of the Company Secretary. To ensure that the requisition is received by the Company at the earliest opportunity, a copy of the signed requisition should also be deposited at the Head Office for the attention of the Company Secretary.

Shareholders can also refer to the detailed requirements and procedures as set forth in the relevant sections of the Companies Act and the Bye-laws when making any requisitions or proposals for transaction at the general meetings of the Company. For the details of requirement and procedures for convening a general meeting, putting forward the proposals and/or proposing a person for election at a general meeting are available on the Company's website.

SHAREHOLDERS' ENQUIRIES

Shareholders should direct their questions about their shareholdings to the Company's share registrars. The addresses of the Company's share registrars are set out in the section "Corporate Information" of this annual report. Shareholders may at any time make a request for the Company's information to the extent that such information is publicly available. Shareholders may also send written enquiries or requests to the Head Office or by fax to (852) 2115 1912 or by email to info@paktakintl.com for the attention of the Company Secretary.

INVESTOR RELATIONS

As always, the Company provides updated information of the Group to all Shareholders when it becomes available and appropriate, through the publication of interim and annual reports, circular, notices, the Bye-laws or other means in compliance with the legal and regulatory requirements. Such information has been made available on the Company's website at www.paktakintl.com

The Company acknowledges that general meetings are good communication channel with Shareholders and encourages the Directors and the members of the Board Committees to attend and answer questions raised by Shareholders at the general meetings.

CONSTITUTIONAL DOCUMENT

There were no changes in the constitutional documents during the year ended 31 December 2018.

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Independent auditor's report to the members of
Pak Tak International Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Pak Tak International Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 43 to 122, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

The accompanying consolidated financial statements for the year ended 31 December 2018 have been prepared assuming that the Group will continue as a going concern. We draw attention to note 2(c) to the consolidated financial statements which indicates that, the Group's current liabilities exceed its current assets by HKD10,154,000 as at 31 December 2018, and the Group incurred a loss attributable to equity shareholders of the Company of approximately HKD9,041,000 for the year ended 31 December 2018. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. As explained in note 2(c) to the consolidated financial statements, these consolidated financial statements have been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's consolidated financial statements of the current year. These matters were addressed in the context of our audit of the Group's consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. In addition to the matter described in Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Revenue recognition	
Refer to Note 2 (significant accounting policies), Note 3 (revenue) and Note 12 (segment reporting) to the consolidated financial statements.	
A significant part of the Group's revenue arises from sale of goods. The revenue recognition when the control over a product or service is transferred to customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled. Revenue is one of the key indicators of the Group's performance and its recognition has inherent risks of manipulation to meet certain financial targets.	Our audit procedures on revenue recognition included but not limited to the following: – Assessing the appropriateness of the Group's accounting policies for revenue recognition and assessing the compliance of those policies with HKFRSs; – Testing on a sample basis the effectiveness of the Group's monitoring controls and the correct timing of the Group's recognition of revenue; and – Performing the cut-off for sales transactions taking place before and after the period-end to ensure that revenue was recognised in the correct accounting period and assessing the accuracy of the recorded sales transactions.

KEY AUDIT MATTERS *(Continued)*

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td colspan="2">Valuation of investment properties</td></tr>
<tr><td colspan="2">Refer to Note 2 (significant accounting policies) and Note 14 (investment properties) to the consolidated financial statements.</td></tr>
<tr><td>We identified the valuation of investment properties as a key audit matter due to the key sources of estimate uncertainty and the significant assumptions and judgements associated with determining the fair value.

All of the Group’s investment properties are stated at fair value based on valuations carried out by independent qualified professional valuers (the “Valuers”). The valuations are dependent on the relevant property market in the People’s Republic of China together with significant unobservable input that involve management’s significant judgments. Details of the valuation techniques and significant unobservable inputs used in the valuations and related key sources of estimate uncertainty are set out in Note 14 to the consolidated financial statements.</td><td>Our procedures in relation to evaluating the valuation of the investment properties included:

– Evaluating the competence, capabilities and objectivity of the Valuers engaged by the management;

– Obtaining an understanding of the valuation process methodologies, performance of the property market, significant assumptions and techniques adopted by the Valuers to assess if they are consistent with industry norms; and

– Obtaining the valuation reports and held discussion with the management and Valuers to assess the reasonableness of the significant unobservable inputs and the accuracy of the source data adopted by the management and the Valuers by comparing them, on a sample basis, to where relevant, publicly available information of similar comparable properties, entity-specific information and market data.</td></tr>
</table>

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment on the investment in an associate	
Refer to Note 2(f) (accounting policy for associate), Note 2 (k)(ii) (impairment of other non-current assets) and Note 15 to the consolidated financial statements.	
As at 31 December 2018, the carrying amount of the Group's investment of 28% equity interest in an associate group, Golden Affluent Limited, is HKD163,915,000. Management conducted impairment assessment of the investment in an associate on value in use basis and concluded that no impairment loss was recognised in respect of the current year. We focused on the impairment assessment of the recoverable amount of the Group's investment in an associate as the magnitude of the investment in an associate is significant and management assessment of the value in use involves judgments and estimates about the future results of the investment, key assumptions and critical judgement including revenue growth rate and gross profit margin and the discount rates applied to future cash flow forecast of the associate.	Our procedures designed to review the management's assessment of the indicators of impairment and impairment testing on investment in an associate included: – Evaluating the composition of the associates' future cash flow forecasts, and the process by which they were drawn up, including testing the valuation methodology of the underlying value in use calculation; and – Assessing and challenging the reasonableness of key assumptions and critical judgement used such as revenue growth rates and gross margins applied by management by comparing them to third party sources and with economic and industry forecasts to assess the reasonableness of the forecasts used by the management.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises the information included in the directors' report and chairman's statement but does not include the consolidated financial statements and our auditor's report thereon (the "other information").

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee are responsible for overseeing the Group's financial reporting process on behalf of the Board of Directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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.

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

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

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

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

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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 director on the audit resulting in this independent auditor's report is Choi Kwong Yu.

Baker Tilly Hong Kong Limited
Certified Public Accountants

Hong Kong, 29 March 2019

Choi Kwong Yu
Practising Certificate number P05071

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 HKD'000	Period from 1 April 2017 to 31 December 2017 HKD'000
Continuing Operations			
Revenue	3	**1,358,821**	751,469
Other revenue	6	**4,401**	1,629
Other net gains	6	**5,873**	5,559
Fair value gain on investment properties	14	**5,113**	72,778
Direct costs and operating expenses		**(1,308,971)**	(727,591)
Administrative expenses		**(47,769)**	(33,387)
Selling expenses		**(7,313)**	(4,982)
Profit from operations		**10,155**	65,475
Finance costs	7(a)	**(10,617)**	(6,598)
Share of results of an associate		**(4,045)**	–
(Loss)/profit before taxation	7	**(4,507)**	58,877
Income tax expense	8	**(4,547)**	(20,788)
(Loss)/profit from continuing operations		**(9,054)**	38,089
Discontinued operations			
Loss for the year/period from discontinued operations	5(a)	**–**	(7,581)
(Loss)/profit for the year/period		**(9,054)**	30,508
Attributable to equity shareholders of the Company:			
– from continuing operations		**(9,041)**	38,089
– from discontinued operations	5(a)	**–**	1,114
		(9,041)	39,203
Attributable to non-controlling interests:			
– from continuing operations		**(13)**	–
– from discontinued operations	5(a)	**–**	(8,695)
		(13)	(8,695)
		(9,054)	30,508
		HK cents	HK cents
(Loss)/earnings per share	11		
From continuing and discontinued operations			
– Basic and diluted		**(0.31)**	2.19
From continuing operations			
– Basic and diluted		**(0.31)**	2.13

The notes on pages 50 to 122 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Year ended 31 December 2018 HKD'000	Period from 1 April 2017 to 31 December 2017 HKD'000
(Loss)/profit for the year/period	**(9,054)**	30,508
Other comprehensive (loss)/income for the year/period:		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	**(13,649)**	17,158
– Share of associate's other comprehensive loss	**(240)**	–
Items that will not be reclassified subsequently to profit or loss:		
– Fair value changes of financial assets at fair value through other comprehensive loss, net of nil tax	**(33,419)**	–
Total comprehensive (loss)/income for the year/period	**(56,362)**	47,666
Attributable to:		
Equity shareholders of the Company	**(56,349)**	56,518
Non-controlling interests	**(13)**	(8,852)
	(56,362)	47,666

The notes on pages 50 to 122 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	2018 HKD'000	2017 HKD'000
Non-current assets			
Property, plant and equipment	13	**86,546**	19,137
Investment properties	14	**186,683**	191,677
Investment in an associate	15	**163,915**	–
Financial assets at fair value through other comprehensive income	16	**85,768**	–
Finance lease receivables	17	**19,969**	43,210
		542,881	254,024
Current assets			
Inventories	19	**38,571**	26,952
Trade and bills receivables	20	**38,167**	40,242
Loans receivables	21	**45,115**	60,451
Current portion of finance lease receivables	17	**30,286**	29,845
Other receivables, prepayments and deposits		**34,533**	19,954
Financial assets at fair value through profit or loss	22	**210**	26,329
Cash and cash equivalents	23(a)	**138,404**	535,822
		325,286	739,595
Assets classified as held for sale	18	**–**	33,000
		325,286	772,595
Current liabilities			
Trade payables	24	**26,336**	26,646
Other payables and accrued charges	25	**26,633**	29,368
Bond	26	**97,764**	–
Borrowings and overdraft	27	**179,951**	336,762
Tax payable		**4,756**	1,081
		335,440	393,857
Net current (liabilities)/assets		**(10,154)**	378,738
Total assets less current liabilities		**532,727**	632,762
Non-current liabilities			
Borrowings	27	**46,208**	89,382
Deferred tax liabilities	28(a)	**14,243**	14,397
Provision and other accrued charges	29	**14,481**	14,841
		74,932	118,620
NET ASSETS		**457,795**	514,142

	Note	2018 HKD'000	2017 HKD'000
CAPITAL AND RESERVES			
Share capital	30(c)	**58,000**	58,000
Reserves		**399,793**	456,142
Equity attributable to equity shareholders of the Company		**457,793**	514,142
Non-controlling interests		**2**	–
TOTAL EQUITY		**457,795**	514,142

Approved and authorised for issue by the board of directors on 29 March 2019.

