GTI Holdings Limited
共享集團有限公司

(a company incorporated in the Cayman Islands with limited liability)
(Stock Code: 3344)

2018
Annual Report

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FINANCIAL HIGHLIGHTS

Key Financial Results

	Year ended 31st December,					
	2018	2017	Change	2016	2015	2014
	HK'000	HK'000	+/-%	HK'000	HK'000	HK'000
Turnover	611,052	413,861	47.6%	467,138	961,072	1,016,283
Gross (Loss) Profit	(7,230)	(67,443)	-89.3%	(328,546)	(499,932)	72,256
Loss for the year	(275,424)	(102,247)	169.4%	(349,768)	(951,129)	(184,258)
(Loss) per share (in HK dollars)	(0.05)	(0.02)	154.6%	(0.46)	(1.55)	(0.42)

Financial Ratios

	Year ended 31st December				
	2018	2017	2016	2015	2014
Profitability ratios:					
Gross margin (%)	N/A	N/A	N/A	N/A	7.1
Net margin (%)	N/A	N/A	N/A	N/A	N/A
Liquidity ratios:					
Current ratio (times)	0.52	0.59	0.4	0.61	1.03
Stock turnover (days) (Note 1)	16	22	21	101	398
Debtors turnover (days) (Note 2)	69	28	40	54	87
Creditors turnover (days) (Note 3)	25	19	9	16	25
Capital adequacy ratio:					
Gearing ratio (%) (Note 4)	65.5	53.3	77.1	58.3	43.1

Notes:

1. The number of stock turnover days is equal to inventory at the end of the year divided by the cost of sales for the year and then multiplied by 365 days.

2. The number of debtors' turnover days is equal to trade and bills receivables at the end of the year divided by the sales of the year and then multiplied by 365 days.

3. The number of creditors' turnover days is equal to trade and bills payable at the end of the year divided by the cost of sales for the year and then multiplied by 365 days.

4. The gearing ratio is equal to total bank and other borrowings at the end of the year divided by total assets at the end of the year.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. POON Sum *(Chairman)*
Mr. CHEUNG Tat Chung
(Chief Executive Officer)
Mr. NG Kwok Hung Perry
(appointed on 17th September, 2018)
Mr. HAO Xiangbin
(appointed on 11th January, 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Shu Kin
Dr. TSE Kwok Sang
Mr. CHIU Wai Piu

COMPANY SECRETARY

Ms. HUI Wai Man, Shirley

MEMBERS OF AUDIT COMMITTEE, REMUNERATION COMMITTEE, NOMINATION COMMITTEE AND CORPORATE GOVERNANCE COMMITTEE

Mr. CHAN Shu Kin
Dr. TSE Kwok Sang
Mr. CHIU Wai Piu

AUTHORIZED REPRESENTATIVES

Mr. POON Sum
Ms. HUI Wai Man, Shirley

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

9/F., 822 Lai Chi Kok Road
Cheung Sha Wan
Kowloon
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Bank of China (Hong Kong) Limited
Shanghai Commercial Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd floor
24 Shedden Road
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712-16, 17/F
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
(resigned on 13th December, 2018)
ZHONGHUI ANDA CPA LIMITED
(appointed on 21st December, 2018)

LEGAL ADVISOR AS TO HONG KONG LAWS

Raymond Siu & Lawyers

WEBSITE

www.gtiholdings.com.hk
www.irasia.com/listco/hk/gtiholdings/index.htm

STOCK CODE

3344

CHAIRMAN'S STATEMENT

2018 was a challenging year with uncertain development of the global economy. Even though the global economy has continued the recovery trend during the year 2017, the uncertainties over the political environment and economy continued to intensify. On the one hand, the European political environment continues to be unstable, and on the other hand, the implementation of trade tariff between the U.S. and the PRC has weakened the growth momentum of manufacturing and trading industries since 2017. The Group, whose major markets are in the European countries such as the United Kingdom and Spain and North American countries including Canada, was inevitably affected by the unstable global economic environment. In addition, the rising costs and exchange rate fluctuations also put pressure on the Group's performance during the year.

