China e-Wallet Payment Group Limited
中國錢包支付集團有限公司*

(a company incorporated in Bermuda with limited liability)

(Stock Code: 802)

ANNUAL REPORT 2018

** For purpose of identification only*

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Five-Year Financial Summary

	For the year ended 31 December				
	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Results					
Revenue	**90,729**	55,009	34,386	34,044	31,847
(Loss)/profit for the year	**(53,535)**	(394,695)	(183,652)	152,172	(130,246)
(Loss)/profit attributable to:					
Owners of the Company	**(46,754)**	(392,785)	(176,783)	156,498	(115,556)
Non-controlling interests	**(6,781)**	(1,910)	(6,869)	(4,326)	(14,690)
	(53,535)	(394,695)	(183,652)	152,172	(130,246)
Basic (loss)/earnings per share (Note)	**HK$(0.02)**	HK$(0.16)	HK$(0.11)	HK$0.22	HK$(0.42)
Dividends per share	**–**	–	–	–	–

	As at 31 December				
	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Assets and liabilities					
Total assets	**604,689**	657,769	1,123,402	773,869	346,570
Total liabilities	**(79,809)**	(51,234)	(225,425)	(81,636)	(108,081)
	524,880	606,535	897,977	692,233	238,489
Equity attributable to owners of the Company	**512,809**	587,683	877,215	664,602	206,532
Non-controlling interests	**12,071**	18,852	20,726	27,631	31,957
	524,880	606,535	897,977	692,233	238,489

Note: The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to owners of the Company and on the weighted average number of shares in issue during the relevant years.

Cautionary Statement Regarding Forward-Looking Statements

This annual report 2018 contains forward-looking statements that state the Company's beliefs, expectations, intentions or predications for the future. The forward-looking statements reflect the current view of the board of Directors (the "Board") of China e-Wallet Payment Group Limited (the "Company") with respect to future events and are, by their nature, subject to risks, uncertainties and assumptions, including the risk factors as disclosed in this report.

In some cases, words such as "believe", "will", "would", "could", "may", "should", "expect", "intend", "consider", "anticipate", "estimate", "project", "plan", "potential" or similar expressions are used to identify forward-looking statements. The Board can give no assurances that those expectations and intentions will prove to have been correct, and you are cautioned not to place undue reliance on such statements. All forward-looking events or circumstances contained in this report might not occur in the manner the Board expects. Accordingly, you should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this report are qualified by reference to these cautionary statements.

Director's Statement

Dear shareholders,

On behalf of the Board of Directors, I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018, which consists of reporting on the activities, results and strategies of the Company.

BUSINESS ENVIRONMENT

China e-Wallet Payment Group Limited ("**the Company**") operates in a challenging environment that is prone to technology innovations and reengineering cycles, changing consumer preferences and trade flows. We continuously scan our business environment and closely watch trends and developments that may affect our business and the way we operate. Our broad technology deployments and core businesses that move in line with different macro trends help us mitigate the primary effects of the external environment. We consider economic, social, legal, technological and political factors and have structured the Company in ways to allow us to adapt and change quickly to respond to market forces.

During the year 2018, the Company had met considerable challenges that were faced by major corporations in the global economy. However, the Company had adapted and continued to improve on its core businesses and delivery, placing innovation in its products and business operations at its fundamental.

THANK YOU

I would like to take this opportunity to express my sincere gratitude to our shareholders, business partners and customers for their continued support, as well as to the Group's management team and staff for their tireless dedication and efforts in developing the long term prospects of the Group.

Li Jinglong
Executive Director

Hong Kong, 28 March 2019

BUSINESS REVIEW

"Internet and Mobile's Application and Related Accessories" is the Group's main business. The Group specialized in providing programming and advertising solutions in mobile platform with branch office in Hong Kong, Shenzhen and Shanghai. The programming teams of the Group have extensive experience on developing mobile application and interactive virtual reality technologies for well-known companies in Hong Kong and overseas. The Group is also engaged in the business of distribution of computer-related and mobile-related electronic products and accessories.

The Group believe that the business of "Internet and Mobile's Application and Related Accessories" as a key growth area, is in-line with the rapid growth of the mobile and gaming industry and in particular in application development for merchants, online gaming, interactive virtual reality experience and utilities applications for mobile platform and mass advertising.

In the financial year of 2018, the Group recorded a revenue of approximately HK$90.7 million, representing an increase of 64.9% compared to the same period in 2017. The increase in revenue was mainly attributable to the application development income generated by continuous efforts in diversification into settlement application market. The Company already procured thousands of merchants to participate in its settlement application services. In order to capture its market share and procure sizable merchants in a short period of time, the Company would paid earnest deposits to these merchants. The earnest deposits would be subsequently utilized as incentives by giving E-coupons or discounts to the customers of the merchants. In return, the Company would share the transaction fee from the settlement application services and receive rebate income from these merchants. During the last quarter of 2018, the Group expanded its settlement application services through the acquisition of Goodwill Alliance International Limited ("Goodwill Alliance"). Goodwill Alliance is mainly engaged in referring merchants to Alipay.com Co., Ltd. to use the Alipay services in the PRC and has a certain sizable clientele in the PRC. The Group expects to realize synergistic effect as a result of the acquisition.

The Group reported a net loss of approximately HK$53.5 million for the year ended 31 December 2018. The decrease of net loss was mainly attributable to net effect of (i) the decrease in realised loss on financial assets at fair value through profit or loss, and (ii) the decrease in fair value loss on derivative financial assets and (iii) the absence of share-based payment.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2018, the Group reported a total revenue of approximately HK$90.7 million representing an increase of 64.9% compared to approximately HK$55.0 million in the same period in 2017. The increase was mainly attributable to application development income generated by continuous efforts in diversification into settlement application market.

Cost of sales

Cost of sales increased from approximately HK$46.7 million in 2017 to approximately HK$84.3 million in the same period in 2018. In terms of percentage of sales, the cost of sales increased from 84.9% in 2017 to 92.9% in 2018. The increase was in line with the increase in application development income and utilization of earnest deposits as incentives by giving E-coupons or discounts to the customers of the merchants.

Administrative expenses

Administrative expenses decreased by 88.8% from approximately HK$142.6 million in 2017 to approximately HK$15.9 million in the same period in 2018. The decrease was mainly due to (i) the decrease in marketing expense for settlement application market and (ii) the absence of share-based payment of approximately HK$81.7 million.

Other operating expenses

Other operating expenses decreased by 86.6% from approximately HK$195.4 million for the year ended 31 December 2017 to approximately HK$26.2 million for the year ended 31 December 2018. The decrease was attributable to the decrease in realised loss on financial assets at fair value through profit and loss.

Finance costs

Finance costs decreased by 78.0% from approximately HK$4.1 million in 2017 to approximately HK$0.9 million in the same period in 2018, which was the results of the decrease of the Company's convertible notes.

Loss for the year

The Group's loss for the year was approximately HK$53.5 million compared to loss of approximately HK$394.7 million in the same period in 2017. The decrease of net loss was mainly attributable to net effect of (i) the decrease in realised loss on financial assets at fair value through profit or loss; and (ii) the decrease in fair value loss on derivative financial assets and (iii) the absence of share-based payment.

Loss attributable to owners of the Company

Loss attributable to owners of the Company changed from a loss of approximately HK$392.8 million in 2017 to a loss of approximately HK$46.8 million in the same period of 2018.

Loss attributable to the non-controlling interests

The loss attributable to the non-controlling interests of approximately HK$6.8 million for the year ended 31 December 2018 (2017: loss attributable to the non-controlling interests of approximately HK$1.9 million).

REVIEW OF THE GROUP'S FINANCIAL POSITION AS AT 31 DECEMBER 2018

Liquidity and capital resources

The Group has internal budgeting systems in place to ensure that if and when cash is committed to fund major expenditures there is sufficient cash flow to maintain the Group's daily operations and meet all of its contractual obligations.

The Group funds its operations with sales revenue from its operating activities. The Group also has cash inflows from interest income and collections. Key drivers in the Group's sources of cash are primarily the Group's sales, and their inflow depends on the Group's ability to collect payments. There have been no material changes in the Group's underlying drivers during the period under review.

The Group did not incur any capital expenditure during the year of 2018 (2017: HK$Nil).

Save as disclosed above, there were no other charges on assets as at 31 December 2018 (2017: HK$ Nil).

The Group had cash and cash equivalents of approximately HK$18.1 million as at 31 December 2018 compared to approximately HK$37.2 million as at 31 December 2017.

Working Capital

Trade receivables have decreased by 11.9% from approximately HK$46.9 million in 2017 to approximately HK$41.3 million in the same period in 2018. This is in line with the continued consolidation and realignment of the Group business.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 31 December 2018 (2017: Nil).

GEARING RATIO

As at 31 December 2018, the Group's gearing ratio was approximately 2.8%, as compared to 2.4% as at 31 December 2017. The gearing ratio was calculated as the Group's total debt divided by its total capital, the total debt of the Group was approximately HK$14.7 million as at 31 December 2018. Total capital is calculated as total shareholder equity of HK$512.1 million plus debt.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no contingent liabilities (2017: Nil). The Company has not been acted as a guarantor of its subsidiaries to secure any interest-bearing borrowings.

FOREIGN EXCHANGE RISK MANAGEMENT

Certain of the Group's bank balances are denominated in Ringgit, United States Dollars and Renminbi, each of which is a currency other than the functional currency of the relevant group entities, which exposes it to foreign currency risk. The Group has not used any financial instruments to hedge against this currency risk. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

HUMAN RESOURCES

As at 31 December 2018, in addition to the Directors, there were approximately 52 employees (31 December 2017: 46) of the Group stationed in the Group's offices in Hong Kong, Shanghai, Shenzhen, Beijing and Kuala Lumpur. Total staff costs for the year ended 31 December 2018 were approximately HK$3.9 million, compared with approximately HK$85.9 million (which included share-based payment of approximately HK$81.7 million) in 2017. The saving was attributable to the Group's continuous efforts to reduce its overheads and re-allocate the project resources by increasing collaboration with third party partners, hence reducing the dependency on internal manpower needs.

The Group offers training and development courses for its employees to enhance the staff's working capabilities. Remuneration packages are linked to individual performance, the Group's business performance, and taking into consideration of the industry practices and market conditions, reviewed on an annual basis. Directors' remuneration is determined with reference to his duties and responsibilities with the Company, the Company's standards for emoluments and market conditions. Share options are also granted to eligible employees based on individual's performance as well as the Group's performance.

MANAGEMENT OUTLOOK

The Group had continued the efforts to consolidate and realign its businesses to enable the Group to achieve improvements in its financial position. The Group will utilise its existing technical knowledge and programmers to diversify its income stream and will continue to work towards, attaining a stable platform for sustainability and basis for continuous growth.

By leveraging the knowledge on its interactive virtual reality programming on different business sectors, such as animation and culture, during the last quarter of 2018, the Group obtained the license from the largest Japanese animation studio to conduct an interactive animation exhibition, named "Dragon Ball Super-Immersive Lab" in Hong Kong during 2019. The Group will continue to explore the potential of this business opportunities and utilize its resource with prudence in the future.

CENSURED BY THE LISTING COMMITTEE OF THE STOCK EXCHANGE

Upon conclusion of an investigation into the conduct of the Company and the relevant directors in relation to their obligations under the Listing Rules and the Declaration and Undertaking with regard to Directors given to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in the form set out in Appendix 5B to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), on 22 January 2018, the Listing Committee of the Stock Exchange ("Listing Committee") censured the Company and its directors (i.e. Mr. Li Jinglong, Mr. Zhang Ligong, Mr. Wang Zhongling and Mr. Kwan King Wah) and its former directors (i.e. Mr. Liu Wen and Mr. Tse Chin Pang) for breaching the relevant Listing Rules. For details, please refer to the regulatory announcement and news published by the Stock Exchange on 22 January 2018 ("Regulatory Announcement").

As stated in the Regulatory Announcement, the Listing Committee directed, among other things, that Mr. Li Jinglong, Mr. Zhang Ligong, Mr. Wang Zhongling, Mr. Kwan King Wah, Mr. Liu Wen and Mr. Tsz Chin Pang, should attend 24 hours of training on Listing Rule compliance and director's duties, including 4 hours of training on corporate governance and internal controls (the "Training"), to be provided by institutions such as the Hong Kong Institute of Chartered Secretaries, the Hong Kong Institute of Directors or other course providers approved by the Listing Department of the Stock Exchange (the "Listing Department"). Mr. Li Jinglong, Mr. Zhang Ligong, Mr. Wang Zhongling, Mr. Kwan King Wah, Mr. Liu Wen and Mr. Tsz Chin Pang then completed the Training and provided the Listing Department with the training provider's written certification of full compliance.

CORPORATE GOVERNANCE CODE

In connection with the listing of the Company on the Stock Exchange in February 2009, the Company adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules as its additional code on corporate governance practices on 2 February 2009. The Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2018.

BOARD COMPOSITION

As at 31 December 2018, there were six Board members consisting of three executive Directors and three independent non-executive Directors:

Executive Directors:
Li Jinglong
Zhang Ligong
Wang Zhongling *(Chief Executive Officer)*

Independent Non-executive Directors:
Cheng Ruixiong
Kwan King Wah
Lo Suet Lai

Board Diversity Policy

The Nomination Committee adopted the board diversity policy on 29 August 2013.

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

RESPONSIBILITIES OF THE BOARD

The Board is responsible for the overall direction and strategy of the Group, its performance, management and major financial matters. The Board meets regularly to devise and monitor strategies, approve acquisitions and disposals, review managerial performance, examine capital expenditures, approve budgets and handle important financial matters. The Board monitors business risk exposures and reviews performance based on strategies, budgetary goals and development programs. The Board also considers employee issues, key appointments and information for shareholders of the Company (the "Shareholders").

The Board meets at least four times a year at approximately quarterly internals and the Directors receive information between meetings about the activities of the Group. All Directors have full and timely access to all relevant information of the Group. In addition to the meetings of the Board, the senior management meets frequently to review and discuss the daily operation of the Group.

Names of the Directors	Directors' Attendance
Executive Directors:	
Li Jinglong	5/5
Zhang Ligong	5/5
Wang Zhongling *(Chief Executive Officer)*	5/5
Independent Non-executive Directors:	
Cheng Ruixiong	4/5
Kwan King Wah	4/5
Lo Suet Lai	4/5

CODE FOR DIRECTORS' DEALINGS

In connection with the listing of the Company on the Stock Exchange in February 2009, the Company adopted the Model Code as set out in Appendix 10 of the Listing Rules ("Model Code") as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry, the Company confirmed that all Directors have complied with the required standard set out in the Model Code for the year under review.

GENERAL MEETING

During the year under review, the Company convened an annual general meeting of the Company on 28 June 2018. The attendance record is set out below:

Names of the Directors	Directors' Attendance
Executive Directors:	
Li Jinglong	1/1
Zhang Ligong	1/1
Wang Zhongling *(Chief Executive Officer)*	1/1
Independent Non-executive Directors:	
Cheng Ruixiong	1/1
Kwan King Wah	1/1
Lo Suet Lai	1/1

DIRECTORS' APPOINTMENT, RE-ELECTION AND REMOVAL

Each of executive Directors has entered into a service agreement with the Company for a term of one year subject to termination by either party giving the other not less than three months' prior written notice.