Wang Jian	**Qian Pu**
DIRECTOR	*DIRECTOR*

The notes on pages 50 to 122 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Note	Share capital HKD'000	Share premium HKD'000	Warrant reserve HKD'000	Financial assets at fair value through other comprehensive income reserve HKD'000	Exchange reserve HKD'000	Retained profits HKD'000	Sub-total HKD'000	Non-controlling interests HKD'000	Total equity HKD'000
		Attributable to equity shareholders of the Company								
At 1 April 2017		28,300	41,308	5,490	–	(5,205)	37,205	107,098	95,021	202,119
Changes in equity for the period from 1 April 2017 to 31 December 2017:										
Profit/(loss) for the period		–	–	–	–	–	39,203	39,203	(8,695)	30,508
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax		–	–	–	–	17,315	–	17,315	(157)	17,158
Total comprehensive income/(loss) for the period		–	–	–	–	17,315	39,203	56,518	(8,852)	47,666
Issue of shares	30(c)	29,700	320,826	–	–	–	–	350,526	–	350,526
Disposal of subsidiaries	5(c)	–	–	–	–	(4,789)	4,789	–	(86,169)	(86,169)
At 31 December 2017		58,000	362,134	5,490	–	7,321	81,197	514,142	–	514,142
At 1 January 2018		58,000	362,134	5,490	–	7,321	81,197	514,142	–	514,142
Changes in equity for the year ended 31 December 2018:										
Loss for the year		–	–	–	–	–	(9,041)	(9,041)	(13)	(9,054)
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax		–	–	–	–	(13,649)	–	(13,649)	–	(13,649)
Share of associate's other comprehensive loss		–	–	–	–	(240)	–	(240)	–	(240)
Fair value change of financial assets at fair value through other comprehensive loss, net of nil tax		–	–	–	(33,419)	–	–	(33,419)	–	(33,419)
Total comprehensive loss for the year		–	–	–	(33,419)	(13,889)	(9,041)	(56,349)	(13)	(56,362)
Capital contribution by non-controlling interests of a subsidiary		–	–	–	–	–	–	–	15	15
Warrants lapsed	30(d)(ii)	–	–	(5,490)	–	–	5,490	–	–	–
At 31 December 2018		58,000	362,134	–	(33,419)	(6,568)	77,646	457,793	2	457,795

The notes on pages 50 to 122 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 HKD'000	Period from 1 April 2017 to 31 December 2017 HKD'000
Operating activities			
(Loss)/profit before taxation from continuing operations		**(4,507)**	58,877
Loss before taxation from discontinuing operations		**–**	(7,542)
Adjustments for:			
– Other interest income		**(757)**	(502)
– Dividend income	6	**(821)**	–
– Net loss on disposal of property, plant and equipment		**1,235**	1,484
– Gain on disposal of assets held for sale	6	**(1,560)**	–
– Written off of capitalised development costs		**–**	136
– Fair value changes of financial assets at fair value through profit or loss	6	**61**	(6,842)
– Fair value gain on investment properties	14	**(5,113)**	(72,778)
– Gain on disposal of subsidiaries	5(c)	**–**	(10,497)
– Depreciation on property, plant and equipment		**7,350**	7,408
– Finance costs		**10,617**	8,849
– Share of results of an associate		**4,045**	–
– Exchange realignment		**(4,848)**	6,637
Operating profit/(loss) before changes in working capital		**5,702**	(14,770)
(Increase)/decrease in inventories		**(11,619)**	14,067
Decrease/(increase) in trade and bills receivables		**1,320**	(31,114)
Decrease in finance lease receivables		**19,775**	20,458
Decrease/(increase) in loans receivables		**15,336**	(15,150)
Increase in other receivables, prepayments and deposits		**(15,978)**	(16,428)
Decrease/(increase) in financial assets at fair value through profit or loss		**26,058**	(19,487)
Increase in trade payables		**899**	1,205
Decrease in other payables and accrued charges		**(3,807)**	(4,426)
(Decrease)/increase in provision and other accrued charges		**(360)**	364
Cash generated from/(used in) operations		**37,326**	(65,281)
Tax paid:			
– PRC tax paid		**(17)**	(24)
Other interest received		**757**	502
Net cash generated from/(used in) operating activities		**38,066**	(64,803)

	Note	Year ended 31 December 2018 HKD'000	Period from 1 April 2017 to 31 December 2017 HKD'000
Investing activities			
Net cash outflow arising on acquisition of subsidiaries	4(a), (b)	(71,332)	(33,000)
Net cash outflow arising on disposal of subsidiaries	5(c)	–	(17,019)
Net cash outflow arising on acquisition of an associate	15	(168,200)	–
Purchase of property, plant and equipment		(4,595)	(2,891)
Expenditure on capitalised development costs		–	(1,533)
Acquisition of investment properties		–	(113,895)
Payment for purchase of equity securities		(119,187)	–
Proceeds from disposal of property, plant and equipment		266	179
Proceeds from disposal of assets classified as held for sale		34,560	–
Dividend received		821	–
Net cash used in investing activities		(327,667)	(168,159)
Financing activities			
Repayment to a shareholder	23(b)	–	(20,000)
Proceeds from new loans	23(b)	578,739	469,113
Repayment of loans	23(b)	(769,021)	(144,843)
Proceeds from margin loans	23(b)	20,997	–
Repayment of margin loans	23(b)	(20,997)	–
Issuance of new shares		–	350,526
Proceeds from issuance of bond, net of commission paid		96,000	–
Interest paid		(6,661)	(4,127)
Net cash (used in)/generated from financing activities		(100,943)	650,669
Net (decrease)/increase in cash and cash equivalents		(390,544)	417,707
Cash and cash equivalents at beginning of the year/period		516,028	93,381
Effect of foreign exchange rate changes		(4,197)	4,940
Cash and cash equivalents at end of the year/period	23(a)	121,287	516,028

The notes on pages 50 to 122 form part of the consolidated financial statements.

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal office in Hong Kong was Nos 2 and 3, 22nd Floor, Tower 2 Lippo Centre, No. 89 Queensway, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacture of and trading in garments, money lending, leasing business, property investment and consultancy, securities investment and general trading.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(d) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

A summary of significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the consolidated financial statements

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis, except that the following assets and liabilities are stated at their fair values as explained in the accounting policies set out below:

– investment properties (see Note 2(h)); and

– other investments in equity securities (see Note 2(g)).

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the consolidated financial statements *(Continued)*

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in Note 37.

(c) Going concern

In preparing the consolidated financial statements of the Group, the directors of the Company have given consideration to the future liquidity of the Group in the light of the fact that the Group's current liabilities exceed its current assets by approximately HKD10,154,000 and the Group incurred a loss attributable to equity shareholders of the Company of approximately HKD9,041,000 for the year ended 31 December 2018. As at 31 December 2018, the Group had bond and borrowings and overdraft amounts of HKD97,764,000 and HKD179,951,000 respectively to be matured within one year after that date which are included in current liabilities.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group is able to operate as a going concern for the foreseeable future. In the opinion of the directors of the Company, the Group can meet its financial obligations as and when they fall due within the next year from the date of approval of these consolidated financial statements, after taking into consideration of the measures and arrangements made by the Group as detailed below:

(i) one substantial shareholder of the Company has confirmed that he will provide continuous financial support to the Group for a period of twelve months from the date of approval of the consolidated financial statements by the directors;

(ii) the Group is in negotiation with financial institutions for the renewals of the Group's short term bank borrowings upon expiry, new borrowings and applying for future credit facilities; and

(iii) The directors will consider to improve the financial position of the Group and to enlarge the capital base of the Company by conducting fund raising exercises such as share placement when necessary.

In light of the measures and arrangements implemented to date, the directors of the Company are of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for the next year from the date of approval of these consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its business. Accordingly, the directors of the Company are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows in the near future and obtain the continuous financial support from its substantial shareholders.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Going concern *(Continued)*

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their estimated recoverable amounts, to provide further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

(d) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements.

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers and related amendments
- HK(IFRIC) Int 22, Foreign currency transactions and advance consideration
- Amendments to HKFRS 2, Share-based payment: Classification and measurement of share-based payment transactions
- Amendments to HKAS 40, Investment property: Transfers of investment property
- Amendments to HKFRSs, Annual improvements to HKFRSs 2014-2016 cycle

Other than as further explained below, the directors do not anticipate that the adoption of the new and amended HKFRSs will have a material impact on the consolidated financial statements for the current and prior periods and the related disclosures.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 and the related clarification to HKFRS 15 (hereinafter referred to as "HKFRS 15") presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue related Interpretations. HKFRS 15 establishes a single comprehensive model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

HKFRS 15 has been applied retrospectively without restatement of opening balances, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits at 1 January 2018. In accordance with the transition guidance, HKFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

The directors of the Company assessed that the adoption of HKFRS 15 has no material impact on the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Changes in accounting policies *(Continued)*

HKFRS 9 "Financial instruments"

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

The directors of the Company considered that there is no significant impact on the classification and measurement of the Group's financial assets as the Group does not have:

- Debt instruments that are classified as available-for-sale financial assets; and
- Debt instruments classified as held-to-maturity and measured at amortised cost.

There is no material impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities which are subject to HKFRS 9.

The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed in HKFRS 9.

The Group has trade and lease receivables and loans receivables that are subject to HKFRS 9's new expected credit loss model, and the Group revised its impairment methodology under HKFRS 9 for these receivables.

Financial assets – impairment

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

For loans receivables, the ECLs are determined based on the 12 months ECLs. The 12 months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the end of the reporting period. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including available forward-looking information. The Group's loan receivables at amortised cost are considered to have low credit risk since there was no recent history of default of the debtor and it has a good settlement record with the Group.

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

While cash and cash equivalents and other receivables are also subject to the impairment requirements of HKFRS 9, however, no material impairment loss was identified up to the report date.

The Group has not applied any new or amended HKFRSs that is not yet effective for the current accounting period (see Note 40).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year/period between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognsied.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see Note 2(k)(ii)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Associate

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(k)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year and recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interest that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss.

In the Company's statement of financial position, investment in associates are stated at cost less impairment losses (see Note 2(k)(ii)), unless classified as held for sales (see Note 2(w)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investment in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 32(g). These investments are subsequently accounted for as follows, depending on their classification.

(A) Policy applicable from 1 January 2018

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(t)(iii)).

– fair value through comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flow and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value through profit or loss if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(t)(viii).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Other investments in equity securities *(Continued)*

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows: *(Continued)*

(B) Policy applicable prior to 1 January 2018

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investment in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments.

Investment in securities which do not fall into any of the above categories are classified as available-for-sale financial assets. At the end of each reporting period, the fair value is remeasured with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured the investments are recognised in the statement of financial position at cost less impairment losses.

When the investments are derecognised or impaired (see Note 2(k)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investment or they expire.

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

Investment properties are stated at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 2(t)(v).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(k)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Leasehold improvements	Over the remaining term of the relevant leases
Leasehold property	Over the remaining estimated useful life
Plant and machinery	10% to 25%
Furniture, fixtures and equipment	10% to 33%
Motor vehicles	20% to 25%

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Leases

(a) Where the Group is the lessor

Finance lease

A finance lease is a lease that the Group as the lessor uses to transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. At the commencement of the lease term, the Group recognises the minimum lease amounts receivable by the Group as a finance lease receivable and records the unguaranteed residual value as an asset within the same category. The difference between (a) the aggregate of the minimum lease amounts and the unguaranteed residual value and (b) their present value (presented in the consolidated statement of financial position as finance lease receivables – net) is recognised as unearned finance income. Minimum lease amounts are the payments over the lease term that the lessee is or can be required to make plus any residual value guaranteed to the lessor by the lessee, or a party unrelated to the lessor.

Unearned finance income is allocated to each period during the lease term using the effective interest method that allocates each rental between finance income and repayment of capital in each accounting period in such a way that finance income is recognised as a constant periodic rate of return (implicit effective interest rate) on the lessor's net investment in the lease.

See Notes 2(k)(i) for accounting policies for derecognition and impairment of finance lease receivables.

Operating lease

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Leases *(Continued)*

(b) *Where the Group is the lessee*

Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred, if any.