Notwithstanding the aforesaid, the Group continued to diversify its businesses in the past year. It expanded its petroleum trading business and conducted a comprehensive internal audit to adjust the structure of the textile business and implemented stringent cost control measures. During the year, the Group has recorded a steady growth in financial performance with the comprehensive income increased by 47.6% and the gross loss reduced significantly. For the textile business, as a result of the improvement of the structure of the production, the productivity was gradually improved. In the coming year, the Group will endeavor to actively enhance its products research and development, and to capture the opportunities in the Mainland China market in view of the substantial market potential. The Group aims to strengthen the sales and promotion in the Mainland China market and reduce the impact brought by the uncertainties from the overseas markets.

During the year 2018, the Group continued to expend extra effort to develop its petroleum trading business, shifting its focus from the overseas markets to the Hong Kong market and achieved impressive progress. The revenue of the segment increased significantly by 124.3%, which drove the overall revenue growth of the Group. Meanwhile, the Group has acquired a company principally engaged in the business of provision of services to petroleum industry in order to broaden the Group's scope of business in the petroleum industry and launch a new line of the petroleum service business. Despite the uncertainties surrounding the prospects of the global economy and the fluctuation in crude oil prices, the oil price per barrel is currently maintained at around US$60, which is higher than the US$40-50 per barrel in experienced 2016. The Board of Directors is optimistic about the prospects of the petroleum industry and will keep optimizing and developing the petroleum services business, so as to broaden and consolidate the Group's income base.

In respect of the financial service segment, the Group acquired a licensed corporation, which is authorized to carry out Type 9 regulated activities (asset management) under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) in 2017. The Group commenced asset management services in Mainland China through the fund management company held by the said licensed corporation. In 2018, the operating expenses of the Group recorded a slight increase due to the official commencement of the asset management business in the PRC, while the revenue of financial service segment remained stable as compared to that of last year.

Looking forwards, opportunities and challenges will co-exist. The Sino-US trade negotiations continue and the global economy is still uncertain. The Group's commitment in maximizing shareholders' value remains unwavering. The Group will continue to develop its main businesses with a cautiously optimistic approach while exploring the possibilities of diversifying its business in order to broaden its income base and hence enhance its profitability for the Company and its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Business review

We are pleased to report the audited results of the Group for the year ended 31st December 2018. During the year ended 31st December 2018, the Group recorded consolidated revenue of approximately HK$611.1 million, representing an increase of approximately 47.6% as compared with that of HK$413.9 million for the year ended 31st December 2017. The net loss for the year increased by 169.4% from approximately HK$102.2 million in 2017 to HK$275.4 million in 2018. Other than the write-down of inventories and the impairment loss recognised in respect of property, plant and equipment and prepaid lease payments of approximately HK$1.8 million and HK$34.8 million respectively, the impairment losses recognised on trade and other receivables of approximately HK$1.3 million, the gain on disposal of a subsidiary approximately HK$13.3 million, the loss contributed by the core business operations was approximately HK$250.8 million, representing a decrease of loss contributed by the core business operations by approximately 11.3% from approximately HK$282.7 million in 2017.

Textile business

Textile business remains one of the major businesses of the Group. For the year ended 31st December 2018, the Group's revenue derived from the textile business was approximately HK$285.6 million, representing an increase of 6.4% as compared to that of approximately HK$268.3 million in 2017. During the year, the Group's textile business still focused on the production and sale of knitted sweaters, which contributed approximately 70.3% of the revenue of the textile business, and represented an increase of approximately 13.4% when compared to that in 2017. In 2018, since the Group has used more effort in the production and sales of yarn in the PRC in order to improve the utilization rate of the production capacity of the production base in the PRC, more revenue has been derived from the production and sales of yarn. During the year, the revenue derived from the production and sale of yarn increased by approximately 10.4% to approximately HK$61.3 million as compared with that in 2017. On the other hand, due to restructuring of the textile business, no revenue was generated from dyeing services nor production and sale of dyed yarns.