Each of independent non-executive Directors has entered into a formal appointment letter with the Company for a term of one year subject to termination by either party giving the other not less than three months' prior written notice.

In accordance with bye-law 87(1) of the bye-laws of the Company (the "Bye-laws"), all Directors (including executive Directors and independent non-executive Directors) are subject to retirement by rotation at least once every three years. In accordance with bye-law 87(1) of the Bye-laws, Mr. Kwan King Wah and Ms. Lo Suet Lai will retire and seek re-election at the forthcoming annual general meeting.

BOARD MEETINGS AND BOARD PRACTICES

The Board meets at least four times a year and also meets on other occasions when a board-level decision on a particular matter is required. The company secretary of the Company (the "Company Secretary") will assist the Chairman to prepare the agenda of meetings and each Director may request to include any matters in the agenda. The Company Secretary is responsible for distributing detailed documents to Directors prior to the meetings of the Board to ensure that the Directors are able to make informed decisions regarding the matters to be discussed in the meetings so that they may receive accurate, timely and clear information. All Directors may access the advice and services of the Company Secretary who regularly updates the Board on governance and regulatory matters. All Directors will also be provided with sufficient resources to discharge their duties, and upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expense. The Company Secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing the Board with opinions on matters in relation to the compliance with the procedures of the Board meetings. All minutes of Board meetings were recorded in sufficient detail the matters considered by the Board and decisions reached.

DELEGATION OF POWERS

The Board delegates day-to-day operations of the Group to executive Directors and management of the Company with department heads responsible for different aspects of the business/functions, while reserving certain key matters in making strategic decision for its approval. When the Board delegates aspects of its management and administration functions to management, it gives clear directions as to the powers of management, in particular, with respect to the circumstances where management need to report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rules 3.10(1) and 3.10A of the Listing Rules, there are three independent non-executive directors representing at least one-third of the Board. Among the three independent non-executive directors, one has appropriate professional qualification in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The Board evaluates the independence of all independent non-executive Directors on an annual basis and has received written confirmation from each independent non-executive Director regarding his/her independence. As at the date of this report, the Board considers that all independent non-executive Directors are independent and in full compliance with the factors as set out in Rule 3.13 in the Listing Rules.

RELATIONSHIP WITHIN DIRECTORS

None of the Directors and/or members of the senior management are related.

DIRECTORS' TRAINING

According to the code provision A.6.5 of the CG Code, all directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the Directors.

During the year under review, the Company had received from each of the Directors the confirmations on taking continuous professional training.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer (the "CEO") should be separated and should not be performed by the same individual.

Mr. Liu Wen was the chairman and an independent non-executive Director of the Company until 5 June 2017 and Mr. Wang Zhongling, an executive Director, is the Company's CEO. The two positions are held by two separate individuals to ensure their respective independence, accountability and responsibility. Following the retirement of Mr. Liu Wen on 5 June 2017, the Company is in the progress of identifying suitable candidate to fill the vacancy for the chairman.

BOARD COMMITTEES

The Board has formally established a number of committees and agreed upon their terms of reference. The committees are:

Remuneration Committee

The Company established a remuneration committee (the "Remuneration Committee") on 28 June 2004 with written terms of reference, which was has revised from time to time, in compliance with the CG Code. The primary function of the Remuneration Committee is to review the remuneration packages of all the Directors and the senior management.

The Remuneration Committee constitutes Ms. Lo Suet Lai, an independent non-executive Director, acting as chairman of the Remuneration Committee with Mr. Cheng Ruixiong and Mr. Kwan King Wah, both of them are also independent non-executive directors, as members.

During the year under review, the Remuneration Committee made recommendations to the Board on remuneration of Directors and senior management and determined on behalf of the Board specific remuneration packages and conditions of employment for executive Directors and senior management with reference to their duties and responsibilities in the Company as well as the prevailing market conditions. The Remuneration Committee also determined the terms and conditions of service of the executive Directors, including the remuneration and grant of options to executive Directors and employees under the share option scheme of the Company and any other future share option schemes and arrangements adopted by the Company. Details of the Directors' remuneration and the executive share option scheme are shown in note 11 to the consolidated financial statements.

During the year under review, one meeting was held. The attendance records for the Remuneration Committee meeting are as follows:

Names of the members	Members' Attendance
Lo Suet Lai *(Chairman)*	1/1
Cheng Ruixiong	1/1
Kwan King Wah	1/1

The number of senior management of the Group whose remuneration for the year ended 31 December 2018 fell within the following band is as follows:

	Number of senior management
Nil to HK$1,000,000	2

Nomination Committee

The Company established a nomination committee (the "Nomination Committee") on 28 June 2004 with written terms of reference, which was revised from time to time, in compliance with the CG Code. The primary functions of Nomination Committee are to review the structure, size and composition of the Board, assess the independence of both of them are also independent non-executive Directors, and make recommendations to the Board relating the redesignation and appointment of the Directors.

The Nomination Committee constitutes Mr. Cheng Ruixiong, an independent non-executive Director, as chairman of the Nomination Committee with Mr. Kwan King Wah and Ms. Lo Suet Lai, both of them are also independent non-executive Directors, as members.

During the year under review, the Nomination Committee made recommendation to the Board on re-election of directors at the annual general meeting of the Company. It also reviewed the structure, size, composition and diversity of the Board and kept under review the leadership needs of the Group to ensure the continued ability of the Group to compete effectively in the market place.

During the year under review, one meeting was held. The attendance record for the Nomination Committee meeting is as follows:

Names of the members	Members' Attendance
Cheng Ruixiong *(Chairman)*	1/1
Kwan King Wah	1/1
Lo Suet Lai	1/1

Audit Committee

The Company established an audit committee (the "Audit Committee") on 28 June 2004 with written terms of reference, which was revised on 18 December 2015, in compliance with the Listing Rules. The Audit Committee is comprised of three members, namely Mr. Kwan King Wah as chairman with Mr. Cheng Ruixiong and Ms. Lo Suet Lai, both independent non-executive Directors as members. The arrangement of the Audit Committee complied with the Rule 3.21 of the Listing Rules.

The Audit Committee has reviewed with the management and the Company's independent external auditors, HLB Hodgson Impey Cheng Limited ("HLB"), the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting systems including the review of the consolidated financial statements for the year ended 31 December 2018, which have been audited by HLB.

CORPORATE GOVERNANCE FUNCTIONS

During the year under review, the Company's corporate governance functions were carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with code provision D.3.1 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

COMPANY SECRETARY

The Company has engaged in a service contract with an external service provider, which Mr. Cheung Chi Lok ("Mr. Cheung") is appointed as the Company Secretary. from 31 March 2017. The biography of Mr. Cheung has been set out on page 23 under the section of the Directors and Senior Management.

Being the Company Secretary, Mr. Cheung plays an important role in supporting the board by ensuring good information flow within the Board and that Board policy and procedures are followed.

He has taken more than 15 hours of relevant professional training for the year ended 31 December 2018.

AUDITORS' REMUNERATION

For the year ended 31 December 2018, the remuneration in respect of audit services assignment provided by the auditors of the Company, HLB Hodgson Impey Cheng Limited, amounted to approximately HK$1,000,000.

The accounts for the year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2018, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The reporting responsibility of the auditors of the Company on the consolidated financial statements of the Company for the year ended 31 December 2018 are set out in the Independent Auditors' Report.

SHAREHOLDERS' RIGHT

The rights of the shareholders of the Shareholders are set out in the Bye-laws.

Convening a special general meeting

The Shareholders may put forward their proposals or enquiries to the Board by sending their written request to the Company's principal place of business in Hong Kong.

Pursuant to bye-law 58 of the Bye-laws, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in accordance with the provisions of Section 74(3) of the Bermuda Companies Act.

Putting enquiries to the Board

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Any such questions shall be first directed to the Company Secretary at the Company's principal place of business in Hong Kong.

Putting forward proposals at Shareholders' meeting

Shareholder(s) can also submit a written requisition to move a resolution at a general meeting pursuant to Section 79 to 80 of the Bermuda Companies Act if they (a) represent not less than one-twentieth of the total voting rights of those shareholders having the right to vote at a general meeting; or (b) are not less than one hundred shareholders. The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the general meeting and deposited at the Company's principal place of business in Hong Kong.

The written requisition must be signed by all the Shareholders concerned in one or more documents in like form and deposited at the Company's principal place of business in Hong Kong for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition. A sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement given by the requisitionists to all shareholders in accordance with the requirements under the applicable laws and rules should also be accompanied.

RELATIONS WITH SHAREHOLDERS

The executive Directors and management team meet regularly with institutional investors, fund managers and analysts, as part of an active investor-relations program to discuss long-term issues and receive feedback.

During the year under review, there has been no significant change in the Company's constitutional documents.

INVESTOR RELATIONS

Enquiries relating to the Company's strategy or operations may be directed to:

Address: Room 626-629, Corporation Park, 11 On Lai Street, Siu Lek Yuen, Sha Tin, New Territories, Hong Kong

Email: ir@rcg.tw

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Board complied with the code provisions on risk management and internal control as set out in the CG Code. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board has overseen the Company's risk management and internal control systems on an ongoing basis. A year end review of the effectiveness of the Company's and its subsidiaries risk management and internal control systems has been conducted annually and the systems are considered to be effective and adequate. The Company does not have an internal audit department. However, the Group engaged an external consultant for internal control and risk management to carry out the analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

WHERE MORE INFORMATION ABOUT THE COMPANY IS AVAILABLE

This annual report 2018, and other information on the Company, may be reviewed on the website: www.rcg.tw and investor relations webpage: rcg.todayir.com.

Directors' Report

The Board of the Company is pleased to present this annual report, together with the Group's audited consolidated financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company incorporated in Bermuda with limited liability. The Group is principally engaged in provision of internet and mobile application and distribution of computer-related and mobile-related electronic products and accessories. There were no material changes in the nature of the Group's principal activities during the year. The activities of its principal subsidiaries are set out in note 21 to the consolidated financial statements.

BUSINESS REVIEW

In the opinion of the Directors, the future prospects of the Company is promising. The business review of the Group's for the year is set out in the sections of Director's Statement, Management Discussion and Analysis, Five-Year Financial Summary and the paragraphs below.

The Group complies with the requirements under the Companies Ordinance, the Listing Rules and the Securities and Futures Ordinance (the "SFO") for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest of employees of the Group.

KEY RISK FACTORS

The following lists out the key risks and uncertainties facing the Group.

Impact of Local and International Regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Third-Party Risks

The Group has been relying on third-party service providers in parts of business to improve performance and efficiency of the Group. While gaining the benefits from external service providers, the management realizes that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputed third-party providers and closely monitors their performance.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognizes the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the year under review.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analyze on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

The Group encompasses working relationships with suppliers to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to suppliers before the commencement of a project.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

The Group is committed to promoting sustainable development, which is extremely important to create long-term value for the Group's shareholders, clients, employees, other stakeholders, as well as general public. The Company cares about the impact of its daily operation on environment and society, strives to set a good example for the public, while conducting business operation, it makes effort to meet the interests of all stakeholders, economy, environment, society and corporate governance and does its best to achieve a fine balance.

For the purpose of disclosing the information in relation to ESG in accordance with the Appendix 27 to the Listing Rules, an ESG report of the Company will be published within three months from the date of this report.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2018 are set out in the Consolidated Statement of Profit or Loss on pages 33 to 34.

The Board maintains a cautious view to retain cash for running the business and fund its expansion, thus decided that there will be no dividend paid in respect of the year ended 31 December 2018.

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 36 and note 34 to the consolidated financial statements respectively.

SIGNIFICANT INVESTMENTS

As at 31 December 2018, the Group did not hold any significant investments.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company did not have reserves available for distribution (2017: HK$Nil).

SHARE CAPITAL

Details of movements in the share capital during the year ended 31 December 2018 are set out in note 25 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2018 are set out in note 16 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 83.5% of the Group's total sales for the year and sales to the Group's largest customer amounted to approximately 49.8%. Purchases from the Group's five largest suppliers accounted for approximately 91.9% to the Group's total purchases for the year and purchases from the Group's largest supplier amounted to approximately 52.8%.

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the issue share capital of the Company as at the date of this annual report) had any interest in any of the Group's five largest customers and five largest suppliers.

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

Executive Directors:

Li Jinglong
Zhang Ligong
Wang Zhongling *(Chief Executive Officer)*

Independent Non-executive Directors:

Cheng Ruixiong
Kwan King Wah
Lo Suet Lai

DIRECTORS' SERVICE CONTRACTS

Each of executive Directors has entered into a service agreement with the Company for a term of one year subject to termination by either party giving the other not less than three months' prior written notice.

Each of independent non-executive Directors has entered into a formal appointment letter with the Company for a term of one year subject to termination by either party giving the other not less than three months' prior written notice.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory obligations.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SIGNIFICANT CONTRACT

There is no contract of significance (whether or not for provision of service) was entered into between the Company and its any subsidiaries and the controlling shareholders or its subsidiaries.

INDEMNITY OF DIRECTORS

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Equity-linked agreements" in this report, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

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

Save as disclosed below, as at 31 December 2018, none of the persons or companies had interest or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO and were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meeting of any other members of the Group.

Name	Capacity	No. of issued ordinary shares of the Company	Approximate percentage of interest
Song Qifeng	Beneficial owner	226,590,000	8.3%

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

Post Listing Scheme and New Share Option Scheme

A post listing share option scheme (the "Post Listing Scheme") was adopted by the Company on 16 October 2008. Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 28 June 2013, the Post Listing Scheme was terminated and a new share option scheme (the "New Share Option Scheme") was adopted.

Share Option Schemes

Movements of the share options granted under the share option scheme of the Company during the year ended 31 December 2018 are as follows:

	Outstanding as at 1 January 2018	Granted	Exercised	Lapsed	Cancelled	Outstanding as at 31 December 2018	Date of grant	Vesting period	Exercisable period	Exercise price HK$
Post Listing Scheme										
Employees (note)	12,913	–	–	–	–	12,913	29 April 2010	1 year	29.04.2011 – 28.04.2020	25.44
New Share Option Scheme										
Eligible participants	5,000,000	–	–	–	–	5,000,000	26 January 2016	–	26.01.2016 – 25.01.2019	0.237
	152,320,000	–	–	–	–	152,320,000	1 June 2017	–	01.06.2017 – 31.05.2027	0.570
	248,370,000	–	–	–	–	248,370,000	28 July 2017	–	28.07.2017 – 27.07.2027	0.199
Total	405,702,913	–	–	–	–	405,702,913				

Note: The exercise price of the share options granted under the Post Listing Scheme and the number of shares to be allotted and issued upon exercise in full of the subscription rights attaching to the outstanding share options have been adjusted to HK$25.44 and 12,913 respectively, with effect from 25 August 2015, as a result of the share consolidation and open offer of ordinary shares of the Company.