(k) Credit losses and impairment of assets

(i) *Credit losses from financial instruments and lease receivables*

(A) Policy applicable from 1 January 2018

The Group recognised a loss allowance for ECLs on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and bills receivables, loan receivables and other receivables); and

– lease receivables.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

<u>Measurement of ECLs</u>

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to received).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– lease receivables: discount rate used in the measurement of the lease receivable.

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

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without under cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and lease receivables (Continued)

(A) Policy applicable from 1 January 2018 *(Continued)*

Measurement of ECLs *(Continued)*

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognised a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increase in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without under cost or effort.

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

– failure to make payments of principal or interest on their contractually due dates;

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

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

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtors' ability to meet is obligation to the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and lease receivables (Continued)

(A) Policy applicable from 1 January 2018 *(Continued)*

Significant increase in credit risk *(Continued)*

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on share credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any changes in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to the carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(t)(iii) 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 the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and lease receivables (Continued)

(A) Policy applicable from 1 January 2018 *(Continued)*

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recongised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial asset not classified as at FVPL. Under the "incurred loss" model, and impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– significant financial difficulties of the debtors;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and lease receivables (Continued)

(B) Policy applicable prior to 1 January 2018 *(Continued)*

If such evidence existed, an impairment loss was determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other receivables and other financial assets carried at amortised cost, impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounting at the financial asset's original effective interest rate, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss deceased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

  When the recovery of a trade debtor or other financial asset carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those asset directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

– For finance lease receivables, the amount of an impairment loss is measured as the difference between the carrying amount of the receivables and the present value of the estimated future cash flows discounted at the implicit effective interest rate based on initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments and lease receivables (Continued)

(B) Policy applicable prior to 1 January 2018 *(Continued)*

If such evidence existed, an impairment loss was determined and recognised as follows: *(Continued)*

– For available-for-sale investments, the cumulative loss that had been recognised in the fair value reserve (recycling) was reclassified to profit or loss. The amount of the cumulative loss that was recognised in profit or loss was the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities were not reversed through profit or loss. Any subsequent increase in the fair value of such assets was recognised in other comprehensive income.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment; and

– investments in subsidiaries and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets *(Continued)*

(ii) Impairment of other non-current assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognised.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out method and comprises all cost of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

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

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(k)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Interest-bearing borrowings and bond

Interest-bearing borrowings and bond are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings and bond are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2 (v)).

(o) Trade and other payables

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

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(k)(i).

(q) Employee benefits

(i) Employee benefits entitlements

Salaries, bonuses, paid annual leave and the cost of other benefits are accrued in the year/period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Long service payments

The Group's obligation under long service payments recognised in the statement of financial position is determined using the projected unit credit method, with actuarial valuation being carried out at the end of each reporting period.

Past service cost is recognised immediately to the extent that the benefits have already been vested.

(iii) Pension obligations

The Group operates a mandatory provident fund scheme in Hong Kong and defined contribution government pension schemes in the PRC.

Contributions to mandatory provident fund, as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in profit or loss as when incurred.

The employees in the PRC are members of the retirement benefit scheme organised by the government in the PRC. The Group is required to contribute, based on a certain percentage of payrolls, to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme. Contributions to this retirement benefit scheme are recognised as an expense in profit or loss as incurred except to the extent that they are included in the cost of inventories sold at the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 2(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Provisions and contingent liabilities *(Continued)*

(ii) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(t) Revenue recognition

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of goods

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

In the comparative period, revenue from sales of goods are recognised when goods are delivered and title has passed.

(ii) Sub-contracting income

Sub-contracting income is recognised when services are rendered.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(k)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue recognition *(Continued)*

(iv) Finance lease income

The income under finance lease is recognised in the consolidated statement of profit or loss using the effective interest rate implicit in the lease over the terms of the lease. Contingent rent is recognised as income in the period in which it is earned.

(v) Rental income

Rental income is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

(vi) Gains on disposals of financial assets at fair value through profit or loss investments

Gains or losses on disposals of financial assets at fair value through profit or loss investments are recognised on a trade date basis.

(vii) Consultancy fee income

Consultancy fee income is recognised when services are rendered.

(viii) Dividends

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

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

(u) Translation of foreign currencies

Foreign currency transactions during the year/period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong Dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations, are translated into Hong Kong Dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(w) Non-current assets held for sale and discontinued operations

(i) Non-current assets held for sale

A non-current asset is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset is available for sale in its present condition.

Immediately before classification as held for sale, the measurement of the non-current assets is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below) are recognised at the lower of their carrying amount and fair value less costs to sell.

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of profit or loss, which comprises:

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. REVENUE

Revenue represents the amounts received and receivable for goods sold, interest income from money lending business, finance lease income from leasing business, rental income from property investment business, gains on disposals of financial assets at fair value through profit or loss, consultancy fee income and income from sub-contracting services provided to outside customers during the year/period, net of discounts and related value added tax or other taxes, and is analysed as follows:

	Year ended 31 December 2018 HKD'000	Period from 1 April 2017 to 31 December 2017 HKD'000
Sales of goods	**1,323,798**	734,008
Loan interest income	**3,906**	2,880
Finance lease income	**7,421**	4,180
Rental income	**4,434**	1,443
Gains on disposals of financial assets at fair value through profit or loss	**7,825**	8,520
Consultancy fee income	**11,339**	237
Sub-contracting income	**98**	201
	1,358,821	751,469

4. BUSINESS COMBINATIONS

(a) Acquisition of a subsidiary accounted for as assets acquisition

On 31 August 2017, Golden Flourish International Limited, the direct wholly-owned subsidiary of the Company, has completed the acquisition of the 100% equity interest in Hua Tong Investment Holding Limited (formerly known as Gallant Tech (i-manufacturing) Limited) ("HTI"), at a cash consideration of HKD33,000,000 from an independent third party vendor. The directors of the Company are of the opinion that the acquisition of HTI is in substance an asset acquisition instead of a business combination, as the net assets of the HTI were mainly available-for-sale financial assets.

Net assets of HTI acquired:

	HKD'000
Available-for-sale financial assets	33,000

An analysis of the cash and cash equivalents in respect of the acquisition is as follows:

	HKD'000
Consideration paid in cash and net cash outflow from acquisition of a subsidiary as assets acquisition	(33,000)

4. BUSINESS COMBINATIONS *(Continued)*

(b) Acquisition of a subsidiary accounted for as assets acquisition

On 5 November 2018, Golden Flourish Property Limited, the direct wholly-owned subsidiary incorporated in British Virgin Islands of the Company, has completed the acquisition of 100% equity interest in Confield Worldwide Limited ("Confield Worldwide") from an independent third party vendor at a cash consideration of HKD71,332,000. The directors of the Company are of the opinion that the acquisition of Confield Worldwide is in substance an asset acquisition instead of a business combination, as the net assets of the Confield Worldwide were mainly properties and Confield Worldwide was investment in properties for rental income prior to the acquisition by the Group.

Net assets of Confield Worldwide acquired:

	HKD'000
Property	71,332
Prepayments and deposits	35
Accruals and other payables	(17)
Tax liabilities	(18)
	71,332

An analysis of the cash flows in respect the acquisition is as follows:

	HKD'000
Consideration paid in cash and net cash outflow from acquisition of a subsidiary as assets acquisition	(71,332)

5. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES

On 1 August 2017, the Group entered into an equity transfer agreement (the "Equity Transfer Agreement") with the purchaser pursuant to which the Group has conditionally agreed to dispose of the entire equity interest in Shenzhen Taihe Yutong New Energy Technology Company Limited and its subsidiaries (the "Taihe Group") involving in new energy development business for a cash consideration of RMB38,000,000 (equivalent to HKD44,600,600) to the purchaser (the "Disposal"). Completion of the Disposal under the Equity Transfer Agreement took place on 26 September 2017 on which date control of the Taihe Group was passed to the purchaser. After the completion of the Disposal, the Taihe Group ceased to be subsidiaries of the Company and the assets, liabilities and financial results of the Taihe Group are no longer consolidated in the consolidated financial statements of the Group. Details of the Disposal was set out in the announcement of the Company dated 1 August 2017.

The results from the discontinued new energy development business for the current and proceeding year/period are analysed below.

5. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(a) Results of discontinued operations

	Period from 1 April 2017 to 26 September 2017 HKD'000
Revenue	–
Cost of sales	–
	–
Other revenue	167
Other net gains	10,497
Research and development costs	(2,808)
Administrative expenses	(13,147)
Loss from operations	(5,291)
Finance costs	(2,251)
Loss before taxation	(7,542)
Income tax expense	(39)
Loss for the period from discontinued operations	(7,581)
Attributable to:	
Equity shareholders of the Company	1,114
Non-controlling interests	(8,695)
	(7,581)

(b) The net cash flows incurred by discontinued operations

	Period from 1 April 2017 to 26 September 2017 HKD'000
Net cash used in operating activities	(5,585)
Net cash used in investing activities	(804)
Net cash outflows	(6,389)

5. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES *(Continued)*

(c) Disposal of subsidiaries

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

	HKD'000
Net assets disposed of:	
Property, plant and equipment	22,973
Goodwill	14,518
Deposits paid for acquisition of property, plant and equipment	80,769
Capitalised development costs	9,450
Other receivables, prepayments and deposits	4,944
Amount due from a fellow subsidiary	2,354
Cash and cash equivalents	61,620
Other payables and accrued charges	(19,978)
Borrowings	(56,338)
Tax payable	(39)
	120,273
Non-controlling interests	(86,169)
Net assets	34,104
Consideration received:	
Cash received	44,601
Less: net assets disposed of	(34,104)
Gain on disposal of subsidiaries	10,497
Outflow of cash arising from disposal of subsidiaries:	
Consideration received in cash	44,601
Cash and cash equivalents in subsidiaries disposed of	(61,620)
Net cash outflows from disposal of subsidiaries	(17,019)

6. OTHER REVENUE AND OTHER NET GAINS

	Year ended 31 December 2018 HKD'000	Period from 1 April 2017 to 31 December 2017 HKD'000
Other revenue		
Discount received	**127**	211
Dividend income	**821**	–
Interest income	**757**	335
Reimbursement income	**1,879**	555
Sales of scrap and unused raw materials	**15**	35
Sundry	**802**	493
	4,401	1,629
Other net gains		
Exchange gain/(loss), net	**4,297**	(1,462)
Gain on disposal of property, plant and equipment	**77**	179
Gain on disposal of assets classified as held for sale	**1,560**	–
Fair value changes of financial assets at fair value through profit or loss	**(61)**	6,842
	5,873	5,559

7. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived after charging:

	Year ended 31 December 2018 HKD'000	Period from 1 April 2017 to 31 December 2017 HKD'000
(a) Finance costs:		
Interest on bond	**2,192**	–
Interest on borrowings and overdraft	**6,661**	6,598
Commission paid for issuance of bond	**1,764**	–
	10,617	6,598
(b) Staff costs (including directors' remuneration):		
Salaries, wages and allowances	**50,966**	33,682
Contributions to defined contribution retirement plans	**4,076**	2,994
Staff welfare and benefits	**1,364**	669
	56,406	37,345
(c) Other items:		
Auditors' remuneration	**1,208**	1,009
Cost of inventories sold #	**1,308,971**	727,591
Depreciation on property, plant and equipment	**7,350**	5,153
Legal and professional fees	**3,005**	2,350
Loss on disposals of property, plant and equipment	**1,312**	1,663
Operating lease charges: minimum lease payments – properties rentals	**8,100**	5,829

Cost of inventories includes HKD37,377,000 (period from 1 April 2017 to 31 December 2017: HKD24,138,000) relating to staff costs, depreciation and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in Note 7(b) for each of these types of expenses.