As the Group has ceased or otherwise disposed of those operations with significant loss and implement stringent cost control during the year, the loss from the textile business has been improved from HK$201.2 million in 2017 to HK$154.5 million in 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Trading of petroleum

In 2018, trading of petroleum business has become the main source of revenue of the Group, which represented 53.1% of the Group's overall revenue. The revenue derived from trading of petroleum business was approximately HK$324.8 million in 2018, representing a significant increase of 124.3% as compared to that of HK$144.8 million in 2017. The reason for such increase was due to the change of business focus from Southeast Asia market to Hong Kong market, which resulted in the expansion of the petroleum trading business in Hong Kong. Further, due to the expansion of the trading of petroleum business, the cost and expenses correspondingly increased. The profit of the trading of petroleum business during the year was HK$1.1 million, representing a decrease of approximately 49.2% as compared with that of HK$2.1 million in 2017.

In order to further expand the trading of petroleum business, the Group has acquired the entire equity interest of Daqing Hongyisheng Technology Development Company Limited on 10th December 2018, which became an indirect wholly-owned subsidiary of the Group (the" Subsidiary"). The Subsidiary is principally engaged in the provision of services to petroleum industry, including but not limit to the development of the petroleum drilling technology and provision of technical services to Daqing, China. Subsequently, the Group has, through the Subsidiary, entered into a sale and purchase with a subsidiary of China National Petroleum Corporation Daqing Oilfield for the sale and purchase of specific equipment in order to sell certain equipment used in petroleum exploration industry. The execution of the said agreement provides an opportunity for the Group to expand its scope of business in the petroleum industry and to commence petroleum-related service.

Financial Service Business

In order to further diversify its business, the Group launched its financial services business in 2017. During the year, the revenue derived from this business segment was HK$738,000, which was similar to that of HK$744,000 in 2017. Since the asset management business in Mainland China has been officially launched in 2018, it resulted in the increase in operation costs, and hence affect the overall performance of the financial services business. In view of the development of the financial service business and in order to better allocate the resources, the Group has decided to dispose part of the financial services business during the year.

Others

In November 2018, our Group further acquired a further 14.0% equity interest in Coulman International Limited ("Coulman"), a company which is principally engaged in the business of investment holding in natural gas industry. After the acquisition, the Group holds an aggregate of 27.0% equity interest in Coulman. In view of Coulman's well-developed operating scale, stable financial track records, sustainable growth potential, as well as the market growth in natural gas industry, our Group believes that the acquisition will provide us opportunities to further increase our source of revenue and improve our financial performance, which is in the interest of the Shareholders as a whole. Our Group also successfully acquired the entire equity interest in Jiu Zhou Financial Group Co. Ltd ("Jiu Zhou") in December 2018. Jiu Zhou holds 66% equity interest in Zhongcheng Huiyu Technology Services Company Limited, which, together with its subsidiaries, principally engaged in the provision of financial outsourcing services in Mainland China. They offer one-stop professional financial outsourcing services for the branches of the People's Bank of China and its local commercial banks in Mainland China. The Group believes that this acquisition will provide a gateway for the Group to expand its business to RMB banknote clearing services and further increases its stable business income.

Prospects

According to the estimate of World Bank, the global economy is expected to grow steadily in the coming year. However, the global economy is still surrounded by uncertainties since the US-China trade negotiations have not yet concluded. The uncertainties may affect the overall market structure of the textile industry as well as the textile business of the Group. To cope with these challenges, the Group will actively develop new products to enhance competitiveness and will also explore other overseas markets to reduce the risks. At the same time, in light of the increasing demand for mid-end and high-end textile products in Mainland China driven by the growing salaries and consumption, the Group will increase the sales in Mainland China and consider selling branded textile products in collaboration with suitable business partners.

With the rapid growth in revenue generated from the petroleum trading business and the stability of Hong Kong business environment, the Group will continue to develop petroleum trading business in Hong Kong. Meanwhile, following the successful acquisition of a company engaged in the provision of petroleum service business last year, the Group will actively develop the petroleum service business and increase the revenue of this business segment.