Summary of principal terms of the Post Listing Scheme

The purpose of the Post Listing Scheme is to attract and retain personnel, to provide incentives to participants to work towards enhancing the value of the Company and its share for the benefit of the Company and its shareholders as a whole.

The Board may, at its discretion and on such terms as it may think fit, grant any participant an option as it may determine in accordance with the terms of the Post Listing Scheme. Participants of the Post Listing Scheme comprise Directors (including executive Directors and non-executive Directors) and full time employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, or service providers of any member of the Group.

The total number of shares available for issue under the Post Listing Scheme shall be 12,913 shares, representing 0.01% of the issued shares of the Company as at 31 December 2018.

The total number of shares issued and to be issued upon exercise of options granted and to be granted to each grantee (including exercised and outstanding options) in any twelve-month period shall not exceed 1 per cent of the shares in issue for the time being.

The Board may grant options on such terms and subject to such conditions as it thinks fit, including the amount payable on acceptance of the option and the period within which the option must be exercised. The Board may, in its absolute discretion, determine that options will be subject to performance targets that must be achieved before vesting. The Board will determine the minimum period, which shall be no less than one year, for which a share option must be held before it vests and any other conditions in relation to dealing with shares on vesting.

The subscription price payable on the exercise of an option shall be a price determined by the Board at its absolute discretion and notified to a participant and shall be no less than the greatest of: (i) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; or (iii) the nominal value of the shares.

The Post Listing Scheme was terminated on 28 June 2013, after which period no further options will be offered or granted.

Summary of principal terms of the New Share Option Scheme

The purpose of the New Share Option Scheme is to attract and retain personnel, to provide incentives to participants to work towards enhancing the value of the Company and its share for the benefit of the Company and its shareholders as a whole.

The Board may, at its discretion and on such terms as it may think fit, grant any participant an option as it may determine in accordance with the terms of the New Share Option Scheme. Participants of the New Share Option Scheme comprise Directors (including executive Directors and non-executive Directors) and full time employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, or service providers of any member of the Group.

The total number of shares available for issue under the New Share Option Scheme shall be 405,690,000 shares, representing 14.79% of the issued shares of the Company as at 31 December 2018.

The total number of shares issued and to be issued upon exercise of options granted and to be granted to each grantee (including exercised and outstanding options) in any twelve-month period shall not exceed 1 per cent of the shares in issue for the time being.

The Board may grant options on such terms and subject to such conditions as it thinks fit, including the amount payable on acceptance of the option and the period within which the option must be exercised. The Board may, in its absolute discretion, determine that options will be subject to performance targets that must be achieved before vesting. The Board will determine the minimum period, which shall be no less than one year, for which a share option must be held before it vests and any other conditions in relation to dealing with shares on vesting.

The subscription price payable on the exercise of an option shall be a price determined by the Board at its absolute discretion and notified to a participant and shall be no less than the greatest of: (i) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; or (iii) the nominal value of the shares.

The New Share Option Scheme was valid and effective for a period of ten years commencing on 28 June 2013.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company (other than service contracts with any Director or any person engaged in the full time employment of the Company) were entered into or existed during the year.

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

The total number of issued share capital of the Company as at 31 December 2018 was 2,743,729,744 ordinary shares.

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.

CONNECTED TRANSACTIONS

During the year, there was no connected transaction required to be reported.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

The Company has established the Remuneration Committee in June 2004. The emoluments of the directors of the Company are reviewed and approved by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market trends. The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in heading of "Equity-linked agreements" in this report.

PRE-EMPTIVE RIGHTS

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

COMPETITION AND CONFLICT OF INTEREST

None of the Directors or substantial shareholders of the Company or any of their representative close associates has engaged in any business that competes or may compete with the businesses of the Group or has any other conflict of interest with the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, there is sufficient public float as required under the Listing Rules.

CORPORATE GOVERNANCE

Details of the corporate governance practices of the Company are set out in the section of the Corporate Governance Report of this annual report on pages 9 to 15.

CHARITABLE CONTRIBUTIONS

During the year under review, the Group did not make charitable contribution (2017: HK$Nil).

AUDITORS

The accounts for the year ended 31 December 2018 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

By order of the Board
Li Jinglong
Executive Director

Hong Kong, 28 March 2019

Directors and Senior Management

EXECUTIVE DIRECTORS

Li Jinglong

Mr. Li Jinglong, aged 59, was appointed as an executive Director on 27 September 2011. He holds a diploma in Business Management from Beijing Society Han Shou University in China. Prior to joining the Group, Mr. Li has, since 2005, been the general manager of Shanghai Yu Heng Pharmaceuticals Technology Company Limited, a company which specialises in surgical dressing and medical consumable products, and where he oversaw the company's long term development plans, daily operations and vendors and distributors management. He was the general manager of ZhongXing Industrial Development Company Limited from 1995 to 2005 where he was responsible for daily operations, trading and business developments of the company. Mr. Li is responsible for the Group's business development in China.

Zhang Ligong

Mr. Zhang Ligong, aged 51, was appointed as an executive Director on 27 September 2011. He holds a diploma in Information Science and Engineering from Beijing Electrical & Information Engineering College in China. Prior to joining the Company, Mr. Zhang has been, since 2006, the deputy general manager of Beijing Zheshi Communications Technology Co. Ltd., a company specialising in home and office security and surveillance systems, and where he spearheaded sales, marketing and business development as well as being responsible for the company's operation and implementation of strategic direction. He was a technical engineer in Beijing Qinghe Textile Factory from 1986 to 2006. Mr. Zhang is responsible for the Group's business development in China.

Wang Zhongling
Chief Executive Officer

Mr. Wang Zhongling, aged 36, was appointed as an executive Director on 13 November 2012 and the chief executive officer of the Company on 2 December 2013. Mr. Wang is also a director of a number of subsidiaries of the Company. He holds a Diploma in Computer Science from the Jiaying College in China. Prior to joining the Company, Mr. Wang was, since 2008, the deputy general manager of Shenzhen Giinwin Technology Co. Ltd., a company specializing in computer intelligence and software development, wireless communication, smart device development, system integration and technical consultancy, where he was responsible for its operation and management. Mr. Wang has had more than 13 years experience in managing smart system projects in the technology sector and has held a number of senior technology related positions. Mr. Wang is responsible for the Group's technology investment and management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheng Riuxiong

Mr. Cheng Ruixiong, aged 50, was appointed as an independent non-executive Director on 4 September 2017. He was also appointed as the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee.

Mr. Cheng is currently operating a construction company in China since 2003. Before he established this construction company, he has over 10 years of working and management experience in private and public sectors.

Kwan King Wah

Mr. Kwan King Wah, aged 55, was appointed as an independent non-executive Director on 27 August 2012. He was also appointed as the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee.

Mr. Kwan, formerly known as Kwan Fu Tang and Kwan Chik Wah, is a fellow member of the Hong Kong Institute of Certified Public Accountants. He obtained a Diploma in Accountancy with credit awarded from Hong Kong Tuen Mun Technical Institute and had attended a Microsoft Certified Systems Engineer (MCSE) Course at UniTech Consultancy Limited. Mr. Kwan has had more than 23 years working experiences in providing his expertise in accounting and auditing services to various companies.

Mr. Kwan is the founder and the present sole proprietor to K.W. Kwan & Co., an audit firm which registered with Hong Kong Institute of Certified Public Accountants for practicing as Certified Public Accountants. Mr. Kwan presently holds directorship in one Hong Kong private company, namely Pronet Consulting Limited.

Lo Suet Lai

Ms. Lo Suet Lai, aged 30, was appointed as an independent non-executive Director on 12 September 2016. She was also appointed as the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee.

Ms. Lo graduated from Hong Kong Shue Yan University with Bachelor of Commerce (Honours) in Accounting. Prior to joining the Group, Ms. Lo worked in two international accounting firms in Hong Kong and the accounting work in Wanjia Group Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 401). Ms. Lo is presently acting as a consultant in a Hong Kong private company. She has years of accounting and auditing experiences.

SENIOR MANAGEMENT

Kenny Sim
Chief Financial Officer

Mr. Kenny Sim, aged 43, joined the Group in 2010 as a financial controller. Prior to joining the Group, Mr. Kenny Sim had over 13 years experience in corporate finance, investment management and banking, where he served in various capacities including as chief financial officer, executive director and financial controller of public listed companies. Mr. Kenny Sim is a Chartered Accountant of the Malaysian Institute of Accountants and a Certified Public Accountant of CPA Australia. He obtained his bachelor's degree in Accountancy and master's degree in Finance from the Royal Melbourne Institute of Technology, Australia.

Wang Haoyang
Chief Operating Officer

Mr. Wang, aged 31, was appointed as the chief operating officer of the Company on 8 August 2016. He graduated from East China University of Science and Technology. He has years of management and sales experience in the on-line to off-line platform of media services in China. Prior to joining the Company, Mr. Wang served as the executive of UnionPay Wallet ("UnionPay Wallet") Business Division of China UnionPay Co., Ltd.（中國銀聯股份有限公司）("China UnionPay"), representing China UnionPay to develop UnionPay Wallet business and handling the liaison functions with large national chain group customers, banks and development parties.

COMPANY SECRETARY

Cheung Chi Lok

Mr. Cheung holds a Bachelor of Business Administration with a major in Accountancy and a minor in Finance from the Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has worked in an international accounting firm and has years of experience in corporate secretary matters and accountancy.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

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The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
CHINA E-WALLET PAYMENT GROUP LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China E-Wallet Payment Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 32 to 113, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year 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 International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") 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 Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key Audit Matter	How our audit addressed the key audit matter
Impairment assessment of intangible assets	
Refer to note 18 to the consolidated financial statement	
Management performed impairment assessment of brand name and distribution network and concluded that an impairment loss on intangible assets approximately HK$24,032,000 was recognised. This conclusion was based on value in use model that required significant management judgement with respect to the discount rate and the underlying cash flows, in particular future revenue growth and capital expenditure. Independent external valuation was obtained in order to support management's estimates.	Our procedures in relation to management's impairment assessment included: • Evaluating the independent valuer's competence, capabilities and objectivity; • Assessing the methodologies used and the appropriateness of the key assumption based on our knowledge of the relevant industry and using our valuation experts; • Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and • Checking on a sampling basis, the accuracy and relevance of the input data used. We found the key assumptions were supported by the available evidence.

Key Audit Matter	How our audit addressed the key audit matter

Valuation of redemption option of convertible notes

Refer to note 20 and 30 to the consolidated financial statement

Management has estimated the fair value of the Group's redemption option of convertible notes approximately HK$542,000 as at 31 December 2018, with fair value loss for the year ended 31 December 2018 recorded in the consolidated statement of profit or loss and other comprehensive income of approximately HK$13,033,000. Independent external valuations was obtained in order to support the management's estimates. The valuations are dependent on certain key assumptions that required significant management judgement, including risk-free rates and dilution effect.

Our procedures in relation to management's valuation of redemption option of convertible notes included:

- Evaluating of the independent valuer's competence, capabilities and objectivity;
- Assessing the methodologies used and the appropriateness of the key assumption based on our knowledge of the convertible notes and using our valuation experts; and
- Checking, on a sampling basis, the accuracy and relevance of the input data used.

We found that the key assumptions were supported by the available evidence.

Key Audit Matter	How our audit addressed the key audit matter

Allowance for expected credit losses assessment of trade receivables

Refer to note 22 to the consolidated financial statements

the Group had trade receivables of approximately HK$41,287,000 and provision for allowance for expected credit losses of approximately HK$615,000.

In general, the trade receivable credit terms granted by the Group to the customers ranged between 30 to 180 days. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.

We focused on this area due to the impairment assessment of trade receivables under the expected credit losses model involved the use of significant management judgements and estimates.

Our procedures in relation to management's impairment assessment of the trade receivables as at 31 December 2018 included:

- Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, and validating the control effectiveness on a sample basis;
- Checking, on a sample basis, the ageing profile of the trade receivables as at 31 December 2018 to the underlying financial records and post year-end settlements to bank receipts;
- Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as performing public search of credit profile of selected customers, understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and
- Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

We found that the management judgment and estimates used to assess the recoverability of the trade receivables and determine the impairment provision to be supportable by available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' 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 of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' 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 auditors' report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 90 of the BERMUDA Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 auditors' report is Mr. Kwok Tsz Chun.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Kwok Tsz Chun
Practising Certificate Number: P06901

Hong Kong, 28 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	8	**90,729**	55,009
Cost of sales		**(84,295)**	(46,723)
Gross profit		**6,434**	8,286
Other revenue and gains	9	**2,760**	231
Fair value loss on derivative financial assets		**(13,033)**	(81,536)
Unrealised (loss)/gain on financial assets at fair value through profit or loss, net		**(6,924)**	3,382
Impairment loss on available-for-sales financial assets, net		**–**	(12,992)
Administrative expenses		**(15,886)**	(142,624)
Other operating expenses		**(26,217)**	(195,403)
Loss from operations	10	**(52,866)**	(420,656)
Finance costs	12	**(899)**	(4,092)
Loss before taxation		**(53,765)**	(424,748)
Taxation	13	**230**	30,053
Loss for the year		**(53,535)**	(394,695)
Loss for the year attributable to:			
Owners of the Company		**(46,754)**	(392,785)
Non-controlling interests		**(6,781)**	(1,910)
		(53,535)	(394,695)
		HK cents	HK cents
Loss per share			
– Basic and diluted	14	**(1.70)**	(15.57)

The accompanying notes from an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Loss for the year		**(53,535)**	(394,695)
Other comprehensive income for the year			
Items that may be reclassified to profit or loss:			
Reclassification adjustment relation to impairment loss on available-for-sale financial assets		**–**	(352)
Exchange differences on translating foreign operations		**493**	767
		493	415
Total comprehensive loss for the year		**(53,042)**	(394,280)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(46,261)**	(392,370)
Non-controlling interests		**(6,781)**	(1,910)
		(53,042)	(394,280)

The accompanying notes from an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**1,653**	1,264
Derivative financial assets	20	**–**	13,575
Available-for-sale financial assets	19	**–**	4,678
Goodwill	17	**4,686**	–
Intangible assets	18	**32,401**	24,032
		38,740	43,549
Current assets			
Financial assets at fair value through profit or loss	20	**17,044**	6,776
Trade receivables	22	**41,287**	46,857
Deposits, prepayments and other receivables	23	**488,951**	523,392
Derivative financial assets	20	**542**	–
Cash and bank balances	24	**18,125**	37,195
		565,949	614,220
Total assets		**604,689**	657,769
CAPITAL AND RESERVES			
Share capital	25	**109,749**	109,749
Reserves	26	**403,060**	477,934
Equity attributable to owners of the Company		**512,809**	587,683
Non-controlling interests		**12,071**	18,852
Total equity		**524,880**	606,535