8. INCOME TAX EXPENSE

(a) Taxation in the consolidated statement of profit or loss represents:

	Year ended 31 December 2018 HKD'000	Period from 1 April 2017 to 31 December 2017 HKD'000
Current tax		
– Hong Kong Profits Tax	**1,290**	1,092
– Over-provision in respect of prior years	**(375)**	–
– The PRC Enterprises Income Tax	**2,920**	–
	3,835	1,092
Deferred tax (Note 28(a))		
– Hong Kong	**(1,296)**	1,144
– The PRC	**2,008**	18,552
	712	19,696
Income tax expense	**4,547**	20,788

Hong Kong Profits Tax is calculated at 16.5% (period from 1 April 2017 to 31 December 2017: 16.5%) of the estimated assessable profit for the year ended 31 December 2018.

The subsidiaries in the PRC are subject to a tax rate of 25% (period from 1 April 2017 to 31 December 2017: 25%). No provision for income tax has been made by the Group's subsidiaries for the period from 1 April 2017 to 31 December 2017 as they either do not have assessable profits or have agreed tax losses brought forward in excess of any estimated assessable profits.

8. INCOME TAX EXPENSE *(Continued)*

(b) Reconciliation between the income tax expense and accounting (loss)/profit at the applicable tax rates:

	Year ended 31 December 2018 HKD'000	Period from 1 April 2017 to 31 December 2017 HKD'000
(Loss)/profit before taxation	(4,507)	58,877
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to (loss)/profit in jurisdictions concerned	1,599	16,575
Tax effect of share of results of an associate	668	–
Tax effect of expenses not deductible for tax purposes	1,849	730
Tax effect of income not taxable	(758)	(8)
Tax effect of utilisation of tax losses previously not recognised	(720)	(126)
Tax effect of tax losses not recognised	3,373	3,973
Over-provision in prior years	(375)	–
Others	(1,089)	(356)
Actual tax expense	4,547	20,788

9 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees		Salaries, allowances and benefits in kind		Retirement scheme contributions		Total	
	Year ended 31 December 2018 HKD'000	Period from 1 April 2017 to 31 December 2017 HKD'000	Year ended 31 December 2018 HKD'000	Period from 1 April 2017 to 31 December 2017 HKD'000	Year ended 31 December 2018 HKD'000	Period from 1 April 2017 to 31 December 2017 HKD'000	Year ended 31 December 2018 HKD'000	Period from 1 April 2017 to 31 December 2017 HKD'000
Law Fei Shing	–	–	871	670	18	13	889	683
Liu Kam Lung	264	198	–	–	–	–	264	198
Qian Pu	–	–	784	330	106	14	890	344
Shin Yick, Fabian	–	–	390	297	18	13	408	310
Wang Jian	–	–	858	660	18	14	876	674
Xie Xiaobiao (resigned on 3 April 2018)	67	198	–	–	–	–	67	198
Zheng Suijun	264	198	–	–	–	–	264	198
Feng Guoming (appointed on 5 January 2018)	–	–	424	–	18	–	442	–
Chan Kin Sang (appointed on 3 April 2018)	197	–	–	–	–	–	197	–
	792	594	3,327	1,957	178	54	4,297	2,605

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (period from 1 April 2017 to 31 December 2017: two) are directors whose emoluments are disclosed in Note 9. The aggregate of the emoluments in respect of the other two (period from 1 April 2017 to 31 December 2017: three) individuals are as follows:

	Year ended 31 December 2018 HKD'000	Period from 1 April 2017 to 31 December 2017 HKD'000
Salaries and other emoluments	1,698	1,947
Retirement scheme contributions	36	40
	1,734	1,987

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

The emoluments of the two (period from 1 April 2017 to 31 December 2017: three) individuals with the highest emoluments are within the following bands:

	No. of individuals	
	Year ended 31 December 2018	Period from 1 April 2017 to 31 December 2017
HKDNil – HKD1,000,000	**2**	3

11. (LOSS)/EARNINGS PER SHARE

The diluted (loss)/earnings per share for the year ended 31 December 2018 and period from 1 April 2017 to 31 December 2017 was same as the basic (loss)/earnings per share. The computation of diluted (loss)/earnings per share does not assume the exercise of the Company's warrants because the exercise price of those warrants was higher than the average market price of the shares for the period from 1 April 2017 to 31 December 2017 and there is no impact on the diluted (loss)/earnings per share in 2018 as all the Company's warrants had expired on 27 August 2018.

Basic (loss)/earnings per share is calculated by dividing the (loss)/earnings attributable to equity shareholders of the Company by weighted average number of ordinary shares in issue during the year/period.

	Year ended 31 December 2018 HKD'000	Period from 1 April 2017 to 31 December 2017 HKD'000
(Loss)/earnings		
(Loss)/profit attributable to equity shareholders of the Company		
– From continued operations	**(9,041)**	38,089
– From discontinued operations	**–**	1,114
	(9,041)	39,203
Number of shares	**'000**	'000
Weighted average number of ordinary shares in issue	**2,900,000**	1,789,399

Basic (loss)/earnings per share are the same as diluted (loss)/earnings per share as the Company has no dilutive potential shares.

12. SEGMENT REPORTING

The chief operating decision-maker ("CODM") has been identified as the executive directors of the Company. The CODM reviews the Group's internal reporting for purpose of allocating resources to, and assessing the performance of, the Group's various businesses.

The Group is organised into business units based on their products and services and has seven reportable operating segments under HKFRS 8 Operating Segments which were as follows:

(i) Manufacturing and trading of garment;
(ii) Money lending business;
(iii) Securities investment;
(iv) Leasing business;
(v) General trading;
(vi) Property investment and consultancy; and
(vii) New energy development (discontinued)

After the Disposal as described in Note 5, the new energy development business was discontinued in 2017.

The Group's operations are monitored with strategic decisions which are made on the basis of operating results, consolidated assets and liabilities as reflected in the consolidated financial statements.

(a) Operating segment

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

	Continuing operations							Discontinued operations	
Year ended 31 December 2018	Manufacturing and trading of garment HKD'000	Money lending business HKD'000	Securities investment HKD'000	Leasing business HKD'000	General trading HKD'000	Property investment and consultancy HKD'000	Subtotal HKD'000	New energy development HKD'000	Total HKD'000
Revenue from external customers	278,304	3,906	7,825	7,421	1,045,592	15,773	1,358,821	–	1,358,821
Segment result	(15,503)	948	1,849	3,634	(1,781)	20,268	9,415	–	9,415
Reconciliation:									
Interest income									757
Unallocated gains									5,935
Corporate and other unallocated expenses									(8,494)
Finance costs									(10,617)
Other net gains									2,542
Share of results of an associate									(4,045)
Loss before taxation									(4,507)
Income tax expense									(4,547)
Loss for the year									(9,054)

12. SEGMENT REPORTING *(Continued)*

(a) Operating segment *(Continued)*

The following is an analysis of the Group's revenue and results by reportable segments: *(Continued)*

Period from 1 April 2017 to 31 December 2017	Continuing operations							Discontinued operations	
	Manufacturing and trading of garment HKD'000	Money lending business HKD'000	Securities investment HKD'000	Leasing business HKD'000	General trading HKD'000	Property investment and consultancy HKD'000	Subtotal HKD'000	New energy development HKD'000	Total HKD'000
Revenue from external customers	191,401	2,880	8,520	4,417	542,808	1,443	751,469	–	751,469
Segment result	(14,672)	580	13,062	1,430	(214)	73,670	73,856	(5,458)	68,398
Reconciliation:									
Interest income									502
Unallocated gains									5
Corporate and other unallocated expenses									(7,438)
Finance costs									(8,849)
Other net losses									(1,283)
Profit before taxation									51,335
Income tax expense									(20,827)
Profit for the period									30,508

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

At 31 December 2018	Continuing operations							Discontinued operations	
	Manufacturing and trading of garment HKD'000	Money lending business HKD'000	Securities investment HKD'000	Leasing business HKD'000	General trading HKD'000	Property investment and consultancy HKD'000	Subtotal HKD'000	New energy development HKD'000	Total HKD'000
Segment assets	82,934	50,540	86,512	178,851	22,109	207,010	627,956	–	627,956
Reconciliation:									
Corporate and other unallocated assets									240,211
Total assets									868,167
Segment liabilities	114,395	27	–	116,173	8,311	51,477	290,383	–	290,383
Reconciliation:									
Deferred tax liabilities									14,243
Bond									97,764
Corporate and other unallocated liabilities									7,982
Total liabilities									410,372

12. SEGMENT REPORTING *(Continued)*

(a) Operating segment *(Continued)*

The following is an analysis of the Group's assets and liabilities by reportable segments: *(Continued)*

At 31 December 2017	Continuing operations: Manufacturing and trading of garment HKD'000	Continuing operations: Money lending business HKD'000	Continuing operations: Securities investment HKD'000	Continuing operations: Leasing business HKD'000	Continuing operations: General trading HKD'000	Continuing operations: Property investment and consultancy HKD'000	Continuing operations: Subtotal HKD'000	Discontinued operations: New energy development HKD'000	Total HKD'000
Segment assets	82,551	109,536	35,434	453,580	38,122	198,838	918,061	–	918,061
Reconciliation:									
Corporate and other unallocated assets									108,558
Total assets									1,026,619
Segment liabilities	100,412	719	–	322,361	13,670	58,824	495,986	–	495,986
Reconciliation:									
Deferred tax liabilities									14,397
Corporate and other unallocated liabilities									2,094
Total liabilities									512,477

The following is an analysis of the Group's other segment information by reportable segments:

Year ended 31 December 2018	Continuing operations: Manufacturing and trading of garment HKD'000	Continuing operations: Money lending business HKD'000	Continuing operations: Securities investment HKD'000	Continuing operations: Leasing business HKD'000	Continuing operations: General trading HKD'000	Continuing operations: Property investment and consultancy HKD'000	Continuing operations: Subtotal HKD'000	Discontinued operations: New energy development HKD'000	Total HKD'000
Other information									
Additions to non-current segment assets	4,364	9	–	222	–	–	4,595	–	4,595
Unallocated expenditure									–
									4,595
Depreciation	6,254	42	–	68	–	–	6,364	–	6,364
Unallocated depreciation									986
									7,350

12. SEGMENT REPORTING *(Continued)*

(a) Operating segment *(Continued)*

The following is an analysis of the Group's other segment information by reportable segments: *(Continued)*

	Continuing operations							Discontinued operations	
Period from 1 April 2017 to 31 December 2017	Manufacturing and trading of garment HKD'000	Money lending business HKD'000	Securities investment HKD'000	Leasing business HKD'000	General trading HKD'000	Property investment and consultancy HKD'000	Subtotal HKD'000	New energy development HKD'000	Total HKD'000
Other information									
Additions to non-current segment assets	5,928	23	–	69	3	113,895	119,918	900	120,818
Unallocated expenditure									–
									120,818
Depreciation	4,535	67	–	22	–	–	4,624	2,255	6,879
Unallocated depreciation									529
									7,408