In addition, with the Group's acquisition of a further 14.0% of Coulman's equity interest, resulting in the aggregate equity interest reaching 27.0%; as well as the successful acquisition of the entire equity interest in Jiu Zhou, the Group believes that the operating scale of these companies will bring sustainable growth potentials to the Group and will enhance its financial performance.

Looking forward, the Group will continue to solidify its existing businesses and implement effective measures to integrate its businesses, so as to reduce costs and enhance efficiency. Meanwhile, the Group will remain cautiously optimistic about the future development and seek for more business opportunities to mitigate the impact of market volatility.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

During 2018, trading of petroleum became one of the major business segments of the Group and it represents approximately 53.1% of the Group's total turnover. During the year, because of better stability of the business environment in Hong Kong, the Group was focusing more on the development of the trading of petroleum business in Hong Kong. In 2018, the overall turnover generated from the trading of petroleum increased substantially because of the continuing development of trading of petroleum in Hong Kong which represented 99.9% of the turnover from trading of petroleum business.

Textile business was still the other major business of the Group with its major products of knitted sweaters and socks. The Group's total revenue generated from textile business for the year ended 31st December, 2018 was approximately HK$285.6 million. Comparing with the year ended 31st December, 2017, the revenue increased slightly by approximately HK$17.3 million, representing an increase of approximately 6.4%.

The Group's turnover of the sweater business increased by 13.4%, from approximately HK$177.0 million for the year ended 31st December, 2017 to approximately HK$200.8 million for the year ended 31st December, 2018, representing approximately 70.3% of the Group's turnover from textile business. Similar to previous year, the Group's sales contribution of sweater business was mainly from the orders from Europe and North America. The Group has continued to focus the sales to overseas customers by utilizing the competitive advantages of low labour cost in our production plants in Cambodia and the advantage of import tax exemption for textile products to those European customers.

Cost of Sales

The cost of sales increased by approximately 28.5% from approximately HK$481.3 million in 2017 to approximately HK$618.3 million in 2018. Apart from the write-down of inventories of approximately HK$1.8 million (2017: approximately HK$16.5 million), the increase in the cost of sales was approximately 32.6% which was mainly due to the substantial increase in the trading volume of trading of petroleum business.

Gross loss and gross loss margin

The Group recorded an overall gross loss of approximately HK$7.2 million (2017: HK$67.4 million) for the year ended 31st December, 2018 in which the gross loss for textile business was continuing to improve as compared with that of 2017, and the provision on those long-aged inventories was significantly reduced during 2018. After continuing implementation of stringent cost control measures, improving the operating efficiency and factory utilization rate, the gross loss for textile business was significantly reduced.

The trading of petroleum business recorded a gross profit of approximately HK$3.3 million during 2018, representing a gross profit margin of approximately 1.0%.

Net loss margin

Except for the written-down of inventories as at 31 December 2018 of approximately HK$1.8 million (2017: HK$16.5 million), the net impairment losses recognised in respect of property, plant and equipment and prepaid lease payments of approximately HK$34.8 million (2017: HK$21.6 million), impairment losses recognised on trade and other receivables of approximately HK$1.3 million (2017: HK$4.7 million), the impairment loss recognised on available-for-sale investments of approximately HK$nil (2017: HK$15.4 million), the overall gain on disposal of subsidiaries of approximately HK$13.2 million (2017: HK$72.4 million) and the gain on debt restructuring of HK$166.4 million in 2017, a net loss of approximately HK$250.8 million was from the businesses of the Group, which was improved from a net loss of HK$282.7 million in 2017 under the same basis.

If the orders from textile business can be further increased and resumed to the optimum level, it is anticipated that the overall margin for the year ending 31st December, 2019 will be further improved. The Group will continuously strive for orders with better profit margin and use its best endeavours to overcome challenges by sharpening its competitive edge. The completion of the acquisition of the RMB banknotes clearing up services business and a petroleum industry service business in 2018 will also further improve the overall net loss margin for the year of 2019.

Selling and distribution costs

Selling and distribution costs mainly included transportation costs, accessories and packing expenses. For the year ended 31st December, 2018, the Group's selling and distribution costs was approximately HK$28.5 million (2017: HK$23.2 million), representing an increase by approximately 22.9% as compared to that of 2017 which was mainly due to the increase in the revenue of textile business and increase in flight charges for textile business, and it accounted for approximately 4.7% (2017: 5.6%) of the Group's revenue.