	Notes	2018 HK$'000	2017 HK$'000
LIABILITIES			
Non-current liabilities			
Convertible notes	30	–	14,185
Deferred tax liabilities	27	**11,487**	3,449
		11,487	17,634
Current liabilities			
Trade payables	28	**24,993**	20,953
Accruals and other payables	29	**27,500**	11,607
Convertible notes	30	**14,709**	–
Tax payables		**1,120**	1,040
		68,322	33,600
Total liabilities		**79,809**	51,234
Total equity and liabilities		**604,689**	657,769
Net current assets		**497,627**	580,620
Total assets less current liabilities		**536,367**	624,169

The consolidated financial statements on pages 32 to 113 were approved and authorised for issue by the board of directors of the Company on 28 March 2019 and signed on its behalf by:

Li Jinglong
Executive Director

Zhang Ligong
Executive Director

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share Capital HK$'000	Share Premium HK$'000	Available-for-sale securities revaluation reserve HK$'000	Share-based compensation reserve HK$'000	Capital reserve HK$'000	Convertible equity reserve HK$'000	Translation reserve HK$'000	Legal reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1 January 2017	93,749	2,698,881	352	5,247	(872)	160,245	(32,674)	48	(2,047,761)	877,215	20,762	897,977
Loss for the year	–	–	–	–	–	–	–	–	(392,785)	(392,785)	(1,910)	(394,695)
Other comprehensive income for the year	–	–	–	–	–	–	767	–	–	767	–	767
Reclassification adjustments relating to available-for-sales financial assets	–	–	(352)	–	–	–	–	–	–	(352)	–	(352)
Total comprehensive loss for the year	–	–	(352)	–	–	–	767	–	(392,785)	(392,370)	(1,910)	(394,280)
Grant of share options	–	–	–	81,680	–	–	–	–	–	81,680	–	81,680
Lapse of share options	–	–	–	(4,507)	–	–	–	–	4,507	–	–	–
Issue of shares upon conversion of convertible notes	16,000	129,368	–	–	–	(139,343)	–	–	15,133	21,158	–	21,158
At 31 December 2017	109,749	2,828,249	–	82,420	(872)	20,902	(31,907)	48	(2,420,906)	587,683	18,852	606,535
Adoption of IFRS 9 (note 4)	-	-	-	-	-	-	-	-	(28,613)	(28,613)	-	(28,613)
Adjusted balance at 1 January 2018	109,749	2,828,249	-	82,420	(872)	20,902	(31,907)	48	(2,449,519)	559,070	18,852	577,922
Loss for the year	-	-	-	-	-	-	-	-	(46,754)	(46,754)	(6,781)	(53,535)
Other comprehensive income for the year	-	-	-	-	-	-	493	-	-	493	-	493
Total comprehensive loss for the year	-	-	-	-	-	-	493	-	(46,754)	(46,261)	(6,781)	(53,042)
At 31 December 2018	109,749	2,828,249	-	82,420	(872)	20,902	(31,414)	48	(2,496,273)	512,809	12,071	524,880

Note:

Upon the adoption of IFRS 9 Financial Instruments on 1 January 2018, an impact of HK$28,613,000 was recorded as an adjustment to the retained earnings as at 1 January 2018, which represented the impairment loss allowance. Details of the adjustment are set out in the Note 4.

Consolidated Statement of Cash Flow

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Operating activities			
Loss before taxation		**(53,765)**	(424,748)
Adjustments for:			
Amortisation of intangible assets	18	**831**	10,309
Depreciation	16	**597**	615
(Gain)/loss on disposal of property, plant and equipment	9	**(150)**	5
Realised (gain)/loss on disposal of financial asset at fair value through profit or loss	9/10	**(2,541)**	167,597
Realised loss on disposal of available-for-sale financial assets though profit or loss	10	**–**	4,395
Impairment loss on trade receivables	22	**–**	154
Impairment loss on intangible assets	18	**24,032**	23,257
Allowance for expected credit losses recognised in respect of trade and other receivables	10	**409**	–
Allowance for expected credit losses recognised in respect of other deposits	10	**1,776**	–
Fair value loss on derivative financial assets	30	**13,033**	81,536
Fair value loss on available-for-sale financial assets		**–**	12,992
Unrealised loss arising on fair value of financial assets at fair value through profit or loss		**6,924**	(3,382)
Bank interest income	9	**(2)**	(1)
Share-based payment expenses	10	**–**	81,680
Finance costs	12	**899**	4,092
Operating cash flow before movements in working capital		**(7,957)**	(41,499)
Decrease/(increase) in trade receivables		**5,076**	(10,083)
Increase in deposits, prepayment and other receivables		**(25,742)**	(312,757)
Increase/(decrease) in trade payables		**4,040**	(17,056)
Increase/(decrease) in accruals and other payables		**15,362**	(21,128)
Purchase of financial assets at fair value through profit or loss		**(25,503)**	(4,086)
Proceeds from disposal of financial assets at fair value through profit or loss		**15,530**	3,237
Cash used in operations		**(19,194)**	(403,372)
Bank interest income received	9	**2**	1
Interest paid		**–**	(1,768)
Income tax refunded/(paid)		**40**	(33)
Net cash used in from operating activities		**(19,152)**	(405,172)

Consolidated Statement of Cash Flow

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Investing activities			
Purchase of property, plant and equipment	16	**(986)**	(1,513)
Proceeds from disposal of property, plant and equipment		**150**	10
Proceeds from disposal of available-for-sales financial asset		**–**	609
Net cash inflow from acquisition of subsidiary		**425**	–
Net cash used in investing activities		**(411)**	(894)
Net cash generated from financing activities		**–**	–
Net decrease in cash and cash equivalents		**(19,563)**	(406,066)
Cash and cash equivalents at the beginning of the year	24	**37,195**	442,496
Effect of exchange rate change		**493**	765
Cash and cash equivalent at the end of the year		**18,125**	37,195

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Ms. Cheng Hei Yu is the substantial shareholder of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 21.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company and all values are rounded to nearest thousand except otherwise indicated.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the disclosure requirements of Hong Kong Companies Ordinance.

3. BASIS OF PREPARATION

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

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

3. BASIS OF PREPARATION (CONTINUED)

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

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

The principal accounting policies applied in the preparation of these consolidated financial statements are set out in note 6. These policies have been consistently applied to all the years presented, unless otherwise stated. Certain comparative figures of prior years have been re-presented to conform with current year's presentation.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

In the current year, the Group has applied for the first time, the following new and revised IFRSs ("**new and revised IFRSs**") issued by the IASB, which are effective for the Group's financial year beginning on or after 1 January 2018:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

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

The above new and revised IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	31 December 2017 HK$'000	IFRS 9 HK$'000	1 January 2018 HK$'000
Non-current assets			
Available-for-sale financial assets	4,678	(4,678)	–
Current assets			
Trade receivables	46,857	(206)	46,651
Deposits, prepayments and other receivables	523,392	(28,407)	494,985
Financial assets at fair value through profit or loss	6,776	4,678	11,454
Net current assets	580,620	(23,935)	556,685
Net assets	606,535	(28,613)	577,922
Capital and reserves			
Reserves	477,934	(28,613)	449,321
Total equity	606,535	(28,613)	577,922

IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments, Amendments to IFRS 9 Prepayment Features with Negative Compensation and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, and 2) expected credit losses ("ECL") for financial assets and other items.

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

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

Accounting policies resulting from application of IFRS 9 are disclosed in note 6.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other item subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

Classification and measurement

	Available-for-sale financial assets HK$'000	Financial assets at fair value through profit or loss ("FVTPL") HK$'000
Closing balance at 31 December 2017 – IAS 39	4,678	6,676
Effect arising from initial application of IFRS 9:		
Reclassification from available-for-sale assets to FVTPL (note (a))	(4,678)	4,678
Opening balance at 1 January 2018, (restated)	–	11,454

Notes:

(a) From available-for-sale financial assets investments to FVTPL

At the date of initial application of IFRS 9, available-for-sale financial assets of approximately HK$4,678,000 which is related to quoted equity investments previously measured at fair value under IAS 39 were reclassified to financial assets at FVTPL. There is no impact of transition to IFRS 9 on reserve at 1 January 2018.

Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and other receivables. Except for those which had been determined as credit impaired under IAS 39. ECL for other financial assets at amortised cost, including other receivables, and bank balances, are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

Other financial assets measured at amortised cost

Other financial assets at amortised cost, including cash and bank balances are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

Other financial assets measured at amortised cost (Continued)

The following tables summarized the impact, net of tax, of transition IFRS 9 on the opening balance of accumulated loss as 1 January 2018 as follow:

	Accumulated loss HK$'000
As at 31 December 2017	2,420,906
Increase in expected credit loss ("ECLs") in	
– Trade receivables	206
– Deposits and other receivables	28,407
Accumulated loss as at 1 January 2018, (restated)	2,449,519

All loss allowances, including trade receivables, deposits and other receivables as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Trade receivables HK$'000	Deposits and other receivables HK$'000
At 31 December 2017-IAS 39	–	–
Amounts re-measured through opening		
– Accumulated loss	206	28,407
At 1 January 2018-IFRS 9, (restated)	206	28,407

IFRS 15 Revenue from Contracts with Customers and the related amendments

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

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

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS") (CONTINUED)

Other financial assets measured at amortised cost (Continued)

IFRS 15 Revenue from Contracts with Customers and the related amendments (Continued)

The Group recognises revenue mainly from following major sources which arise from contracts with customers.

- Internet and mobile's application and related accessories

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in note to the consolidated financial statement.

5. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC – Int 23	Uncertainty over income Tax Treatments[1]
Amendments to IFRS 3	Definition of Business[4]
Amendments to IFRS 10 and IAS 28	Sale and Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Venture[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle[1]

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

Except as mentioned below, the directors of the Company anticipate that the application of all other new and revised to IFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

5. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

IFRS 16 Leases

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

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flow will also be affected as operating lease payments under IAS 17 are presented as operating cash flows, whereas under the IFRS 16 model, the lease payments will be spilt into a principal and an interest portion which will be preserved as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Further, extensive disclosures are required by IFRS 16.

As set out in note 35, total operating lease commitment of the Group in respect of its property rental as at 31 December 2018 was amounting to approximately HK$137,000. A preliminary assessment indicated that these arrangement will meet the definition of a lease under IFRS 16, and hence the Group will recognize 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 IFRS 16.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognize the cumulative effect of initial application to opening retained earnings without restating comparative information.

Except for the new and amendments to IFRSs and interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

6. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company:

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

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree.

Acquisition-related costs are generally recognised in profit or loss as incurred.

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

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see note above); and

– assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combinations (Continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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

(c) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(e) Revenue recognition

Revenue from contracts with customers (upon adoption of IFRS 15 in accordance with transitions in note 4)

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

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

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

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- The Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance complete to date.

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue recognition (Continued)

Revenue from contracts with customers (upon adoption of IFRS 15 in accordance with transitions in note 4) (Continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

Sale of goods and service

Revenue from sale of good and service from internet and mobile's application and related accessories is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. The normal credit term is 30 to 180 days upon delivery. Payment in advance is required for some contracts.

Distribution of computer and mobile related electronic products and accessories

Revenue from the distribution of computer-related and mobile-related electronic products and accessories included mobile payment platform and gaming industry and in particular in application development for merchants, online gaming, interactive virtual reality experience utilities application for mobile platform and mass advertising. are recognised when control of the products has transferred, being at the point the products are delivered to the customer and the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Revenue (before adoption of IFRS 15 on 1 January 2018)

Sale of goods

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

(i) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

(ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(iii) the amount of revenue can be measured reliably;

(iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and

(v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue recognition (Continued)

Revenue (before adoption of IFRS 15 on 1 January 2018) (Continued)

Rendering of services

Revenue from provision of biometric and RFID solution services and development of internet and web software are recognised when the services are rendered.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and amount of income can be measured reliably.

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

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided at rates calculated to write off the cost of property, plant and equipment, less their estimated residual value, over their expected useful lives, using straight-line method.

The principal annual rates are as follows:

Leasehold improvements	20%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Development tools	20%

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

(g) Impairment of tangible and intangible assets other than goodwill

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

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

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of tangible and intangible assets other than goodwill (Continued)

Recoverable amount is the higher of fair value less costs to sell 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease (see note above).

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (see note above).

(h) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong Dollars ("**HKD**"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

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

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Foreign currencies (Continued)

Exchange differences are recognised in the income statement in the period in which they arise except for:

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in the income statement on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollars using exchange rates prevailing at the end of the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset. All of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments of identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translation at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

(j) Taxation

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

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

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of goodwill.

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

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

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

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

(k) Retirement benefit costs

(i) Short term employee benefits and contributions to defined contribution retirement plans

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") for its subsidiaries in Hong Kong under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Pursuant to the relevant laws and regulations, the subsidiaries in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("**EPF**"). Contributions are made based on a percentage of the employees' basic salaries and such contributions are recognised as an expense in the income statement as incurred.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Retirement benefit costs (Continued)

(i) Short term employee benefits and contributions to defined contribution retirement plans (Continued)

Pursuant to the relevant regulations of the government of the People's Republic of China (the "**PRC**"), the subsidiaries operating in the PRC have participated in central pension schemes (the "**Schemes**") operated by local municipal governments, whereby the subsidiaries in the PRC are required to contribute a certain percentage of the basic salaries of their employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries in the PRC. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above.

Contributions under the Schemes are charged to the income statement as incurred. There are no provisions under the Schemes whereby forfeited contributions may be used to reduce future contributions.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share-based compensation reserve within equity. The fair value is measured at grant date using the binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses with a corresponding increase in equity (share-based compensation reserve), when the Group obtains the goods or when the counter parties render services, unless the goods or services qualify for recognition as assets.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (before the adoption of IFRS 9 as at 1 January 2018)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (before the adoption of IFRS 9 as at 1 January 2018) (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3, applies (ii) held for trading, or (iii) it is designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the consolidated income statement.

Fair value is determined in the manner described in note 20.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (before the adoption of IFRS 9 as at 1 January 2018) (Continued)

Financial assets (Continued)

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed equity instruments by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. Fair value is determined in the manner described in note 19. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see above), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in income statement. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale securities revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to income statement.

Dividends on AFS equity instruments are recognised in income statement when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, deposits, prepayments and other receivables, pledged bank deposits and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (before the adoption of IFRS 9 as at 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

– significant financial difficulty of the issuer or counterparty; or

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

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 180 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (before the adoption of IFRS 9 as at 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

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

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (before the adoption of IFRS 9 as at 1 January 2018) (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities

Other financial liabilities (including trade and bills payables, accruals and other payables, amount due to a shareholder, amount due to a related company and borrowings) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Derecognition

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (under adoption of IFRS 9 as at 1 January 2018)

Financial assets and financial liabilities are recognised when the group entity becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value except for trade receivable arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised in profit or loss.

Financial assets

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically

a. debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI"), are subsequently measured at amortised cost;

b. debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI; and

c. all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Group may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income; and

- the Group may irrevocably designate a debt instrument that meets the amortised cost of FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (under adoption of IFRS 9 as at 1 January 2018) (Continued)

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECLs"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Interest income is recognised in profit or loss and is included in the "Other income" line item.