(b) Geographical information

The Group's revenue from continuing operations from external customers by geographical market is as follows:

	Year ended 31 December 2018 HKD'000	Period from 1 April 2017 to 31 December 2017 HKD'000
United States of America ("USA")	**190,338**	146,143
Europe	**38,471**	23,163
Asia	**1,112,508**	578,075
Others	**17,504**	4,088
	1,358,821	751,469

12. SEGMENT REPORTING *(Continued)*

(b) Geographical information *(Continued)*

The Group's information about its non-current assets from continuing operations by geographic location is as follows:

	2018 HKD'000	2017 HKD'000
The PRC	**198,112**	205,743
Hong Kong	**75,117**	5,071
	273,229	210,814

(c) Major customers

Revenue from major customers, each of whom amounted to 10% or more of the total revenue, is set out below:

	Year ended 31 December 2018 HKD'000	Period from 1 April 2017 to 31 December 2017 HKD'000
Customer A[1]	**–**	198,757
Customer B[1]	**–**	89,295
Customer C	**477,807**	–
Customer D	**149,179**	–

1 Revenue from customers for the year ended 31 December 2018 was contributed less than 10% of the total revenue of the Group.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HKD'000	Property, plant and machinery HKD'000	Furniture, fixtures and equipment HKD'000	Motor vehicles HKD'000	Construction in progress HKD'000	Total HKD'000
Cost						
At 1 April 2017	22,052	180,808	12,887	9,834	1,772	227,353
Exchange realignment	1,035	1,964	250	23	86	3,358
Additions	–	4,010	584	1,444	885	6,923
Disposals	–	(4,975)	(1,803)	(389)	–	(7,167)
Disposals of subsidiaries (Note 5(c))	(20,530)	(919)	(4,049)	(171)	(2,743)	(28,412)
At 31 December 2017	2,557	180,888	7,869	10,741	–	202,055
At 1 January 2018	2,557	180,888	7,869	10,741	–	202,055
Exchange realignment	(217)	(2,264)	(95)	(22)	–	(2,598)
Additions	324	3,137	620	514	–	4,595
Arising from acquisition of a subsidiary (Note 4(b))	–	71,332	–	–	–	71,332
Disposals	–	(5,697)	(136)	(163)	–	(5,996)
At 31 December 2018	2,664	247,396	8,258	11,070	–	269,388
Accumulated depreciation and impairment						
At 1 April 2017	3,687	167,393	8,643	4,751	–	184,474
Exchange realignment	572	703	73	4	–	1,352
Provided for the period	2,125	3,297	634	1,352	–	7,408
Eliminated on disposals	–	(2,708)	(1,780)	(389)	–	(4,877)
Disposals of subsidiaries (Note 5(c))	(4,355)	(72)	(969)	(43)	–	(5,439)
At 31 December 2017	2,029	168,613	6,601	5,675	–	182,918
At 1 January 2018	2,029	168,613	6,601	5,675	–	182,918
Exchange realignment	(193)	(2,687)	(47)	(4)	–	(2,931)
Provided for the year	245	4,702	418	1,985	–	7,350
Eliminated on disposals	–	(4,197)	(135)	(163)	–	(4,495)
At 31 December 2018	2,081	166,431	6,837	7,493	–	182,842
Carrying amount						
At 31 December 2018	583	80,965	1,421	3,577	–	86,546
At 31 December 2017	528	12,275	1,268	5,066	–	19,137

14. INVESTMENT PROPERTIES

	2018 HKD'000	2017 HKD'000
At the beginning of the year/period	**191,677**	–
Additions	**–**	113,895
Exchange realignment	**(10,107)**	5,004
Fair value gain	**5,113**	72,778
At the end of the year/period	**186,683**	191,677

The investment properties are situated in the PRC and are held under a medium-term lease.

At 31 December 2018, the Group's investment properties with an aggregate carrying amount of HKD186,683,000 (2017: HKD191,677,000), were pledged to bank loans granted to the Group (Note 27(a)).

(a) Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties is measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

The fair value of the Group's investment properties at 31 December 2018 has been arrived at on the basis of valuation by 深圳市遂興房地產評估有限公司, an independent qualified professional valuer not connected with the Group.

The valuation of the Group's investment properties at 31 December 2018 is derived by recent comparable sales transactions in the relevant property market in the PRC together with unobservable inputs and are therefore grouped into Level 3 of fair value measurement. During the reporting period, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

14. INVESTMENT PROPERTIES *(Continued)*

(a) Fair value measurement of the Group's investment properties *(Continued)*

The movements during the year/period in the balance of these Level 3 fair value measurements are as follows:

	2018 HKD'000	2017 HKD'000
At the beginning of the year/period	191,677	–
Additions	–	113,895
Exchange realignment	(10,107)	5,004
Fair value adjustment	5,113	72,778
At the end of the year/period	186,683	191,677

(b) Assets leased out under operating leases

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 5 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased every 2 to 5 years to reflect market rentals. None of the leases includes contingent rentals.

All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

Total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2018 HKD'000	2017 HKD'000
Within 1 year	4,447	4,328
After 1 year but within 5 years	11,753	15,868
	16,200	20,196

15. INVESTMENT IN AN ASSOCIATE

	2018 HKD'000	2017 HKD'000
Share of net assets other than goodwill	127,472	–
Goodwill	36,443	–
	163,915	–

On 3 June 2018, Hua Tong Group Limited, the direct wholly-owned subsidiary of the Company, has acquired 28% equity interest in Golden Affluent Limited, for a cash consideration of HKD168,200,000 from an independent third party. The acquisition was completed on 29 June 2018.

The investment in an associate is accounted for using equity method in the consolidated financial statements.

At 31 December 2018 and 31 December 2017, the Group has interests in the following associate:

Name	Form of entity	Country of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group		Principal activities
					2018	2017	
Golden Affluent Limited (Note)	Limited liability	British Virgin Islands	Hong Kong	Ordinary shares	28%	–	Investment holding

Note: Golden Affluent Limited is principally engaged in investment holding and its subsidiaries are engaged in the provision of financial and bullion services in Hong Kong and private investment management services in the PRC.

15. INVESTMENT IN AN ASSOCIATE *(Continued)*

Summarised financial information of the associate, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements, are disclosed below:

	2018 HKD'000
Current assets	**133,591**
Non-current assets	**986,393**
Current liabilities	**(640,506)**
Non-current liabilities	**(6,268)**
Equity	**473,210**
Revenue	**129,738**
Loss for the year	**(10,142)**
Other comprehensive loss	**(254)**
Total comprehensive loss	**(10,396)**
Reconciled to the Group's interest in the associate	
Net assets of the associate	**473,210**
Non-controlling interests of the associate's subsidiaries	**(17,954)**
	455,256
Group's effective interest	**28%**
Group's share of net assets of the associate	**127,472**
Goodwill	**36,443**
Carrying amount in the consolidated financial statements	**163,915**

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 HKD'000	2017 HKD'000
Equity investment designated at fair value through other comprehensive income		
– Listed equity securities in Hong Kong	**85,768**	–

The above listed equity investments 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. Upon the initial adoption of HKFRS 9, the directors of the Company have elected to designate these investments in equity instruments as at fair value through other comprehensive income ("FVOCI") 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.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

Changes in fair value of those equity securities are recognised in other comprehensive income and accumulated within the financial assets at FVOCI reserve within equity. The Group transfers amounts from this reserve to retained profits when the relevant equity securities are derecognised.

17. FINANCE LEASE RECEIVABLES

	2018 HKD'000	2017 HKD'000
Non-current finance lease receivables	**19,969**	43,210
Current finance lease receivables	**30,286**	29,845
	50,255	73,055

The total minimum lease payments receivable under finance leases and their present values are as follows:

	Minimum lease payments receivable		**Present value of minimum lease payments**	
	2018 HKD'000	2017 HKD'000	**2018 HKD'000**	2017 HKD'000
Within one year	**34,318**	34,767	**30,286**	29,845
Later than one year and not later than five years	**20,108**	45,230	**19,969**	43,210
	54,426	79,997	**50,255**	73,055
Less: Unearned interest income	**(4,171)**	(6,942)	**–**	–
Present value of minimum lease payments receivable	**50,255**	73,055	**50,255**	73,055

Certain motor vehicles and machineries are leased out under finance leases with lease terms of 36 to 48 months (2017: 36 months). The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate is approximately ranging from 6.2% to 8% (2017: 8%) per annum.

Finance lease receivables are secured over the motor vehicles and machineries leased. The Company is not permitted to sell or repledge the collateral in the absence of default by the lessee. The finance lease receivables at 31 December 2018 and 31 December 2017 are neither past due nor impaired.

18. ASSETS CLASSIFIED AS HELD FOR SALE

	2018 HKD'000	2017 HKD'000
Non-current assets held for sale:		
Available-for-sale financial assets	–	33,000

In December 2017, the directors decided to sell the 10.66% equity investment in CVP Financial Holdings Limited, a private entity established in the British Virgin Islands. The assets, which were sold on 28 February 2018, have classified as assets held for sale and are presented separately in the consolidated statement of financial position. The net proceeds of disposal exceeded the net carrying amount of the relevant assets and accordingly, and therefore no impairment loss has been recognised.

19. INVENTORIES

	2018 HKD'000	2017 HKD'000
Raw materials	15,050	9,805
Work in progress	18,083	12,403
Finished goods	5,438	4,744
	38,571	26,952

20. TRADE AND BILLS RECEIVABLES

At 31 December 2018, the Group discounted bills receivable amounted to HKDnil (2017: HKD9,430,000) to banks with recourse and continue to be recognised as assets in the consolidated financial statements as the Group has not transferred substantially the risks and rewards of ownership of the bills receivable taking into account the credit rating of the issuers of the bills. Accordingly, the liabilities associated with such bills, bank borrowings, as disclosed in Note 27.

(a) Aging analysis

The ageing analysis of trade and bills receivables (net of loss allowances) as of the end of the reporting period, based on invoice date, is as follows:

	2018 HKD'000	2017 HKD'000
Within 1 month	25,843	35,897
1 to 3 months	11,433	2,728
3 to 12 months	698	1,617
Over 12 months	193	–
	38,167	40,242

20. TRADE AND BILLS RECEIVABLES *(Continued)*

(b) Trade and bills receivables that are not impaired

The ageing analysis of trade and bills receivables that are neither individually nor considered to be impaired are as follows:

	2018 HKD'000	2017 HKD'000
Neither past due nor impaired	**28,945**	30,152
Less than 1 moth past due	**3,745**	6,206
1 to 3 months past due	**4,905**	2,247
3 to 12 months past due	**409**	1,637
Over 12 months past due	**163**	–
Amount past due	**9,222**	10,090
	38,167	40,242

21. LOANS RECEIVABLES

The loans receivables from the money lending line of business are provided to independent third parties after a credit assessment on the borrower, bears interest ranging from 8% to 10% per annum and repayable within 1 year (2017: interest at 8% to 11% per annum and repayable within 1 year).