Administrative expenses

Administrative expenses of approximately HK$126.1 million (2017: HK$130.2 million), representing a drop by approximately 3.2% as compared to that of 2017, mainly consisted of staff cost, including employees' salary and welfare and redundancy costs, directors' remuneration, legal and professional fees and depreciation. The decrease in administrative expenses during 2018 was mainly due to the further disposal of some subsidiaries of the group.

Finance costs

Finance costs mainly comprised interests on bank and other borrowings which decreased to approximately HK$87.0 million (2017: HK$95.2 million), representing approximately 14.2% (2017: 23.0%) of the Group's revenue. The decrease in finance cost as compared to that of 2017 was mainly due to the lack of overdue interests charged pursuant to the debt restructuring deed signed on 9th March 2017 during the year ended 31st December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings

As at 31st December, 2018, the Group had outstanding bank and other borrowings of approximately HK$519.6 million (2017: HK$378.6 million), in which approximately HK$97.0 million (2017: HK$76.1 million) was classified as falling due more than one year and the remaining balance of approximately HK$422.6 million (2017: HK$302.5 million) was classified as falling due within one year. The total bank and other borrowings increased by approximately HK$141 million when comparing with the balance as at 31st December, 2017 as a result of issuance of bonds in order to meet the need of the working capital during the year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December, 2018, the Group's cash and cash equivalents have decreased from approximately HK$62.4 million to approximately HK$15.6 million. The Group's total assets was approximately HK$794.5 million (2017: HK$710.0 million) as at year end.

Less net cash was used for operating activities for the year ended 31st December, 2018 as the result of the net effect of the operating loss, the decrease in inventories, increase in trade and other receivables, deposits and prepayment and decrease in trade and other payables. In addition, more net cash was generated from investing activities as compared to that of 2017, mainly due to more cash generated from disposal of subsidiaries. On the other hand, less net cash was generated from financing activities during the year ended 31st December 2018 as compared to the year of 2017 during which there was proceeds from share subscriptions of approximately HK$359.0 million during 2017.

The Group mainly met its funding requirements in its usual course of operation by cash flows generated from operations, as well as long-term and short-term borrowings and equity financing. The Group will continue to focus on reducing the net gearing ratio by improving profitability, procuring the disposal of non-core or idle assets and implementing tighter control over costs, working capital and capital expenditure.

On 15th February 2019, the Company entered into a placing agreement with a placing agent, pursuant to which the placing agent agreed, as agent of the Company, to procure, on a best effort basis, not less than six placees, who would be independent third parties, to subscribe for up to 354,000,000 placing shares at the placing price of HK$0.18 per placing share. The subscription was completed on 18th March 2019 with an aggregate of 177,208,000 shares being allotted. Details of the placing have been disclosed in the announcements of the Company dated 15th February, 2018, 8th March, 2018 and 18th March, 2018.

The sales and purchases of the Group were denominated in Hong Kong dollar, US dollar and Renminbi. Fluctuations in foreign currencies such as the US dollar and the Renminbi remained a concern of the Group. To mitigate the foreign currency risk, the Group will consider to enter into appropriate hedging arrangements from time to time.

Stock turnover days

Stock turnover days of the Group for the year ended 31st December, 2018 improved to approximately 16 days (2017: 22 days). The Group will continuously monitor its inventory level to a secure level in the coming year.

Debtors' turnover days

The debtors' turnover days increased to approximately 69 days for the year ended 31st December, 2018 from approximately 28 days last year. Without considering the effect of new businesses acquired during 2018, the debtor's turnover days increased to approximately 46 days. Credit control on debt collection and new customers selection procedures are still being made in a stringent manner. The Group generally offers credit terms of 30 days to 180 days to its trade customers subject to the trading history and the individual creditability of the customers.