Debt instruments that are subsequently measured at amortised cost are subject to impairment.

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

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

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (under adoption of IFRS 9 as at 1 January 2018) (Continued)

Amortised cost and effective interest method (Continued)

Impairment of financial assets

The Group recognises loss allowances for ECLs on the following financial instruments that are neither measured at FVTPL:

(a) Trade receivables

(b) Deposits and other receivables

(c) cash and bank balances

ECLs are required to be measured through a loss allowance at an amount equal to:

(a) 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date (referred to as Stage l); or

(b) Lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument (referred to as Stage 2 and Stage 3).

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

The Group always recognises lifetime ECL for amounts due from related companies. The ECL on these assets are assessed individually for debtors with significant balances.

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

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of financial instruments that share similar economic risk characteristics. The measurement of loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate, regardless of whether it is measured on an individual basis or a collective basis.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (under adoption of IFRS 9 as at 1 January 2018) (Continued)

Amortised cost and effective interest method (Continued)

Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (under adoption of IFRS 9 as at 1 January 2018) (Continued)

Amortised cost and effective interest method (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

Credit-impaired financial assets

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

(a) significant financial difficulty of the borrower or issuer;

(b) a breach of contract such as a default or past due event;

(c) the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

(d) the disappearance of an active market for a security because of financial difficulties; or

(e) the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off policy

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

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (under adoption of IFRS 9 as at 1 January 2018) (Continued)

Measurement and recognition of ECLs

The measurement of ECLs is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each separate group continues to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (under adoption of IFRS 9 as at 1 January 2018) (Continued)

Measurement and recognition of ECLs (Continued)

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risk are taken into account by adjusting the cash shortfalls being discounted.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables where the corresponding adjustment is recognized through a loss allowance account.

Presentation of allowance for ECL in the consolidated statements of financial position

Loss allowances for ECL are presented in the consolidated statements of financial position as follows:

(a) for financial assets measured at amortised cost; loss allowances for ECL are presented in the consolidated statements of financial position as a deduction from the gross carrying amount of the assets;

(b) for equity instruments measured at FVTOCI, no loss allowance is recognised in the consolidated statements of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the FVTOCI reserve.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity.

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

Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities, including other payables, amounts due to related companies, amount due to a related party and secured borrowings are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (under adoption of IFRS 9 as at 1 January 2018) (Continued)

Measurement and recognition of ECLs (Continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity instruments

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

(n) Convertible notes

The component parts of convertible notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to convertible equity reserve. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and other short-term highly liquid investments that are directly convertible to a known amount of cash and are insignificant risk of change in value.

(p) Borrowing costs

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

(q) Leasing

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

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group¡¦s general policy on borrowing costs (see note above). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

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

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Related parties transactions

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

(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 of a parent of the Group.

(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 subsidiaries is related to the others);

(ii) one entity is an associate or joint venture of the other entity for an associate (or joint venture of a member of a group 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. If the Group is itself such a plan, the sponsoring employees are also 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 member of the key management personnel of the entity (or of a parent of the entity); or

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

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

A transaction is considered to be a related party transaction when there is a transfer of resources and obligations between related parties.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(t) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of operating segments, has been identified as the key managements of the Company.

The key management consider the business for both business and geographic respective. Business respective include Internet & Mobile's Application & Related Accessories and Trading of Security & Biometric Products operating segments. Geographic respective include Southeast Asia (include China) and Middle East.

7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with IFRSs requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and area involving a high degree of judgements are described below:

(a) Estimated impairment of goodwill

The management of the Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 6(c). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The management would refer to the valuation performed by independent qualified valuers. In performing the valuation, the valuers have based on method of valuation which involves certain estimates and assumptions.

(b) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be 3-5 years. As changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, future depreciation charges could be revised. 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.

7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Estimated expected credit losses of trade and other receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

(e) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are primarily based on market conditions existing at the end of each reporting period.

(f) Impairment of intangible assets

The directors of the Company reconsidered the recoverability of the Group's intangible assets "logo", "contract rights", "product development and design", "mobile applications software and technology" and "brand name and distribution networks". The recoverable amounts of the intangible assets have been determined based on value-in-use calculations. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the intangible assets and a suitable discount rate in order to calculate the present value. The management refers to the valuation performed by independent qualified valuers. In performing the valuation, the valuers have based on method of valuation which involves certain estimates and assumptions.

(g) Fair value measurement of derivative financial instruments

The derivative financial instruments have been valued based on valuation technique. The valuation required the Group to make estimates about earning volatility, earning growth rate and discount rate, and hence they are subject to uncertainty. Further details are contained in Notes 20 and 30 to the consolidated financial statements.

8. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the key management. This key management reviews the Group's internal reporting in order to assess performance and allocate resources. Key management has determined the operating segments based on these reports.

8. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The key management considers the business from both a business and geographic perspective. From business perspective, key management assesses the performance of internet and mobile's application and related accessories and trading of security and biometric products operating segments.

– Internet & mobile's application and related accessories segment are mobile payment platform and gaming industry and in particular in application development for merchants, online gaming, interactive virtual reality experience utilities application for mobile platform and mass advertising;

– Trading of security & biometric products segment consists of biometrics and RFID products for consumer applications. The Group predominantly sells to distributors, system integrators and security system providers.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segments performance is evaluated base on reportable segments gross profit which is a measure of segment profit.

The following table presents the Group's turnover, segment results and other information for business segments:

	Internet and Mobile's Application and Related Accessories		Trading of Security and Biometric Products		Unallocated		Total	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Revenue – external sales	90,729	54,952	–	57	–	–	90,729	55,009
Segment results	6,434	8,283	–	3	–	–	6,434	8,286
Unallocated other operating income					2,760	231	2,760	231
Change in fair value of derivative financial assets					(13,033)	(81,536)	(13,033)	(81,536)
Unrealised (loss)/gain on financial assets at fair value through profit or loss					(6,924)	3,382	(6,924)	3,382
Depreciation	(583)	(572)	(6)	(7)	(8)	(36)	(597)	(615)
Amortisation of intangible assets	(831)	(10,309)	–	–	–	–	(831)	(10,309)
Impairment loss on available-for-sale financial assets	–	–	–	–	–	(12,992)	–	(12,992)
Impairment loss on trade receivables	–	(154)	–	–	–	–	–	(154)
Allowance for expected credit losses on trade receivables	(409)	–	–	–	–	–	(409)	–
Allowance for expected credit losses on other deposits	(1,776)	–	–	–	–	–	(1,776)	–
Impairment loss on intangible assets	(24,032)	(23,257)	–	–	–	–	(24,032)	(23,257)
Unallocated expenses					(14,458)	(303,692)	(14,458)	(303,692)
Finance costs					(899)	(4,092)	(899)	(4,092)
Loss before taxation							(53,765)	(424,748)
Taxation							230	30,053
Loss for the year							(53,535)	(394,695)

8. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2017: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 6. Segment profit represents the profit earned incurred by each segment without allocation of other revenue and gains, change in fair value of financial assets at fair value through profit or loss, change in fair value of derivative financial assets, administrative expenses, other operating expenses, finance costs and taxation. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

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

- all assets are allocated to operating segments other than derivative financial assets, available-for-sale financial assets, financial assets at fair value through profit or loss and other financial assets. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and

- all liabilities are allocated to operating segments other than convertible notes, deferred tax liabilities and other financial liabilities. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

	Internet and Mobile's Application and Related Accessories		Trading of Security and Biometric Products		Unallocated		Total	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Segment assets	**168,957**	61,900	**28**	100	**435,704**	595,769	**604,689**	657,769
Segment liabilities	**29,962**	34,484	**306**	321	**49,541**	16,429	**79,809**	51,234
Other segment information:								
Capital expenditure	**986**	1,513	**–**	–	**–**	–	**986**	1,513
Depreciation	**(583)**	(572)	**(6)**	(7)	**(8)**	(36)	**(597)**	(615)
Amortisation of intangible assets	**(831)**	(10,309)	**–**	–	**–**	–	**(831)**	(10,309)
Impairment loss on trade receivables	**–**	(154)	**–**	–	**–**	–	**–**	(154)
Impairment loss on intangible assets	**(24,032)**	(23,257)	**–**	–	**–**	–	**(24,032)**	(23,257)
Allowance for expected credit losses on trade receivables	**(409)**	–	**–**	–	**–**	–	**(409)**	–
Allowance for expected credit losses on other deposits	**(1,776)**	–	**–**	–	**–**	–	**(1,776)**	–
Reversal of written off on trade receivables	**–**	–	**–**	8	**–**	310	**–**	8
Impairment loss on available-for-sales financial assets, net	**–**	–	**–**	–	**–**	(12,992)	**–**	(12,992)
Loss on disposal of property, plant and equipment	**–**	(5)	**–**	–	**–**	–	**–**	(5)
Realised loss on financial assets at fair value through profit or loss	**–**	–	**–**	–	**–**	(167,597)	**–**	(167,597)
Realised loss on available-for-sales financial assets	**–**	–	**–**	–	**–**	(4,395)	**–**	(4,395)
Unrealised (loss)/gain on financial assets at fair value through profit or loss, net	**–**	–	**–**	–	**(6,924)**	3,382	**(6,924)**	3,382
Fair value loss on derivative financial assets	**–**	–	**–**	–	**(13,033)**	(81,536)	**(13,033)**	(81,536)

8. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (Continued)

The Group's revenue from its major products and services were as follow:

Disaggregation of revenue from contracts with customers

	2018 HK$'000	2017 HK$'000
Revenue from contracts with customers:		
Revenue is analysis by type of goods and services		
Mobile's application development and settlement application services	**84,083**	53,976
Computer and mobile related electronic products	**6,646**	976
Trading of security and biometric products	**–**	57
	90,729	55,009
Timing of revenue recognition		
A point in time	**90,729**	55,009
Geographical market:		
Hong Kong	**18,005**	10,168
Other Asian Countries	**72,724**	44,841
	90,729	55,009

8. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group operates in two principal geographical areas – Hong Kong and Other Asian Countries. The following tables provide an analysis of the Group's revenue, segment results and other information by geographical areas, irrespective of the origin of the goods and services:

Revenue and Segment results

	Revenue		Segment results	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Hong Kong	18,005	10,168	2,225	3,123
Other Asian Countries	72,724	44,841	4,209	5,163
	90,729	55,009	6,434	8,286

	Segment assets		Segment liabilities		Additions to non-current assets		Amortisation and deprecation	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Hong Kong	511,457	180,549	58,468	40,782	986	1,513	1,414	10,908
Other Asian Countries	93,232	477,220	21,341	10,452	–	–	14	16
	604,689	657,769	79,809	51,234	986	1,513	1,428	10,924

Information about major customers

Revenue from major customers, each of them accounted for the 10% or more of the Group's revenue, are set out below:

	2018 HK$'000	2017 HK$'000
Customer A	45,159	–
Customer B	13,748	–
Customer C	11,080	–

Revenue derived from customers did not contribute 10% or more to the Group's total revenue during the year ended 31 December 2017.

9. OTHER REVENUE AND GAINS

	2018 HK$'000	2017 HK$'000
Other revenue		
Bank interest income	2	1
Dividend income	5	5
Gain on disposal of plant and equipment	150	–
Sundry income	62	217
	219	223
Other gains		
Realised gain on financial assets at fair value through profit or loss	2,541	–
Reversal of written off on trade receivables	–	8
	2,541	8
Total	2,760	231

10. LOSS FROM OPERATIONS

Loss from operations is stated after charging:

	2018 HK$'000	2017 HK$'000
Depreciation		
– Owned assets	597	615
Cost of inventories sold	83,929	38,773
Amortisation of intangible assets	831	10,309
Loss on disposal of property, plant and equipment	–	5
Allowance for expected credit losses on trade receivables*	409	–
Allowance for expected credit losses on other deposits*	1,776	–
Impairment loss on trade receivables*	–	154
Impairment loss on intangible assets*	24,032	23,257
Realised loss on financial assets at fair value through profit and loss*	–	167,597
Realised loss on available-for-sale financial assets*	–	4,395
Foreign exchange loss	–	2
Auditors' remuneration		
– Audit services	1,000	1,000
– Other services	–	–
Operating lease rentals in respect of premises	2,646	2,456
Share-based payment	–	81,680
Staff costs, including directors' and chief executive officer's remuneration	3,684	4,072
Retirement benefit schemes contribution	210	167

* Items included in other operating expenses

11. STAFF COSTS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' and chief executive officer's remuneration

Benefits and interests of directors (disclosures required by section 383 of the Hong Kong Companies Ordinance (Cap. 622), Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) and Hong Kong Listing Rules):

	Directors' fees		Salaries and bonus		Retirement scheme contribution		Employee share option benefits		Total	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Chief executive officer and executive director:										
Wang Zhongling	240	240	–	–	–	–	–	–	240	240
Executive directors:										
Li Jinglong	180	180	–	–	–	–	–	–	180	180
Zhang Ligong	180	180	–	–	–	–	–	–	180	180
	360	360	–	–	–	–	–	–	360	360
Independent non-executive directors:										
Liu Wen[1]	–	90	–	–	–	–	–	–	–	90
Kwan King Wah	180	180	–	–	–	–	–	–	180	180
Lo Suet Lai[2]	120	120	–	–	–	–	–	–	120	120
Cheng Ruixiong[2]	120	40	–	–	–	–	–	–	120	40
	420	430	–	–	–	–	–	–	420	430
	1,020	1,030	–	–	–	–	–	–	1,020	1,030

Notes:

1 Retired on 5 June 2017
2 Appointed on 4 September 2017

(b) Key management personnel

Remuneration for key management personnel, including directors' and chief executive officer's remuneration, was as follows:

	2018 HK$'000	2017 HK$'000
Salaries and bonus	2,120	2,146
Retirement scheme contribution	90	90
	2,210	2,236

11. STAFF COSTS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(c) Employee

Staff costs, excluding the remuneration for key management personnel and directors' and chief executive officer's remuneration, were as follows:

	2018 HK$'000	2017 HK$'000
Wages, salaries and bonus	1,519	1,493
Retirement scheme contribution	83	77
Welfare	212	433
	1,814	2,003

(d) Five highest paid individuals

The five highest paid individuals of the Group include no (2017: nil) directors of the Company.

The remuneration paid to the five highest paid individuals (including five (2017: five) individual of senior management) of the Group during the year was as follows:

	2018 HK$'000	2017 HK$'000
Salaries and bonus	2,356	2,431

The number of the five highest paid individuals whose remuneration fell within the following band is as follows:

	2018	2017
Nil to HK$1,000,000	5	5

During the year, no emoluments were paid by the Group to the executive directors, chief executive officer, or any of the independent non-executive directors, highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office nor has any director waived or agreed to waive any emoluments.

(e) Senior management of the Group

The number of the senior management of the Group are within the following band:

	2018	2017
Nil to HK$1,000,000	4	4

During the year, no emoluments were paid by the Group to the senior management as an inducement to join or upon joining the Group or as compensation for loss of office. None of the senior management waived or agreed to waive any emoluments during the year.

12. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest expenses on convertible notes (Note 30)	899	4,092

13. TAXATION

	2018 HK$'000	2017 HK$'000
Current tax:		
– Hong Kong	40	79
Provision of deferred tax recognised in the current year (Note 27)	(270)	(30,132)
	(230)	(30,053)

Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The Group is subject to Hong Kong Profit Tax at a rate of 16.5% for the year ended 31 December 2017.

Malaysia

Malaysia Income Tax is calculated at the statutory tax rate of 25% (2017: 25%) of the estimated assessable profit for the year. The corporate tax for companies with paid-up capital of Malaysian Ringgit 2.5 million and below at the beginning of the basis period for the years of assessment are as follows: The first Malaysian Ringgit 500,000 chargeable income is charged at the rate of 20% (2017: 20%) for the year and the amount of chargeable income exceeding Malaysian Ringgit 500,000 is charged at the rate of 25% (2017: 25%) for the year.

13. TAXATION (CONTINUED)

The PRC

The PRC Enterprise Income Tax ("**PRC EIT**") is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC.

Under the PRC Enterprise Income Tax Law (the "**EIT Law**") and Implementation Regulations of the EIT Law, the tax rate of a PRC subsidiary is 25% from 1 January 2008 onwards.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The income tax expense for the years ended 31 December 2018 and 2017 can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 HK$'000	2017 HK$'000
Loss before taxation	**(53,765)**	(424,748)
Income tax expense calculated at 25% (2017: 25%)	**(13,441)**	(106,187)
Tax effect of recognised temporary difference	**(270)**	(1,701)
Tax effect of income not taxable for tax purposes	**(43)**	(9,236)
Tax effect of expenses not deductible for tax purposes	**5,260**	50,945
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2,182**	33,724
Effect of estimated tax losses not recognised	**6,082**	2,402
	(230)	(30,053)

14. LOSS PER SHARE

The calculation of basic loss per share for the year is based on the Group's loss attributable to owners of the Company of HK$46,754,000 (2017: HK$392,785,000) and weighted average number of ordinary shares in issue during the year of 2,743,729,744 (2017: 2,523,400,977).

The basic and diluted loss per share from operations are the same for the years ended 31 December 2018 and 2017 respectively, as the effect of the share options and convertible notes outstanding were anti-dilutive.

15. DIVIDENDS

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

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Mould HK$'000	Motor vehicles HK$'000	Development tools HK$'000	Total HK$'000
Cost						
As at 1 January 2017	664	6,710	2,000	1,483	39,291	50,148
Additions	249	436	–	828	–	1,513
Disposals	(108)	(729)	–	–	–	(837)
Exchange alignment	–	43	–	–	–	43
As at 31 December 2017 and 1 January 2018	805	6,460	2,000	2,311	39,291	50,867
Additions	–	986	–	–	–	986
Disposals	–	–	–	(1,289)	–	(1,289)
Exchange alignment	–	(68)	–	–	–	(68)
As at 31 December 2018	**805**	**7,378**	**2,000**	**1,022**	**39,291**	**50,496**
Accumulated depreciation						
As at 1 January 2017	639	6,629	2,000	1,210	39,291	49,769
Charge for the year	99	172	–	344	–	615
Disposals	(108)	(714)	–	–	–	(822)
Exchange alignment	–	41	–	–	–	41
As at 31 December 2017 and 1 January 2018	630	6,128	2,000	1,554	39,291	49,603
Charge for the year	50	370	–	177	–	597
Disposals	–	–	–	(1,289)	–	(1,289)
Exchange alignment	–	(68)	–	–	–	(68)
As at 31 December 2018	**680**	**6,430**	**2,000**	**442**	**39,291**	**48,843**
Carrying amount						
As at 31 December 2018	**125**	**948**	**–**	**580**	**–**	**1,653**
As at 31 December 2017	175	332	–	757	–	1,264

17. GOODWILL

	2018 HK$'000	2017 HK$'000
Cost		
As at the beginning of the year and as at the end of the year	**182,880**	182,880
Acquisition of subsidiary (note 32)	**4,686**	–
As at end of the year	**187,566**	182,880
Accumulated impairment losses		
As at the beginning of the year and as at the end of the year	**182,880**	182,880
Carrying amount		
As at end of the year	**4,686**	–

For the year ended 31 December 2018, goodwill has been allocated for impairment testing purposes to the cash-generating units of mobile's application development and settlement application services business by the Group as below, which is classified into the Group's reportable segment of Internet and mobile's application and related accessories.

Particular of impairment testing on goodwill are disclosed below:

Goodwill has been allocated for impairment testing purpose to the following cash-generating units:

Before recognition of impairment loss, the carrying amount of goodwill was allocated to cash-generation units as follows:

	2018 HK$'000	2017 HK$'000
Mobile's application development and settlement application services business	**4,686**	–

Note:

The key assumptions used in the value in use calculations are as follows:

Budgeted market share and sales	Average market share and sales in the period immediately before the budget period is expected to be unchanged over the budget period. The values assigned to the assumptions reflect past experience, except for the growth factor, which is consistent with management plans for focusing operations by the industry. Management believes that the planned market share growth and budgeted sales over the budget period is reasonably achievable.
Budgeted gross margin	Average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements.

18. INTANGIBLE ASSETS

The movement of intangible assets during the year was as follows:

	Logo HK$'000	Product Development and design HK$'000	Contract rights HK$'000	Mobile application software and technology HK$'000	Brand name and distribution network HK$'000	Total HK$'000
Cost						
As at 1 January 2017, 31 December 2017 and 1 January 2018	148	629,637	1,199,321	98,000	56,700	1,983,806
Acquisition of subsidiary (note 32)	–	–	–	–	33,232	33,232
As at 31 December 2018	**148**	**629,637**	**1,199,321**	**98,000**	**89,932**	**2,017,038**
Accumulated amortisation and impairment						
As at 1 January 2017	148	629,637	1,199,321	87,691	9,411	926,208
Amortisation for the year	–	–	–	10,309	–	10,309
Impairment loss for the year	–	–	–	–	23,257	23,257
As at 31 December 2017 and 1 January 2018	148	629,637	1,199,321	98,000	32,668	1,959,774
Amortisation for the year	–	–	–	–	831	831
Impairment loss for the year	–	–	–	–	24,032	24,032
As at 31 December 2018	**148**	**629,637**	**1,199,321**	**98,000**	**57,531**	**1,984,637**
Carrying amount						
As at 31 December 2018	**–**	**–**	**–**	**–**	**32,401**	**32,401**
As at 31 December 2017	–	–	–	–	24,032	24,032

Amortisation charge of approximately HK$831,000 (2017: HK$10,309,000) for the year is included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The intangible assets "logo", "product development and design", "contract rights", "mobile application software and technology" and "brand name and distribution network" as above amortised over its estimated useful lives, which are 5, 5, 10, 5 and 5 years respectively.

18. INTANGIBLE ASSETS (CONTINUED)

Impairment of intangible assets

Brand name and distribution network

(i) During the year ended 31 December 2018, the directors of the Company assessed the recoverable amount of the intangible assets allocated to provision of advertising on mobile platforms and recognised an impairment loss of approximately HK$24,032,000 (2017: HK$23,257,000) for brand name and distribution network due to the poor performance of provision of advertising on mobile platforms. The recoverable amount of provision of advertising on mobile platforms has been determined on the basis of value in use calculation and is based on certain key assumptions. The value in use calculation is based on cash flow projections prepared from financial budgets approved by the directors of the Company covering a 5 year period and a discount rate of 15%. Cash flows beyond the 5 year period are extrapolated using a 3% growth rate and the growth rate does not exceed the average long-term growth rate for the industry. The impairment losses have been included in the consolidated statement of profit or loss and other comprehensive income. Any adverse change in the assumption used in value in use calculation will lead to further loss on intangible assets.

(ii) During the year ended 31 December 2018, the directors of the Company assessed the recoverable amount of the cash generating unit allocated to mobile's application development and settlement application services to which the intangible asset and goodwill of HK$4,686,000 (Note 17) was allocated and no impairment loss was recognised. The recoverable amount of mobile's application development and settlement application services has been determined on the basis of value in use calculation and is based on certain key assumptions. The value in use calculation is based on cash flow projections prepared from financial budgets approved by the directors of the Company covering a 5 year period and a discount rate of 16.5%. Cash flows beyond the 5 year period are extrapolated using a 3% growth rate and the growth rate does not exceed the average long-term growth rate for the industry.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 HK$'000	2017 HK$'000
Equity securities at fair value:		
Listed in Hong Kong	–	4,678

Note:

Upon application of IFRS 9, the listed equity securities with amount approximately of HK$4,678,000 are reclassified from available-for-sale financial assets to financial assets at fair value through profit or loss at 1 January 2018.

For listed equity securities, the fair value as determined based on the quoted market bid prices available on the relevant stock exchange.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/DERIVATIVE FINANCIAL ASSETS

	2018 HK$'000	2017 HK$'000
Listed investments		
Listed equity securities in Hong Kong	**17,044**	6,776
Derivative financial instruments:		
Redemption option of convertible notes (Note 30)	**542**	13,575
Fair value	**17,586**	20,351

All financial assets at fair value through profit or loss are stated at fair value. The fair value of listed securities in Hong Kong is determined based on quoted market bid price available on The Stock Exchange of Hong Kong Limited.

21. PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries are set out below:

Name	Place and date of incorporation or establishment	Ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
RCG Holdings Limited	British Virgin Islands ("**BVI**") 5 January 2005	US$1	100%	Investment holding
RCG Investment Pte Limited	Singapore 4 May 2011	US$2	100%	Investment in financial assets
Indirectly held				
RCG Hong Kong Holdings Limited	BVI 20 October 1999	US$200	100%	Investment holding
RCG International Holdings Limited	BVI 18 April 2005	US$1,000	100%	Investment holding
Sharp Asia International Limited	BVI 18 April 2005	US$1,000	100%	Investment holding
RCG Malaysia Sdn. Bhd.	Malaysia 7 December 2006	RM2	100%	Investment holding
RCG Corporation Limited	Hong Kong 26 November 1999	HK$2	100%	Hardware and software development

21. PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Place and date of incorporation or establishment	Ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
RCG China Limited* (宏霸數碼科技(北京)有限公司)	PRC 14 September 2006	RMB27,505,570	100%	Software and hardware and provision consultancy of services
Biotag International Limited	BVI 29 August 2011	US$2	100%	Investment holding
Tag Station MSC Sdn. Bhd.	Malaysia 22 January 2009	RM5,000,010	100%	Research, development of RFID solution and provision of consultancy services
Most Ideas Limited	BVI 3 January 2012	US$50,000	55%	Investment holding
MG Interactive Limited	Hong Kong 21 June 2016	HK$1,000	55%	Development of Internet and web software
MG Interactive Entertainment Limited	Hong Kong 6 March 2007	HK$980,000	55%	Development of Internet and web software
Goodwill Alliance International Limited	BVI 5 September 2018	US$50,000	100%	Investment holdings
Easy Ideas Limited	BVI 3 January 2012	US$2	74%	Investment holdings
Techno Vision Limited	Hong Kong 14 February 2012	HK$10,000	74%	Computer system developments
盈科創見科技(深圳)有限公司*	PRC 9 August 2012	RMB1,000,000	74%	Computer system developments
華付通聯科技(深圳)有限公司*	PRC 15 May 2018	RMB1,000,000	100%	E-payment system developments

* Wholly-owned foreign enterprises in the PRC.

21. PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

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

22. TRADE RECEIVABLES

	2018 HK$'000	2017 HK$'000
0 to 30 days	**13,039**	3,997
31 to 60 days	**15,664**	5,160
61 to 90 days	**573**	5,913
91 to 180 days	**12,092**	10,278
Over 180 days	**534**	21,663
	41,902	47,011
Less: Impairment loss on trade receivables	**–**	(154)
Allowance for expected credit losses	**(615)**	–
	41,287	46,857

The trade receivables are generally on 30-180 day credit terms.

Past due but not impaired

As at 31 December 2017, included in the Group's trade receivables balances are debts with carrying amount of HK$21,633,000 which were past due at the end of the reporting period. In the opinion of the directors of the Company, the amounts were still considered recoverable. The Group does not hold any collateral over these balances.

Aging of receivables that are past due but not impaired

	2017 HK$'000
Over 180 days	21,663

22. TRADE RECEIVABLES (CONTINUED)

Reconciliation of allowance for expected credit losses on trade receivables

	2017 HK$000
At beginning of the year	–
Allowance on doubtful debts recognized in profit or loss	154
Amounts recovered during the year	(8)
Amount written off	(146)
At end of the year	–

For the year ended 31 December 2017, the directors of the Company assessed the impairment loss recognised on trade receivables of approximately HK$154,000 due to long aged debt. The Group does not hold any collateral over these balances.

Movement in lifetime ECL that has been recognized for trade receivables in accordance with the simplified approach set out in IFRS 9 for the year ended 31 December 2018.

	Total HK$000
Balance as at 31 December 2017 under IAS 39	–
Adjustment upon application of IFRS 9 (Note 4)	206
Adjusted balance as at 1 January 2018	206
Allowance for expected credit losses	409
Balance as at 31 December 2018	615

Details of assessment of expected credit losses are set out in Note 33b.

23. DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Prepayments	**1,590**	1,025
Other deposits	**486,274**	478,892
Other receivables	**31,270**	43,475
	519,134	523,392
Less: Allowance for expected credit losses on other deposits and other receivables	**(30,183)**	–
	488,951	523,392

As at 31 December 2018, included in other deposits of approximately HK$458,315,000 (2016:HK$457,785,000) was used as deposit for the incentives to participating merchants of settlement application services.

Details of assessment of expected credit losses is set out in Note 33b.

24. CASH AND BANK BALANCES

	2018 HK$'000	2017 HK$'000
Cash at bank and on hand	**18,125**	37,195

Included in cash at bank and on hand are the following amounts denominated in a currency other than the functional currency of the Company to which they relate:

	2018 HK$'000	2017 HK$'000
Malaysian Ringgit	**28**	69
US Dollars	**841**	1,016
Renminbi	**376**	97

As at 31 December 2018, cash and bank balances carry interest at prevailing market saving rates from 0.01% to 0.02% (2017: 0.01% to 0.02%) per annum. Included in cash at bank and on hand of the Group, Renminbi is not a freely convertible currency. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposits.

25. SHARE CAPITAL

The following movements in the Company's authorised and issued share capital took place during the period from 1 January 2017 to 31 December 2018:

		Number of shares		Share capital	
	Notes	**2018**	2017	**2018** **HK$'000**	2017 HK$'000
Authorised:					
Ordinary shares of HK$0.04 each (2017: Ordinary shares of HK$0.04 each)		**50,000,000,000**	50,000,000,000	**2,000,000**	2,000,000
Issued and fully paid:					
At beginning of the year		**2,743,729,744**	2,343,729,744	**109,749**	93,749
Issue of shares pursuant to the conversion of convertible notes	(a)	**–**	400,000,000	**–**	16,000
At end of the year		**2,743,729,744**	2,743,729,744	**109,749**	109,749

Notes:

(a) On 17 January 2017, convertible notes was converted of the principle amount of HK$15,000,000 into 60,000,000 shares. The excess of the conversion price over the nominal value of shares of approximately HK$15,840,000 was credited to the share premium of the Company.