As at 31 December 2018, the loans receivables of amounting to HKD20,016,000 (2017: HKD18,015,000) are secured by the charges on certain shares of a company listed on the Main Board of the Stock Exchange held by the borrower; amounting to HKDnil (2017: HKD18,010,000) are secured by the charges on certain shares of a private company incorporated in Hong Kong held by the borrower; and amounting to HKD25,099,000 (2017: HKD24,426,000) are secured by the personal guarantee given by the sole director and sole shareholder of the borrower.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HKD'000	2017 HKD'000
Held for trading investments at fair value		
– Listed equity securities in Hong Kong	**210**	26,329

23. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2018 HKD'000	2017 HKD'000
Cash and cash equivalents in the consolidated statement of financial position	**138,404**	535,822
Bank overdraft (Note 27)	**(17,117)**	(19,794)
Cash and cash equivalents in the consolidated statement of cash flows	**121,287**	516,028

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bond HKD'000 (Note 26)	Borrowings HKD'000 (Note)	Total HKD'000
At 1 January 2018	–	406,350	406,350
Changes from financing cash flows:			
Proceeds from new loans	–	578,739	578,739
Repayment of loans	–	(769,021)	(769,021)
Proceeds from margin loans	–	20,997	20,997
Repayment of margin loans	–	(20,997)	(20,997)
Proceeds from issuance of bond, net of commission paid	96,000	–	96,000
Total changes from financing cash flows	96,000	(190,282)	(94,282)
Exchange adjustments	–	(7,026)	(7,026)
At 31 December 2018	96,000	209,042	305,042

23. CASH AND CASH EQUIVALENTS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities *(Continued)*

	Total Borrowings HKD'000 (Note)
At 1 April 2017	151,816
Changes from financing cash flows:	
Repayment to a shareholder	(20,000)
Proceeds from new loans	469,113
Repayment of loans	(144,843)
Total changes from financing cash flows	304,270
Exchange adjustments	6,602
Other changes:	
Disposals of subsidiaries	(56,338)
Total other changes	(56,338)
At 31 December 2017	406,350

Note: Borrowings consist of bank loans, shareholder's loan and other borrowings as disclosed in Note 27.

24. TRADE PAYABLES

The ageing analysis of trade payables as of the end of the reporting period, based on invoice date, is as follows:

	2018 HKD'000	2017 HKD'000
Within 1 month	**21,240**	21,564
1 to 3 months	**4,672**	4,310
3 to 12 months	**352**	764
Over 12 months	**72**	8
	26,336	26,646

25. OTHER PAYABLES AND ACCRUED CHARGES

	2018 HKD'000	2017 HKD'000
Accrued staff costs, welfare and benefits (including accrued directors' remunerations)	**16,843**	22,469
PRC sundry tax payables	**–**	659
Deposits received for finance lease	**3,789**	898
Sales deposits received	**256**	171
Rental deposits received	**784**	827
Interest payables	**2,282**	2,850
Others (including professional fee payables)	**2,679**	1,494
	26,633	29,368

26. BOND

	2018 HKD'000	2017 HKD'000
Bond carried at fixed coupon rate of 5% per annum	**97,764**	–

The Company entered into a placing agreement with a placing agent, a subsidiary of an associated company of the Company, issued a 5% coupon unlisted bond on 24 July 2018 with the principal amount of HKD100,000,000. The amount is repayable within 12 months from the date of issue, which is 24 July 2018.

Transaction cost of placing commission of 4% of the principal amount of bond is incurred and amortised over the expected life of the bond.

27. BORROWINGS AND OVERDRAFT

	2018 HKD'000	2017 HKD'000
Bank loans, secured (Note (a))	**95,182**	78,734
Bank advances for discounted bills (Note 20)	**–**	9,430
Bank overdraft (Note 23(a))	**17,117**	19,794
Other borrowings, unsecured (Note (b))	**113,860**	318,186
	226,159	426,144

27. BORROWINGS AND OVERDRAFT *(Continued)*

The maturity profile of borrowings and overdraft, based on the scheduled repayment dates set out in relevant loan agreements, is as follows:

	2018 HKD'000	2017 HKD'000
Within 1 year	**179,951**	336,762
After 1 year but within 2 years	**4,678**	4,633
After 2 years but within 5 years	**41,530**	84,749
	226,159	426,144
Less: Amount due within one year or repayable on demand classified as current liabilities	**(179,951)**	(336,762)
	46,208	89,382

Notes:

(a) At 31 December 2018, bank loans of HKD44,580,000 (2017: HKD21,028,000) were secured by corporate guarantee from the Company, legal charges on leasehold properties of companies controlled by and personal guarantees from Mr. Cheng Kwai Chun ("Mr. Cheng"), a director of a wholly owned subsidiary of the Company. Bank loan of HKD50,602,000 (2017: HKD57,706,000) was secured by investment properties of the Group. Bank overdraft of HKD17,117,000 (2017: HKD19,794,000) was secured by legal charge on certain assets of Mr. Cheng.

(b) Other borrowings are obtained from independent third parties. Amount of HKD113,860,000 is unsecured, interest-bearing at 4.35% per annum and are repayable within 1 year.

At 31 December 2017, other borrowings amount of HKD282,165,000 is unsecured, interest-bearing at 1.5% per month and are repayable within 1 year. The remaining other borrowings amount of HKD36,021,000 is interest-bearing at 6% per annum and is repayable within 2 years.

28. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Deferred tax assets and liabilities recognised

	2018 HKD'000	2017 HKD'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**14,243**	14,397

28. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(a) Deferred tax assets and liabilities recognised *(Continued)*

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year/period are as follows:

	Tax losses HKD'000	Accelerated tax depreciation HKD'000	Financial assets at fair value through profit or loss HKD'000	Investment properties HKD'000	Other temporary differences HKD'000	Total HKD'000
At 1 April 2017	(687)	687	–	–	(5,651)	(5,651)
Effect of changes in exchange rate	–	–	–	601	(249)	352
Charged to profit or loss	192	(200)	1,151	18,195	358	19,696
At 31 December 2017 and 1 January 2018	(495)	487	1,151	18,796	(5,542)	14,397
Effect of changes in exchange rate	–	–	–	(1,021)	155	(866)
Charged to profit or loss	87	(71)	(1,183)	1,278	601	712
At 31 December 2018	(408)	416	(32)	19,053	(4,786)	14,243

(b) Deferred tax assets not recognised

At 31 December 2018, the Group has unused tax losses of approximately HKD87,421,000 (2017: approximately HKD70,748,000). A deferred tax asset has been recognised in respect of HKD2,475,000 (2017: approximately HKD2,998,000) of such losses. No deferred tax asset has been recognised in respect of the remaining balance of approximately HKD84,946,000 (2017: approximately HKD67,750,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses of approximately HKD5,263,000 (2017: approximately HKD9,127,000) that will expire within five years. Other losses may be carried forward indefinitely.

29. PROVISION AND OTHER ACCRUED CHARGES

	2018 HKD'000	2017 HKD'000
Provision for long service payments (Note (a))	**763**	1,123
Other accrued charges (Note (b))	**13,718**	13,718
	14,481	14,841

29. PROVISION AND OTHER ACCRUED CHARGES *(Continued)*

(a) Provision for long service payments

Under the Hong Kong Employment Ordinance, the Group is required to make long service payments to its employees in Hong Kong upon the termination of their employment or retirement when the employee fulfils certain conditions and the termination meets the required circumstances.

Movements in the provision for long service payments during the year/period are as follows:

	2018 HKD'000	2017 HKD'000
At the beginning of the year/period	1,123	759
Received from trustees	485	364
Benefit payments	(845)	–
At the end of the year/period	763	1,123

(b) Other accrued charges

Other accrued charges represent liabilities in respect of staff welfare and benefits.

30. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year/period are set out below:

30. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(a) Movements in components of equity *(Continued)*

The Company

	Share capital HKD'000	Share premium HKD'000	Warrant reserve HKD'000	Contributed surplus HKD'000	Accumulated losses HKD'000	Total HKD'000
At 1 April 2017	28,300	41,308	5,490	181,059	(154,697)	101,460
Changes in equity for the period from 1 April 2017 to 31 December 2017:						
Loss and total comprehensive income for the period	–	–	–	–	(14,942)	(14,942)
Issue of shares (Note (c))	29,700	320,826	–	–	–	350,526
At 31 December 2017	58,000	362,134	5,490	181,059	(169,639)	437,044
At 1 January 2018	58,000	362,134	5,490	181,059	(169,639)	437,044
Changes in equity for the year ended 31 December 2018:						
Loss and total comprehensive income for the year	–	–	–	–	(49,766)	(49,766)
Warrants lapsed	–	–	(5,490)	–	5,490	–
At 31 December 2018	58,000	362,134	–	181,059	(213,915)	387,278

(b) Dividend

The directors do not recommend the payment of any dividend for the year ended 31 December 2018 (period from 1 April 2017 to 31 December 2017: HKDNil).

30. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital

Authorised and issued share capital

	2018 No. of shares '000	2018 HKD'000	2017 No. of shares '000	2017 HKD'000
Authorised:				
At the beginning of the year/period	**10,000,000**	**200,000**	2,500,000	50,000
Increase during the year/period	**–**	**–**	7,500,000	150,000
At the end of the year/period	**10,000,000**	**200,000**	10,000,000	200,000
Ordinary shares, issued and fully paid:				
At the beginning of the year/period	**2,900,000**	**58,000**	1,415,000	28,300
Issue of shares	**–**	**–**	1,485,000	29,700
At the end of the year/period	**2,900,000**	**58,000**	2,900,000	58,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

On 12 June 2017, the Company issued 283,000,000 new ordinary shares under placing agreement to not less than six placees, at the placing price HKD0.28 per share for a total cash consideration of approximately HKD79,240,000.

On 22 September 2017, the Company issued 339,600,000 new ordinary shares under subscription agreement at the subscription price of HKD0.23 per share for a total cash consideration of approximately HKD78,108,000.

On 19 December 2017, the Company issued 862,400,000 new ordinary shares under placing agreement at the subscription price of HKD0.224 per share for a total cash consideration of approximately HKD193,178,000.

30. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserve

(i) Share premium

The application of the share premium account is governed by Bermuda Companies Act 1981 (as amended).

(ii) Warrant reserve

On 27 August 2015, the Company issued 283,000,000 unlisted warrants at HKD0.02 each to six independent third parties raising HKD5,490,000 net of cash. The warrants entitled the holders to subscribe for 283,000,000 ordinary shares of the Company at a subscription price of HKD3.00 each at any time during a period of 36 months commencing from the date of issue of the warrants. On 27 August 2018, all the unlisted warrants had expired and no subscription rights attached to these warrants were exercised and the warrant reserve was released to retained profits accordingly. At 31 December 2017, the Company had 283,000,000 outstanding warrants. Exercise in full of such outstanding warrants would result in the issue of 283,000,000 additional ordinary shares. No exercise of these warrants occurred in for both year/period.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries. The reserve is dealt with in accordance with the accounting policy set out in Note 2(u).

(iv) Contributed surplus

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time the reorganisation on 9 November 2001 and has been adjusted for the dividend declared from this reserve after 9 November 2001.