Dividend Policy

The declaration of dividends is subject to the discretion of the Directors and may only be declared when the Company has distributable reserve and is expected to take into account various factors such as the Group's financial results, shareholders' interests, general business conditions and strategies, the Group's capital requirements, contractual restrictions on the payment of dividends by the Company to its shareholders or by the Group's subsidiaries to the Company, taxation considerations, possible effects on the Group's creditworthiness, statutory and regulatory restrictions and any other factors as the Directors may deem relevant. Taking into account the accumulated loss of the Company, the Board does not recommend the payment of final dividend for the year ended 31st December, 2018.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31st December 2018 (2017: Nil).

MAJOR INVESTMENTS

During the year, save as disclosed in this annual report, there was no other material acquisition or disposal of subsidiaries, associates and joint ventures of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

GTI Holdings Limited (the "Company", together with its subsidiaries, collectively referred to as the "Group" or "we" or "us") is pleased to present the Environmental, Social and Governance Report 2018 (the "Report") to summarise the policy, measures and performance of the sustainable development of the Group.

Reporting Period

The reporting period of this report is from 1 January 2018 to 31 December 2018.

Scope of the Report

Unless stated otherwise, this Report covers the Group's headquarters in Hong Kong Special Administrative Region ("Hong Kong") and the operation of one of the principal business (i.e. textile business) of its subsidiaries, including the warehouses and factories (collectively referred to as "production plants") being operated in the PRC (the "PRC")[1] and Kingdom of Cambodia ("Cambodia")[2]. The Group will continue to improve its internal data collection procedure and to expand the scope of disclosure. Part of the data[3] set out in the year 2017 has been restated to reflect the revised methods of calculation of business units.

Reporting Standards

This Report is prepared in accordance with Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("SEHK")("Main Board Listing Rules") – "Environmental, Social and Governance Reporting Guide" published by SEHK and has complied with "comply or explain" provision in the Listing Rules.

Information in the Report originates from official documents and statistics of the Group, as well as the integration and summarization of monitoring, management and operation data provided by subsidiaries under the Group according to relevant policies of the Group. The last part of this Report has a complete content index to facilitate quick reference of readers. This Report is prepared in both Chinese and English. In case of any conflict or discrepancy between the Chinese and English versions, the Chinese version shall prevail.

Feedback

The Group values your opinions about this Report. If you have any opinion or suggestion, please email us at esg@gtiholdings.com.hk.

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1 Business units include An Qing Su Song Addchance Spinning Company Limited (stopped production in November 2018)

2 Business units include Dignity Knitter Limited ("Dignity") and Ecobase Factory Limited ("Ecobase"). As Chung Yick Textile Factory Limited ("Chung Yick") has stopped production in January 2018, the relevant data is not included in this report.

3 As there was material change in operation of production plants, the relevant data may not be able to directly compare with the data of last year, and is for reference only.

PRINCIPLES OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE MANAGEMENT

The Board is responsible for the evaluation and determination of the risks the Group's exposures in respect of environment, social and governance, and to ensure the Group establishes appropriate and effective environmental, social and governance risk management and internal control system. The management reviews risks in respect of these aspects and the effectiveness of the internal control system, and provides confirmation to the Board.

STAKEHOLDER ENGAGEMENT AND IMPORTANT EVALUATION

The stakeholders' opinions laid a good foundation for the Group's sustainable development and success. The stakeholder engagement will facilitate the Group's establishment of business strategies which better meet their needs and expectations, enhance the Group's ability to forecast risks, and to strengthen important connections. The stakeholders can express opinion in respect of aspects such as environment, social and governance by different means. The stakeholders related to the Group and the platforms to engage are as follows:

Stakeholder	Platforms to engage
The government and regulatory authorities	• Annual reports, interim reports, ESG reports and other public information
Shareholders and investors	• Annual general meetings and other general meetings
	• Website of the Company
	• Press releases/announcements
	• Annual reports, interim reports, ESG reports and other public information
Employees	• Trainings
	• Meetings
	• Recreational activities
Customers	• Faxes, emails and phone calls
Suppliers	• Tendering procedures

The Group determined the issues to be disclosed in this report through conducting internal and external evaluations. By considering the stakeholders' level of reliance of and influence on the Group, as well as the resources of the Group, the management identified the key stakeholders and conducted questionnaire survey with them. They give opinions and suggestions in respect of the issues involved in the operation of the Group.