On 22 May 2017, convertible notes was converted of the principle amount of HK$20,000,000 into 80,000,000 shares. The excess of the conversion price over the nominal value of shares of approximately HK$21,120,000 was credited to the share premium of the Company.

On 16 June 2017, convertible notes was converted of the principle amount of HK$5,000,000 into 20,000,000 shares. The excess of the conversion price over the nominal value of shares of approximately HK$5,280,000 was credited to the share premium of the Company.

On 4 July 2017, convertible notes was converted of the principle amount of HK$20,000,000 into 80,000,000 shares. The excess of the conversion price over the nominal value of shares of approximately HK$21,120,000 was credited to the share premium of the Company.

On 9 October 2017, convertible notes was converted of the principle amount of HK$5,000,000 into 20,000,000 shares. The excess of the conversion price over the nominal value of shares of approximately HK$5,280,000 was credited to the share premium of the Company.

On 15 November 2017, convertible notes was converted of the principle amount of HK$20,000,000 into 80,000,000 shares. The excess of the conversion price over the nominal value of shares of approximately HK$21,120,000 was credited to the share premium of the Company.

On 24 November 2017, convertible notes was converted of the principle amount of HK$15,000,000 into 60,000,000 shares. The excess of the conversion price over the nominal value of shares of approximately HK$15,840,000 was credited to the share premium of the Company.

26. RESERVES

The amounts of the Group's reserve and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(a) Share premium reserves

Under the Company's Bye-Laws or the laws of Bermuda, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

The Company did not have distributable reserves as at 31 December 2018 (2017: Nil).

(b) Share-based compensation reserve

It represents value of employee services in respect of share options granted to directors, employees and eligible participants of the Group recognised.

(c) Capital reserve

It represents the difference between the paid-in capital/share capital and share premium of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition at the time of group reorganisation prior to its listing on The Stock Exchange of Hong Kong Limited.

27. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities by the Group and movements thereon:

	Intangible asset HK$'000	Unrealised gain on held for trading investment HK$'000	Convertible notes HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
1 January 2017	1,701	34,861	18,873	89	55,524
Conversion of convertible notes	–	–	(21,943)	–	(21,943)
Credited to consolidated statement of profit or loss and other comprehensive income	(1,701)	(34,861)	6,519	(89)	(30,132)
As at 31 December 2017 and 1 January 2018	–	–	3,449	–	3,449
Acquisition of subsidiary (Note 32)	8,308	–	–	–	8,308
Credited to consolidated statement of profit or loss and other comprehensive income (Note 13)	(208)	–	(62)	–	(270)
As at 31 December 2018	**8,100**	**–**	**3,387**	**–**	**11,487**

28. TRADE PAYABLES

The following is an aged analysis of trade payable presented based on the invoice date at the end of the reporting period.

	2018 HK$'000	2017 HK$'000
0 – 30 days	**5,788**	4,161
31 – 60 days	**6,600**	4,122
61 – 90 days	**3,500**	4,122
Over 90 days	**9,105**	8,548
	24,993	20,953

Trade payables are generally settled on 0-60 days terms. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

29. ACCRUALS AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Accruals	**18,421**	5,727
Other payables	**9,079**	5,880
	27,500	11,607

30. CONVERTIBLE NOTES

On 14 October 2016, the Company issued 2.5% coupon convertible notes ("**Convertible Notes**") with a principal amount of HK$320,000,000. Each note entitled the holder to convert to ordinary share of the Company at a conversion price of HK$0.25 per conversion share. The convertible notes are intended to be utilized for facilitating the business opportunities relation to the e-payment platform. The maturity date of the Convertible Notes is the date immediately preceding the third anniversary of the date of issue of the Convertible Notes that is 14 October 2019.

The Convertible notes contain three components: redemption option derivative, liability and equity elements. The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss. The equity element is presented in equity heading "Convertible equity reserve". The effective interest rate of the liability component on initial recognition is 6.34% per annum. The valuation of convertible notes was performed by an independent qualified professional valuer not connected with the Group.

During the year 31 December 2018, the convertible note holders ("**Note holder**") did not convert any Convertible Notes (2017: 400,000,000 shares). The principal amount outstanding as at 31 December 2018 was HK$15,000,000 (2017: HK$15,000,000).

30. CONVERTIBLE NOTES (CONTINUED)

Details of Convertible notes on initial recognition or modification to be approximately as follows:

	Convertible notes HK$'000
Liability component	**291,744**
Equity component	**448,808**
Redemption option derivative component	**(420,552)**
Nominal value of Convertible notes issued	**320,000**

The movements of the liability component, equity component and redemption option derivative of the Convertible notes during the year are set out below:

Liability component	
As at 1 January 2017	104,973
Imputed interest charge	4,092
Less: Interest payable	(1,768)
Conversion of shares	(93,112)
As at 31 December 2017 and 1 January 2018	14,185
Imputed interest charge	899
Less: Interest payable	(375)
As at 31 December 2018	**14,709**
Equity component	
As at 1 January 2017	160,245
Conversion of shares	(139,343)
As at 31 December 2017, 1 January 2018 and 31 December 2018	**20,902**
Redemption option derivative component	
As at 1 January 2017	(182,198)
Conversion of shares	87,087
Change in fair value	81,536
As at 31 December 2017 and 1 January 2018	(13,575)
Change in fair value	13,033
As at 31 December 2018	**(542)**

31. DETAILS OF NON WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below show the details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss attributable to non-controlling interests		Accumulated non-controlling interests	
		As at 31 December 2018	As at 31 December 2017	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Most Ideas Limited (Note a)	Hong Kong	45%	45%	(513)	(3,835)	2,592	3,105
Easy Ideas Limited (Note b)	Hong Kong	26%	26%	(6,217)	(5,980)	(239)	5,978
Individual immaterial subsidiaries with non-controlling interests						9,718	9,769
						12,071	18,852

Notes:

(a) MG Interactive Limited and MG Interactive Entertainment Limited are wholly subsidiaries of Most Ideas Limited.

(b) 盈科創見科技（深圳）有限公司 and Techono Vision Limited are wholly owned subsidiaries of Easy Ideas Limited.

31. DETAILS OF NON WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

Summarised financial information in respect of each Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below presents amounts before intragroup eliminations.

Most Ideas Limited and its wholly-owned subsidiaries

	2018 HK$'000	2017 HK$'000
Non-current assets	**1,106**	536
Current assets	**7,703**	8,334
Current liabilities	**(3,049)**	(1,970)
Equity attributable to owners of the Company	**3,168**	3,795
Non-controlling interest	**2,592**	3,105

	For the year ended 31 December 2018 HK$'000	For the year ended 31 December 2017 HK$'000
Revenue	**11,368**	9,446
Expenses	**(12,508)**	(17,968)
Loss for the year	**(1,140)**	(8,522)
Total comprehensive loss for the year	**(1,140)**	(8,522)
Loss and total comprehensive loss attributable to owners of the Company	**(627)**	(4,687)
Loss and total comprehensive loss attributable to the non-controlling interest	**(513)**	(3,835)
Loss and total comprehensive loss for the year	**(1,140)**	(8,522)

31. DETAILS OF NON WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

Most Ideas Limited and its wholly-owned subsidiaries (Continued)

	For the year ended 31 December 2018 HK$'000	For the year ended 31 December 2017 HK$'000
Net cash generated from/(used) in operating activities	**152**	(1,180)
Net cash generated/(used)	**152**	(1,180)

Easy Ideas Limited and its wholly-owned subsidiaries

	2018 HK$'000	2017 HK$'000
Non-current assets	**–**	24,032
Current assets	**1,174**	5,127
Current liabilities	**(2,093)**	(6,166)
Equity attributable to owners of the Company	**(680)**	17,015
Non-controlling interests	**(239)**	5,978

	For the year ended 31 December 2018 HK$'000	For the year ended 31 December 2017 HK$'000
Revenue	**700**	1,530
Expenses	**(24,612)**	(24,530)
Loss for the year	**(23,912)**	(23,000)
Total comprehensive loss for the year	**(23,912)**	(23,000)
Loss and total comprehensive loss attributable to owners of the Company	**(17,695)**	(17,020)
Loss and total comprehensive loss attributable to the non-controlling interest	**(6,217)**	(5,980)
Loss and total comprehensive loss for the year	**(23,912)**	(23,000)

31. DETAILS OF NON WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

Easy Ideas Limited and its wholly-owned subsidiaries (Continued)

	For the year ended 31 December 2018 HK$'000	For the year ended 31 December 2017 HK$'000
Net cash used in operating activities	(1)	(41)
Net cash used	(1)	(41)

32. BUSINESS COMBINATION

During the year ended 31 December 2018, the Group had acquired the entire issued share capital of Goodwill Alliance International Limited, China Union Payment Holdings Limited and 華付聯科技（深圳）有限公司("Goodwill Alliance Group"), for a consideration of HK$30,000,000. Goodwill Alliance Group is engaged in mobile's application development and settlement application services business. Goodwill Alliance Group was acquired so as to continue the expansion of the Group's internet and mobile's application and related accessories segment.

The carrying amounts and fair value of the assets and liabilities acquired in the transaction arising are as follows:

	Fair value of assets and liabilities acquired HK$'000
Trade receivables	120
Deposit, prepayment and other receivables	1
Intangible assets	33,232
Cash at bank and on hand	425
Accruals and other payable	(156)
Deferred taxation	(8,308)
Net assets acquired	25,314
Goodwill (Note 17)	4,686
Total consideration	30,000
Satisfied by:	
– Other deposits	30,000
Net cash flow	
Cash and balance acquired of	425

32. BUSINESS COMBINATION (CONTINUED)

Impact of acquisitions on the results of the Goodwill Alliance International Limited

Included in the profit for the year is HK$102,000 attributable to the additional business generated by Goodwill Alliance International Limited. Revenue for the year includes HK$2,037,000 in respect of Goodwill Alliance International Limited.

Had these business combination been effected at 1 January 2018, the revenue of the Group from continuing operations would have been HK$2,207,000 and the profit for the year from continuing operations would have been HK$110,000. The directors of the Group consider there "pro-forma" numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

33. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	**17,044**	6,776
Derivative financial assets	**542**	13,575
Financial asset at amortised cost/loan and receivables (including cash and bank balances)	**546,773**	606,419
Available-for-sale financial assets	**–**	4,678
Financial liabilities		
Amortised cost	**52,493**	32,560
Convertible notes	**14,709**	14,185

(b) Financial risk management objective and policies

Market Risk

Price Risk

The Group's major financial instruments include financial assets at fair value through profit or loss, trade receivable, other receivables, trade payables and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objective and policies (Continued)

Market Risk (Continued)

Price Risk (Continued)

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The directors of the Company manage this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated in equity securities listed in Hong Kong industry sector quoted in The Stock of Exchange of Hong Kong Limited for the year ended 31 December 2018. The directors of the Company will monitor the risks and consider hedging the risk exposure should the need arise.

Equity price sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the prices had been 15% higher/lower (2018: 15% higher/lower):

- post-tax loss for the year ended 31 December 2018 would decrease/increase by HK$2,430,000 (2017: post-tax loss decrease/increase by HK$1,016,000) as a result of change in fair value of financial assets at fair value through profit or loss.

- Total comprehensive loss for the year ended 31 December 2018 would decrease/increase by HK$nil (2017: total comprehensive loss increase/decrease by HK$702,000) as a result of change in fair value of available-for-sales financial assets.

Foreign currency risk

The Group mainly operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB") and Hong Kong dollars ("HKD"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Company's management do not expect the net foreign currency risk from these activities to be significant and hence, the Group do not presently hedge the foreign exchange risks. The Group periodically review liquid assets and liabilities held in currencies other than the functional currencies of the respective subsidiaries to evaluate its foreign exchange risk exposure and will consider hedging significant foreign currency exposure should the need arise.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objective and policies (Continued)

Market Risk (Continued)

Interest rate risk

The Group's interest rate risk mainly arises from convertible notes. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk during both year.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risks.

Credit risk

The Group's credit risk is primarily attributable to trade, deposits and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

It is the risk that a counterparty is unable to pay amount in full when due. It arises primarily from the Group's trade receivables. The Group limits its exposure to credit risk by rigorously selecting counterparties. The Group mitigates its exposure to risk relating to trade receivables by dealing with diversified customers with sound financial standing. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. In addition, all receivables balances are monitored on an ongoing basis and overdue balances are followed up by senior management. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables, if any, estimated by the management based on prior experience and the current economic environment. The Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors believe that the credit risk is significantly reduced. The Group has a concentration of credit risk in certain individual customers. At the end of each reporting period, the five largest receivable balances accounted for 96.3% as at 31 December 2018 (2017: 23.0%) of the trade receivables and the largest trade receivable was 33.3% (2017: 6.4%) of the Group's total trade receivables. The Group seeks to minimise its risk by dealing with counterparties which have good credit history. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

The Group applies with simplified approach to provide for expected credit losses presented by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the economic variable credit risk and expected credit loss. This considers available reasonable and supportive forwarding-looking.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objective and policies (Continued)

Credit risk (Continued)

Trade debtors

As at 1 January 2018	0 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	Total
Expected credit loss rate	0.36%	0.36%	0.36%	0.04%	0.53%	0.44%
Gross carrying amount (HK$'000)	3,997	5,160	5,913	10,278	21,663	47,011
Lifetime ECL (HK$'000)	(14)	(19)	(21)	(37)	(115)	(206)
	3,983	5,141	5,892	10,241	21,548	46,805

As at 31 December 2018	0 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	Over 180 days	Total
Expected credit loss rate	1.26%	1.26%	1.26%	1.76%	5.99%	1.47%
Gross carrying amount (HK$'000)	13,039	15,664	573	12,092	534	41,902
Lifetime ECL (HK$'000)	(165)	(198)	(7)	(213)	(32)	(615)
	12,874	15,466	566	11,879	502	41,287

Other receivables and other deposit

Other receivables and other deposit relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objective and policies (Continued)

Credit risk (Continued)

Other receivables and other deposits (Continued)

The movement of loss allowances for other receivables and other deposits during the year are as follows:

	Other receivables and other deposits HK$'000
At 31 December 2017	–
Amounts re-measured through opening – accumulated losses	28,407
At 1 January 2018	28,407
Allowance for expected credit losses	1,776
At 31 December 2018	30,183

In relation to the Group's deposits with bank, the Group limits its exposure to credit risk by placing deposits with financial institutions with high credit rating and no recent history of default. The directors consider that the Group's credit risk on the bank deposits is low. Management continues to monitor the position and will take appropriate action if their ratings should change. As at 31 December 2018 and 2017, the Group has no significant concentration of credit risk in relation to deposits with bank.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objective and policies (Continued)

Liquidity risk

The following tables detail the Group's remaining contractual maturity for its non-derivate financial liabilities based on the agreed repayment terms as at 2018 and 2017. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Contractual undiscounted cash flow					
		Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Total carrying amount
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2018							
Non-derivative financial liabilities							
Trade payables	–	24,993	–	–	–	24,993	24,993
Accruals and other payables	–	27,500	–	–	–	27,500	27,500
Convertible notes	6.34%	15,000	–	–	–	15,000	14,709
		67,493	–	–	–	67,493	67,202
As at 31 December 2017							
Non-derivative financial liabilities							
Trade payables	–	20,953	–	–	–	20,953	20,953
Accruals and other payables	–	11,607	–	–	–	11,607	11,607
Convertible notes	6.34%	–	15,000	–	–	15,000	14,185
		32,560	15,000	–	–	47,560	46,745

33. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value estimation

Financial instruments that are measured in the consolidated statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: Fair value measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: Fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3: Fair values using valuation techniques in which any significant input is not based on observable market data

Except for the liability component of convertible notes which recorded at amortised cost as below, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's statement of financial position approximate to their fair values.