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

30. CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(e) Distributability of reserves

In the opinion of the directors, the Company's reserves available for distribution to shareholders at the end of the reporting period were:

	2018 HKD'000	2017 HKD'000
Share premium	362,134	362,134
Contributed surplus	181,059	181,059
Accumulated losses	(213,915)	(169,639)
	329,278	373,554

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group regularly reviews its capital structure on the basis of a gearing ratio computed as total debt over shareholders' fund. For this purpose, the Group defines total debts as total borrowings (which include interest-bearing borrowings). Total shareholders' fund comprises all components of equity.

The gearing ratio as at 31 December 2018 and 31 December 2017 was as follows:

	2018 HKD'000	2017 HKD'000
Current liabilities		
Interest-bearing borrowings and bond	323,923	426,144
Total debts	323,923	426,144
Total shareholders' fund	457,795	514,142
Gearing ratio	71%	83%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

31. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a shareholders' resolution passed on 23 August 2011 for the primary purpose of granting options to eligible participants as incentives or rewards for their contribution to the Group and will be valid and effective for a period of 10 years commencing on the date on which the Scheme was adopted. Under the Scheme, the board of directors (the "Directors") may grant options to eligible employees of the Group, any executive and non-executive directors (including independent non-executive directors) of the Group and other eligible participants to subscribe for shares in the Company (the "Shares"), at a price to be determined by the Directors, but shall not be less than the higher of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

An offer of the grant of the option may be accepted by a participant within 21 days from the date of the offer of grant of the option. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Scheme for the holding of an option before it can be exercised. A nominal consideration of HKD1 is payable on acceptance of the grant of an option.

Shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option scheme of the Company must not in aggregate exceed 141,500,000 shares of the Company, being 10% of the shares in issue on the date of approval of the Scheme by the shareholders of the Company.

Unless approved by shareholders of the Company, the total number of Shares issued and which may fall to be issued upon exercise of the options to be granted under the Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

No options under the Scheme were granted or exercised during the year ended 31 December 2018 and the period from 1 April 2017 to 31 December 2017 and there were no outstanding options at 31 December 2018 and 31 December 2017.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, loan receivables, finance lease receivables and trade and bills receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash and cash equivalents are normally placed at financial institutions that have sound credit rating.

Finance lease receivables

The Group applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for finance lease receivables. For customers who purchased the motor vehicles or machineries under finance lease arrangement, the Group has policies in place to review their credit worthiness and charged a market interest rate based on their credit worthiness. Management monitors the scheduled instalment pattern and credit worthiness of the customers closely. In the event, the Group notices the deterioration of credit worthiness and default settlement of 2 months contractual instalments, the Group will repossess the assets up for sale. Management, considered among other factors, analysed historical pattern and concluded that the expected credit loss for finance lease receivables to be immaterial. While default cases range close to zero of the total finance lease receivables balances during the reporting period, the expected credit loss rate is close to zero given that the Group has historically recovered all amount owing via the proceeds from the sales of assets and other legal means.

Trade and bills receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2018, the Group had a certain concentration of credit risk as Nil% (2017: Nil%) and 33% (2017: 36%) of the total trade and bills receivables was due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade and bills receivables are due within 30 to 60 days from the date of billing. Debtors with balances over 90 days are monitored tightly and regularly. Normally, the Group does not obtain collateral from customers. Default risk of the industry and country are influenced on a lesser extent because most of the Group's customers mainly come from the USA with higher credit-ratings.

The Group measures loss allowances for trade and bills receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(a) Credit risk *(Continued)*

Trade and bills receivables (Continued)

The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 as at 31 December 2018.

ECLs rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. No impairment for trade and bills receivables is provided as the amount of additional impairment measured under the ECLs model is immaterial.

Comparative information under HKAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see Note 2(k)(i) – policy applicable prior to 1 January 2018).

The ageing analysis of trade and bills receivables that were not considered to be impaired was disclosed in note 20(b).

Trade and bills receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade and bills receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(a) Credit risk *(Continued)*

Trade and bills receivables (Continued)

Comparative information under HKAS 39 *(Continued)*

Movements in the loss allowance account in respect of trade and bills receivables during the year/period are as follows:

	2018 HKD'000	2017 HKD'000
At the beginning of the year/period	**1,312**	–
Impairment loss recognised	**–**	1,312
Uncollectible amounts written off	**(1,312)**	–
At the end of the year/period	**–**	1,312

Loans receivable

Before accepting any new loans, the Group assesses the credit quality of each potential borrower and defined limits for each borrower. The Group also demands certain borrowers to provide personal guarantees from their respective shareholders or director or equity securities as collateral to the Group at the time the money lending arrangement is entered into. In addition, the Group has reviewed the repayment history of loan payments from each borrower with reference to the repayment schedule from the date of loans receivable to determine the recoverability of the loans receivables. Also, the Group takes into account information specific to the customers as well as pertaining to the economic environment in which the customers operate.

In determining the ECLs of loans receivables, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in measuring the loss allowance using life-time ECLs and the Group has determined the ECLs is insignificant.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk *(Continued)*

The following table show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	At 31 December 2018					At 31 December 2017				
	Carrying amount HKD'000	Total contractual undiscounted cash flow HKD'000	Within 1 year or on demand HKD'000	More than 1 year but less than 2 years HKD'000	More than 2 years HKD'000	Carrying amount HKD'000	Total contractual undiscounted cash flow HKD'000	Within 1 year or on demand HKD'000	More than 1 year but less than 2 years HKD'000	More than 2 years HKD'000
Trade payables	26,336	26,336	26,336	–	–	26,646	26,646	26,646	–	–
Other payables and accrued charges	26,633	26,633	26,633	–	–	29,368	29,368	29,368	–	–
Bond	97,764	105,000	105,000	–	–	–	–	–	–	–
Borrowings and overdraft +	226,159	245,280	186,270	7,533	51,477	426,144	485,871	375,715	7,944	102,212
Other accrued charges	13,718	13,718	–	–	13,718	13,718	13,718	–	–	13,718
	390,610	416,967	344,239	7,533	65,195	495,876	555,603	431,729	7,944	115,930

\+ Borrowings and overdraft with repayment on demand clause are classified as on demand in the above analysis although the demand clause has not been exercised.

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank deposits, loans receivables, bond and borrowings and overdraft. Bank deposits, loans receivables, bond and borrowings and overdraft issue at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk *(Continued)*

(i) Interest rate profile

The Group's interest rate profile as monitored by management is set out below:

	At 31 December 2018 Effective interest rate %	At 31 December 2018 HKD'000	At 31 December 2017 Effective interest rate %	At 31 December 2017 HKD'000
Fixed rate receivables:				
Loan receivables	**8.90**	**45,000**	9.80	60,000
Fixed rate coupon bond:				
Bond	**5.00**	**100,000**	–	–
Fixed rate borrowings:				
Borrowings and overdraft	**4.35**	**(113,860)**	16.64	(318,186)
Variable rate deposits:				
Bank deposits	**0.33**	**133,251**	0.23	515,167
Variable rate borrowings:				
Borrowings and overdraft	**5.54**	**(112,299)**	4.72	(107,958)
Net variable rate exposure		**20,952**		407,209

(ii) Sensitivity analysis

At 31 December 2018, it is estimated that a general increase/decrease of 100 basis points (2017: 100 basis points) in interest rates, with all other variables held constant, would decrease/increase the Group's loss after tax by approximately HKD175,000 (period from 1 April 2017 to 31 December 2017: profit after tax by approximately HKD3,400,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis is performed on the same basis for the period from 1 April 2017 to 31 December 2017.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Foreign currency risk

(i) Foreign currency transactions

The Group is exposed to currency risk primarily through sales, purchases and expense transactions that are denominated in a currency other than the functional currency of the entity to which they relate. The currencies giving rise to this risk are primarily Renminbi and United States Dollars.

(ii) Recognised assets and liabilities

In respect of trade and other receivables and payables held in currencies other than the functional currency of the entity to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(iii) Exposure to foreign currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2018		2017	
	Renminbi '000	**United States Dollars '000**	Renminbi '000	United States Dollars '000
Trade and bills receivables	**–**	**2,340**	–	3,526
Cash and cash equivalents	**9**	**758**	9	278
Trade payables	**(1,299)**	**(515)**	(844)	(484)
Other payables and accrued charges	**(23)**	**(221)**	(57)	(12)
Provision and other accrued charges	**(9,753)**	**–**	(9,249)	–
Net exposure arising from recognised assets and liabilities	**(11,066)**	**2,362**	(10,141)	3,308

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Foreign currency risk *(Continued)*

(iv) Sensitivity analysis

The following table indicates the approximate change in the Group's (loss)/profit after tax in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	Year ended 31 December 2018		Period from 1 April 2017 to 31 December 2017	
	Increase/ (decrease) in foreign exchange rate	**Effect on loss after tax HKD'000**	Increase/ (decrease) in foreign exchange rate	Effect on profit after tax HKD'000
Renminbi	**5%**	**526**	5%	(508)
	(5%)	**(526)**	(5%)	508
United States Dollars	**5%**	**(764)**	5%	1,070
	(5%)	**764**	(5%)	(1,070)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates occurred at the end of the reporting period and applied to each of the Group entities' exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong Dollars and the United States Dollars would be materially unaffected by any changes in movement in value of the United States Dollars against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' (loss)/profit after tax measured in the respective functional currencies, translated into Hong Kong Dollar at the exchange rate ruling as at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for the period from 1 April 2017 to 31 December 2017.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as financial assets at fair value through profit or loss and non-trading purposes (see Notes 22 and 16). All of these investments are listed.

The Group's listed investments are listed on the Stock Exchange of Hong Kong. Decisions to buy or sell held for trading investments are based on daily monitoring of the performance of individual securities compared to that of the Index and other industry indicators, as well as the Group's liquidity needs.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(e) Equity price risk *(Continued)*

At 31 December 2018, it is estimated that an increase/decrease of 5% (2017: 5%) in the relevant stock market index, with all other variables held constant, would have increased/decreased the Group's (loss)/profit after tax and retained profits as follows:

	Year ended 31 December 2018			Period from 1 April 2017 to 31 December 2017	
	Increase/ (decrease) in equity price rate	**Effect on loss after tax HKD'000**	**Effect on retained profits HKD'000**	Increase/ (decrease) in equity price rate	Effect on profit after tax and retained profits HKD'000
Change in the relevant equity price risk variable:					
Increase	**5%**	**(9)**	**9**	5%	1,099
(Decrease)	**(5%)**	**9**	**(9)**	(5%)	(1,099)

The sensitivity analysis indicates the instantaneous change in the Group's (loss)/profit after tax and retained profits that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the fair values of the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables. The analysis is performed on the same basis for the period from 1 April 2017 to 31 December 2017.

(f) Categories of financial instruments

	2018 HKD'000	2017 HKD'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**275,058**	720,723
Financial assets at FVPL and financial assets at FVOCI	**85,978**	26,329
Financial liabilities		
Financial liabilities at amortised cost	**390,610**	495,876

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(g) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table represents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

The following table presents the Group's assets that are measured at fair value at the end of the reporting periods:

	Fair value at 31 December 2018 HKD'000	**Fair value measurements as at 31 December 2018 categorised into Level 1 HKD'000**	Fair value at 31 December 2017 HKD'000	Fair value measurements as at 31 December 2017 categorised into Level 1 HKD'000
Recurring fair value measurements				
Assets:				
Financial assets measured at FVOCI				
– Listed equity securities	**85,768**	**85,768**	–	–
Financial assets measured at FVPL				
– Listed equity securities	**210**	**210**	26,329	26,329

During the reporting period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their values as at 31 December 2018 and 2017.

33. COMMITMENTS

Operating lease commitments

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 HKD'000	2017 HKD'000
Within 1 year	**4,223**	7,590
After 1 year but within 5 years	**–**	3,967
	4,223	11,557

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of 2 to 5 years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased every 2 to 5 years to reflect market rentals. None of the leases includes contingent rentals.

34. FINANCIAL GUARANTEES ISSUED

At 31 December 2018, the Company had issued corporate guarantees amounting to HKD55 million (2017: HKD55 million) and HKD57 million (2017: HKD96 million) to banks and an independent third party (2017: two independent third parties), respectively, in connection with facilities granted to subsidiaries.

The guarantees were issued by the Company at no consideration. The transactions were not at arm's length, and it is not possible to measure reliably the fair value of these transactions in accordance with HKFRS 9, Financial instruments, had they been at arm's length. Accordingly, the guarantees have not been accounted for as financial liabilities and measured at fair value.

At 31 December 2018, the directors of the Company considered it is not probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued was the facilities drawn down by a subsidiary of HKD45 million (2017: HKD66 million).

35. PLEDGE OF ASSETS

At 31 December 2018, the investment properties of the Group with carrying amount of approximately HKD186,683,000 (2017: HKD191,677,000) have been pledged to secure a bank loan granted to the Group.

36. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 9 and the highest paid employees as disclosed in Note 10, is as follows:

	Year ended 31 December 2018 HKD'000	Period from 1 April 2017 to 31 December 2017 HKD'000
Salaries, allowances and other benefits	**5,774**	3,805
Contributions to defined contributions retirement plan	**214**	82
	5,988	3,887

Total remuneration is included in "Staff costs" (see Note 7(b)).

(b) Financing arrangements

At 31 December 2018, certain general banking facilities totalling HKD75,000,000 (2017: HKD75,000,000) were secured by legal charges on leasehold properties of companies controlled by Mr. Cheng, the director and legal representation of certain major subsidiaries of the Group, legal charges on certain assets of Mr. Cheng and personal guarantees from Mr. Cheng. At 31 December 2018, these facilities were utilised by the Group to the extent of HKD61,677,000 (2017: HKD50,253,000).

(c) Other related party transactions

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group entered into the following material related party transactions during the year/period:

Name of related party	Nature of transaction	Year ended 31 December 2018 HKD'000	Period from 1 April 2017 to 31 December 2017 HKD'000
Companies in which Mr. Cheng has interests or significant influence	Sales of goods	**1,593**	5,244
	Rental and other income received	**322**	226
	Commission paid	**16**	262
	Overdue interest income	**143**	35
	License fee paid	**901**	676
	Rental expenses paid	**3,840**	2,880
A shareholder of the Company	Interest paid	**–**	759
A subsidiary of an associated company of the Company	Commission paid for bond placing	**1,764**	–

36. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Other related party transactions *(Continued)*

Trade and bills receivables at 31 December 2018 included amounts of HKD367,000 (2017: HKD2,741,000) due from the above related parties.

37. ACCOUNTING ESTIMATES AND JUDGEMENTS

The methods, estimates and judgements the directors used in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. The critical accounting judgements in applying the Group's accounting policies are described below.

(a) Going concern basis

Details of assumptions adopted by the directors of the Company for adopting the going concern basis in preparing the consolidated financial statements of the Group for the year ended 31 December 2018 are set out in Note 2(c).

(b) Depreciation

The Group management determines the estimated useful lives and related depreciation charge for the property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Impairments of property, plant and equipment

In considering the impairment loss that may be required for certain property, plant and equipment, and deposits paid for acquisition of property, plant and equipment, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of its fair value less costs of disposal and the value in use. It is difficult to precisely estimate its fair value less costs of disposal because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of turnover and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as turnover and operating costs.

An increase or decrease in the above impairment loss would affect the operating results in the year/period and future years.

37. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(d) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules in various jurisdictions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in respective tax legislation.

Deferred tax assets/liabilities are recognised for tax losses not yet used revaluation of investment properties and temporary deduction differences. As those deferred tax assets/liabilities can only be recognised to the extent that it is probable that future profit will be available against which the unused tax loss/credit can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets/liabilities are recognised only if it becomes probable that future taxable profits will allow the deferred tax asset/liabilities to be recovered/paid.

(e) Inventories provision

The Group performs regular reviews of the carrying amounts of inventories with reference to aged inventories analyses, projections of expected future saleability of goods and management experience and judgement. Based on this review, write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable value. Due to changes in customers' performance, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

(f) Valuation of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions including unobservable inputs. In relying on the valuation report, the directors of the Company have exercised their judgments and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the amount of gain or loss that would be recognised in profit or loss. Details of these are set out in Note 14.

(g) Provision of ECLs for trade receivables

The Group uses a provision of matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various debtors that have similar loss patterns. The provision matrix is based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the historical credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.

The provision of ECLs is sensitive to changes in circumstances and of forecast general economic conditions. The information about the ECLs and the Group's trade and bills receivables are disclosed in Note 20. If the financial condition of the customers or the forecast economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

38. SUBSIDIARIES

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ registration	Particular of issued and paid up capital/registered capital	Proportion of ownership interest held by the Company				Principal activities
			2018		2017		
			Directly	Indirectly	Directly	Indirectly	
Ample Colour Investments Limited	British Virgin Islands	1 share of USD1 each	100%	–	100%	–	Investment holding
Grand Mark Worldwide Limited	Hong Kong	1 share of HKD1 each	–	100%	–	100%	Money lending business and securities investment
Hua Tong Group Limited	British Virgin Islands	1 share of USD1 each	100%	–	100%	–	Investment holding
Markway International Group Holdings Limited	Hong Kong	1 share of HKD1 each	–	100%	–	100%	Provision of administrative services
Mega Grade Holdings Limited	British Virgin Islands	50,000 shares of USD1 each	100%	–	100%	–	Investment holding
Pak Tak Hong Kong Trading Limited	Hong Kong	10,000 shares of HKD1 each	–	100%	–	100%	Trading in garments
Richtime Knitting Limited	Hong Kong	10,000 shares of HKD1 each	–	100%	–	100%	Trading in garments and provision of administrative services
Shibo Global Holdings Limited	British Virgin Islands	1 share of USD1 each	100%	–	100%	–	Investment holding
百德針織製衣(東莞)有限公司#	The PRC	HKD111,975,000	–	100%	–	100%	Manufacture of and trading in garments
深圳金盛融資租賃有限公司#	The PRC	HKD100,000,000	100%	–	100%	–	Provision of leasing services
深圳金勝供應鏈有限公司#	The PRC	HKD100,000,000	–	100%	–	100%	General trading
深圳金盛商業有限公司#	The PRC	RMB60,000,000	–	100%	–	100%	Property investment and consultancy

Wholly foreign owned enterprise

All subsidiaries operate principally in their respective places of incorporation or registration.

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

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 HKD'000	2017 HKD'000
Non-current assets		
Investments in subsidiaries (Note 38)	100,397	100,397
Current assets		
Other receivables, prepayments and deposits	362	395
Amounts due from subsidiaries	390,562	167,164
Cash and cash equivalents	2,906	176,081
	393,830	343,640
Current liabilities		
Accrued charges	3,193	1,001
Amounts due to subsidiaries	5,992	5,992
Bond	97,764	–
	106,949	6,993
Net current assets	286,881	336,647
NET ASSETS	387,278	437,044
CAPITAL AND RESERVES (Note 30(a))		
Share capital	58,000	58,000
Reserves	329,278	379,044
TOTAL EQUITY	387,278	437,044

40. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual improvements to HKFRSs 2015-2017 cycle	1 January 2019
HKFRS 16, Leases	1 January 2019
HK(IFRIC) 23, Uncertainty over income tax treatments	1 January 2019
Amendments to HKAS 28, Long-term interest in associates and joint ventures	1 January 2019

40. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 *(Continued)*

Except for the new and amendments to HKFRSs and interpretations mentioned below, the Group anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the Group's consolidated financial statements in the foreseeable future.

HKFRS 16, Leases

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

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

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HKD4,223,000 as disclosed in Note 33. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16.

The application of above new HKFRSs and requirements may result in changes in measurement, presentation and disclosure as discussed above.

41. COMPARATIVE FIGURES

The Group initially applied HKFRS 15 and HKFRS 9 as at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the impact and changes in these accounting policies are disclosed in Notes 2(d) and 2(g).

RESULTS

	Year ended 31 March 2015 HKD'000	Year ended 31 March 2016 HKD'000	Year ended 31 March 2017 HKD'000 (Restated)	Period from 1 April 2017 to 31 December 2017 HKD'000	**Year ended 31 December 2018 HKD'000**
Continuing operations					
Turnover	366,353	308,545	221,782	751,469	**1,358,821**
(Loss)/profit from operations	(7,997)	(42,907)	(26,132)	65,475	**10,155**
Finance costs	(455)	(453)	(852)	(6,598)	**(10,617)**
Share of results of an associate	–	–	–	–	**(4,045)**
(Loss)/profit before taxation	(8,452)	(43,360)	(26,984)	58,877	**(4,507)**
Income tax credit/(expense)	1,922	3,659	(70)	(20,788)	**(4,547)**
(Loss)/profit for the year/period from continuing operations	(6,530)	(39,701)	(27,054)	38,089	**(9,054)**
Discontinued operations					
Loss for the year/period from discontinued operations	–	–	(2,102)	(7,581)	**–**
(Loss)/profit for the year/period	(6,530)	(39,701)	(29,156)	30,508	**(9,054)**
Attributable to:					
Equity shareholders of the Company	(6,281)	(39,701)	(28,919)	39,203	**(9,041)**
Non-controlling interests	(249)	–	(237)	(8,695)	**(13)**
	(6,530)	(39,701)	(29,156)	30,508	**(9,054)**

ASSETS AND LIABILITIES

	At 31 March 2015 HKD'000	At 31 March 2016 HKD'000	At 31 March 2017 HKD'000	At 31 December 2017 HKD'000	**At 31 December 2018 HKD'000**
Total assets	254,232	235,272	459,828	1,026,619	**868,167**
Total liabilities	(78,451)	(95,941)	(257,709)	(512,477)	**(410,372)**
Net assets	175,781	139,331	202,119	514,142	**457,795**
Equity attributable to equity shareholders of the Company	175,781	139,331	107,098	514,142	**457,793**
Non-controlling interests	–	–	95,021	–	**2**
Total equity	175,781	139,331	202,119	514,142	**457,795**

PARTICULARS OF INVESTMENT PROPERTIES

At 31 December 2018

Location	Usage	Tenure	Attributable interest of the Group
City Plaza, No.1 Yunxiang Avenue, Xijiang New District, Yunfu, Guangdong Province, the PRC	The investment property comprises 141 retailing shops for rental and/or capital appreciation	Granted the land use rights of the property until 29 October 2053.	100%