	31 December 2018		31 December 2017	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Convertible notes	**14,709**	**14,142**	14,185	15,423

The fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without conversion option.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value:

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
As at 31 December 2018				
Financial assets at fair value through profit or loss:				
Listed equity securities in Hong Kong	17,044	–	–	17,044
Derivative financial instruments:				
Redemption option of convertible notes (Note)	–	–	542	542
	17,044	–	542	17,586
As at 31 December 2017				
Financial assets at fair value through profit or loss:				
Listed equity securities in Hong Kong	6,776	–	–	6,776
Derivative financial instruments:				
Redemption option of convertible notes (Note)	–	–	13,575	13,575
Available-for-sales financial assets:				
Listed equity securities in Hong Kong	4,678	–	–	4,678
	11,454	–	13,575	25,029

Note: Redemption option embedded in convertible notes are measured at fair value at the end of each reporting period. Redemption option of convertible notes are determined with Binomial option pricing model as valuation technique and all inputs are observable except the risk free rate of 1.74% and volatility ratio of 63.9% which should be considered as Level 3.

33. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value estimation (Continued)

Reconciliation of Level 3 fair value measurements

As at 31 December 2018

	Derivative financial assets HK$'000	Total HK$'000
Opening balance	13,575	13,575
Fair value change	(13,033)	(13,033)
Closing balance	542	542

(d) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity balance.

The Group's overall strategy remains unchanged from 2017 to 2018.

The capital structure of the Group consists of net debts (convertible notes as details in note 30 respectively offset by cash at bank and on hand) and equity of the Group (comprising issued capital, reserves, and retained earnings as stated in consolidated statement of changes in equity).

The gearing ratio at end of the reporting period was as follows.

	2018 HK$'000	2017 HK$'000
Debt (i)	14,709	14,185
Less: Cash at bank and on hand (Note 24)	(18,125)	(37,195)
Net debt	(3,416)	(23,010)
Equity (ii)	512,809	587,683
Net debt to equity ratio	N/A	N/A

(i) Debt is defined as convertible notes as described in note 30.

(ii) Equity includes all capital and reserves of the Group that are managed as capital.

34. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

	2018 HK$'000	2017 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**60,928**	30,928
Derivative financial assets	**–**	13,575
	60,928	44,503
Current assets		
Deposits, prepayments and other receivables	**466,582**	498,592
Derivative financial assets	**542**	–
Cash and bank balances	**8,499**	24,366
	475,623	522,958
Total assets	**536,551**	567,461
CAPITAL AND RESERVES		
Share capital	**109,749**	109,749
Reserves (Note ii)	**383,060**	415,070
Equity attribute to owners of the Company	**492,809**	524,819
LIABILITIES		
Non-current liabilities		
Convertible notes	**–**	14,185
Deferred tax liabilities	**3,387**	3,449
	3,387	17,634
Current liabilities		
Amounts due to subsidiaries (Note i)	**15,007**	11,839
Accruals and other payables	**10,639**	13,169
Convertible notes	**14,709**	–
	40,355	25,008
Total liabilities	**43,742**	42,642
Total equity and liabilities	**536,551**	567,461
Net current assets	**435,268**	497,950
Total assets less current liabilities	**496,196**	542,453

The financial statements were approved and authorised for issue by the board of directors of the Company on 28 March 2019 and signed on its behalf by:

Li Jinglong *Executive Director*	**Zhang Ligong** *Executive Director*

34. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

Note:

(i) The amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

(ii) Reserves of the Company:

	Share premium HK$'000	Share-based compensation reserve HK$'000	Capital reserve HK$'000	Convertible equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As 1 January 2017	2,698,881	5,247	8,877	160,245	(2,339,893)	533,357
Loss for the year	–	–	–	–	(205,125)	(205,125)
Other comprehensive loss for the year	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	(205,125)	(205,125)
Grant of share option	–	81,680	–	–	–	81,680
Lapse of share option	–	(4,507)	–	–	4,507	–
Issue of share upon conversion of convertible notes	129,368	–	–	(139,343)	15,133	5,158
As at 31 December 2017	2,828,249	82,420	8,877	20,902	(2,525,378)	415,070
Adoption of IFRS 9	–	–	–	–	(5,393)	(5,393)
As at 1 January 2018	2,828,299	82,420	8,877	20,902	(2,530,771)	409,677
Loss for the year	–	–	–	–	(26,617)	(26,617)
Other comprehensive loss for the year	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	(26,617)	(26,617)
As at 31 December 2018	2,828,249	82,420	8,877	20,902	(2,557,388)	383,060

35. OPERATING LEASE ARRANGEMENTS

The Group entered into commercial leases on certain warehouses. Leases are generally negotiated for a term of two years. Rentals are fixed at the date of signing of lease agreement. At the end of the year ended date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follow:

	2018 HK$'000	2017 HK$'000
Within one year	137	2,090
Within two to five years	–	137
	137	2,227

36. SHARE-BASED COMPENSATION RESERVE

	2018 HK$'000	2017 HK$'000
As at the beginning of the year	**82,420**	5,247
Exercise/cancellation/lapse of share options	**–**	(4,507)
Grant of share options	**–**	81,680
As at the end of the year	**82,420**	82,420

(a) Two post listing share option scheme (the "**Post Listing Scheme**") were adopted by the Company on 16 October 2008 and 28 June 2013. The terms of the Post Listing Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

During the year ended 31 December 2010, the Company granted 7,760,000 share options to 7 staff (including 3 executive directors and 4 non-executive directors) pursuant to the Post Listing Scheme at an exercise price of HK$8.21 per share. Amongst these, 2,760,000 share options were granted subject to the condition that the relevant staff agreeing to surrender the outstanding options exercisable into the same number of shares which were granted to him or her under the old share options scheme for cancellation. There is no vesting period for the 2,760,000 share options with exercise period ending on 28 March 2017. The remaining 5,000,000 share options with exercise period ending on 28 April 2020 are subject to a one year vesting period.

During the year ended 31 December 2018, the Company did not granted (2017: 400,690,000) any share options to eligible participants and no share option was exercised (2017: nil).

All options are to be settled in cash. Staff who had resigned from the Group would forfeit their respective granted share options.

(b) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Posting Listing Scheme			
	2018 Weighted average exercise price per share	2018 Number of options	2017 Weighted average exercise price per share	2017 Number of options
Outstanding as at the beginning of the year	**HK$0.34**	**405,702,913**	HK$1.74	5,316,295
Lapse of share options	**–**	**–**	HK$25.44	(303,382)
Grant of share options	**–**	**–**	HK$0.34	400,690,000
Outstanding as at the end of the year	**HK$0.34**	**405,702,913**	HK$0.34	405,702,913

As at 31 December 2018, 405,702,913 (2017: 405,702,913) share options were outstanding with a weighted average exercise price per share of HK$0.34 (2017: HK$0.34) under the Post Listing Scheme.

Note: Pursuant to the terms of the Post Listing Scheme adopted on 16 October 2008, the exercise price of the share options granted and the number of shares to be allotted and issued upon exercise in full of the subscription rights attaching to the outstanding share options have adjusted to HK$25.44 and 316,295 respectively, with effect from 25 August 2015, as a result of the share consideration and open offer of ordinary share of the Company.

36. SHARE-BASED COMPENSATION RESERVE (CONTINUED)

	Date of grant	Exercised price HK$	Number of share option outstanding at 1 January	Granted during the year	Exercise during the year	Lapsed during the year	Cancelled during the year	Number of share options outstanding at 31 December
2018								
Other employees in aggregate	29 April 2010	25.44	12,913	–	–	–	–	12,913
			12,913	–	–	–	–	12,913
Eligible participants	26 January 2016	0.237	5,000,000	–	–	–	–	5,000,000
	1 June 2017	0.586	152,320,000	–	–	–	–	152,320,000
	28 July 2017	0.199	248,370,000	–	–	–	–	248,370,000
			405,690,000	–	–	–	–	405,690,000
			405,702,913	–	–	–	–	405,702,913
Weighted average exercise price			0.34	–	–	–	–	0.34

	Date of grant	Exercised price HK$	Number of share option outstanding at 1 January	Granted during the year	Exercise during the year	Lapsed during the year	Cancelled during the year	Number of share options outstanding at 31 December
2017								
Other employees in aggregate	29 April 2010	25.44	316,295	–	–	(303,382)	–	12,913
			316,295	–	–	(303,382)	–	12,913
Eligible participants	26 January 2016	0.237	5,000,000	–	–	–	–	5,000,000
	1 June 2017	0.586	–	152,320,000	–	–	–	152,320,000
	28 July 2017	0.199	–	248,370,000	–	–	–	248,370,000
			5,000,000	400,690,000	–	–	–	405,690,000
			5,316,295	400,690,000	–	–	–	405,702,913
Weighted average exercise price			1.74	0.34	–	25.44	–	0.34

36. SHARE-BASED COMPENSATION RESERVE (CONTINUED)

(c) As at 31 December 2018 and 2017, outstanding share options have the following remaining contractual lives and exercise prices:

Exercise price	2018 Remaining contractual life	2018 Number of options	2017 Remaining contractual life	2017 Number of options
Posting Listing Scheme HK$0.34	**8.5 years**	**405,702,913**	9.5 years	405,702,913

(d) According to the Black-Scholes Options Pricing Model, the values and adjusted values of the options granted are as follows:

Date of grant	26 January 2016	1 June 2017	28 July 2017
Option value	HK$0.13	HK$0.34	HK$0.12
Variables:			
– Exercise price (adjusted)	HK$0.237	HK$0.57	HK$0.199
– Closing price at date of grant	HK$0.237	HK$0.57	HK$0.199
– Risk free rate	1.47%	1.31%	1.52%
– Expected volatility (Note (i))	89%	79%	99%
– Expiration of the option	25 January 2019	31 May 2027	27 July 2027
– Option life (expected weighted average life)	3 years	10 years	10 years
– Expected ordinary dividends	–	–	–

(i) The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily prices over the one year immediately preceding the grant date.

(ii) The above calculation is based on the assumption that there is no material difference between the expected volatile over the whole life of the options and the historical volatility of the shares in AIM set out as above.

37. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following significant related party transactions:

	2018 HK$'000	2017 HK$'000
Salaries and bonus	**1,020**	1,030

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Convertible notes HK$'000	Total HK$'000
At 1 January 2017	104,973	104,973
Non cash items:		
Accrued interest	(1,768)	(1,768)
Interest expense	4,092	4,092
Conversion of share (Note 30)	(93,112)	(93,112)
At 31 December 2017 and 1 January 2018	14,185	14,185
Non cash items:		
Accrued interest	(375)	(375)
Interest expense	899	899
At 31 December 2018	14,709	14,709

39. NON-CASH TRANSACTIONS

During the year ended 31 December 2018, the Group had acquired the entire issued share capital of Goodwill Alliance International Limited. The consideration was satisfied by the other deposits held by the Group approximately HK$30,000,000.

40. COMPARATIVE FIGURES

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 6 to consolidated financial statement.

41. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENT

The consolidated financial statements were approved and authorized for issue by the board of directors on 28 March 2019.

Shareholders Information

SHAREHOLDER ENQUIRIES AND COMMUNICATIONS

Any enquiries relating to your shareholding, for example transfers of shares, change of name or address, loss of share certificates or dividend cheques, should be sent to the Registrars:

Principal share registrar in Bermuda
MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

Hong Kong branch share registrar
Tricor Investor Services Limited
Level 54,
Hopewell Centre,
183 Queen's Road East
Hong Kong

INVESTOR RELATIONS

Enquiries relating to the Company's strategy or operations may be directed to:

Address: Room 626-629, Corporation Park, 11 On Lai Street, Siu Lek Yuen, Sha Tin, New Territories, Hong Kong
Email: ir@rcg.tw

WHERE MORE INFORMATION ABOUT THE COMPANY IS AVAILABLE

This annual report 2018, and other information on the company, may be reviewed on the website: www.rcg.tw and investor relations webpage: www.rcg.todayir.com

Corporate Information

DIRECTORS

Executive Directors:

Mr. Li Jinglong
Mr. Zhang Ligong
Mr. Wang Zhongling *(Chief Executive Officer)*

Independent Non-executive Directors:

Mr. Cheng Ruixiong
Mr. Kwan King Wah
Ms. Lo Suet Lai

COMPANY SECRETARY

Mr. Cheung Chi Lok

REGISTERED OFFICE

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Bermuda

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WEBSITE

www.rcg.tw

WEBPAGE

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PRINCIPAL SHARE REGISTRAR

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Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

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Hong Kong

BERMUDA LEGAL ADVISER

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8 Connaught Place
Central
Hong Kong

REGISTERED AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

PRINCIPAL BANKERS

HSBC
HSBC Main Building
1 Queen's Road Central
Hong Kong

CIMB Bank Berhad
5/F Menara
A&M Garden Business Centre
Jalan Istana 41000
Klang Selangor Darul Ehsan
Malaysia

Glossary of Technical Terms

"application"	a functional system made up of software or hardware, or a combination of both, that performs a specific task;
"biometrics"	the identification of a unique, measurable characteristic of a human being. This may be a physical or behavioural characteristic. Common types of biometric technologies include fingerprint recognition, iris scan, facial recognition, vein recognition, hand geometry recognition and voice recognition;
"device"	a machine or tool for a particular purpose;
"facial recognition"	identification of individuals through the analysis of facial features;
"fingerprint authentication"	verification of individuals through the analysis of fingerprint;
"hardware"	a comprehensive term for all of the physical parts of a computer, as distinguished from the data it contains or operates on and the software that provides instructions for the hardware to accomplish tasks;
"RFID"	"Radio Frequency Identification", a technology for data acquisition by way of radio frequency between transponders and a host system; and
"software"	a system or utility or application programme expressed in a computer readable language.

China e-Wallet Payment Group Limited
中國錢包支付集團有限公司*

** For purpose of identification only*