After consolidating the Group's internal evaluation and the result of the questionnaire survey, the Group derived a materiality matrix (see table below). We made reference to the importance of these issues to the business and the stakeholders to determine their level of disclosure in this report.

MATERIALITY MATRIX

Materiality Matrix

Importance to stakeholders		
high	• Air pollutant emissions • Environment and natural resources • Harmful and harmless waste management • Water resources • Carbon and energy management • Development and training • Product health and safety • Supply chain management	• Legality and compliance in employment • Occupational health and safety • Product/service quality management • Consumption of packaging materials
low	• Advertisement and label of product/service • Customers information and privacy protection • Complaint handling • Contribution to the society	• Intellectual property protection • Anti-corruption
	low	high
	Importance to business	

ENVIRONMENTAL ASPECTS

The Group is highly concerned about the impact and potential risks of its production and operation on the environment and the surrounding ecological system. It conducts operation with awareness on environmental protection in a responsible manner. It strictly abides by relevant laws and regulations on environment in all places where the Group has operations, including the Law of the People's Republic of China ("PRC") on Environmental Protection, the Law of the PRC on Air Pollution Prevention, the Law of the PRC on Noise Pollution Prevention, the Law of the PRC on Water Pollution Prevention, the Law of the PRC on Solid Waste Pollution Prevention, the Law of the PRC on Energy Saving, the Law of the PRC on Environmental Impact Assessment, the Law of the PRC on the Promotion of Clean Production, the Law of the PRC on the Promotion of Circular Economy, the Water Law of the PRC and the Environmental Protection Law of Cambodia. During the reporting period, the Group had no material non-compliance with the aforesaid laws and regulations.

The Group implements energy-saving measures in its office and production plants to reduce the consumption of electricity and the emission of greenhouse gases. The Group also adopts policies to encourage the recycling and use of eco-friendly stationery. With various measures on saving the use of paper and energy, it can more efficiently use resources and reduce waste.

The textile business includes the production and sale of dyed yarn, knitted sweaters and cotton yarns, the provision of dyeing services and knitting services and the trading of cotton and yarns. Its major products include dyed yarns made of over 200 different types of cotton, cashmere, ramie, rayon, acrylic, polyester, silk, wool, nylon, linen and a mixture of the above, and knitted sweaters including cardigans and pullovers as well as socks and hosiery products. The following sections set out the relevant emission and control measures of the Group.

Emissions

Air pollutant emissions

The production plants of the Group strictly abide by the Law of the PRC on Air Pollution Prevention and the Law of Cambodia on Environmental Protection and Natural Resources Administration (Air Pollution Control) in the treatment of waste gas. The waste gas is mainly generated from the production plants in Cambodia, including sulphur dioxide, smoke and dust and nitrogen oxides. Currently, the authorities of Cambodia have no specific standard for the emissions of steam boilers. Nevertheless, the production plants in Cambodia are inspected by local environmental protection officers regularly in respect of their temperature, humidity, etc. The production plants have adopted the following measures to mitigate the impact of waste gas generated: selecting firewood suppliers in a stringent manner and requiring the firewood supplied to meet fixed length, dryness and thickness to ensure sufficient burning and reduce smoke and dust.

The data of air pollutant emissions[4] are as follows:

Type of emission	Unit	2018	2017[5]
Nitrogen oxides (NO_x)	Tonnes	**53.21**	21.98
Sulphur oxides (SO_x)	Tonnes	**2.92**	1.26
Suspended particles or particulate matter (PM)/smoke and dust	Tonnes	**37.56**	14.48

[4] The emissions are generated from the operations of production plants in Hong Kong and Cambodia.
Emissions in Hong Kong are estimated with reference to HKEX – How to prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs
Currently, there is no information relating to air pollutant emission standards and emission factor in Cambodia. We will strive to enhance the accuracy of such data. The emissions are estimated based on the following public information: Environment and Climate Change Canada – National Pollutant Release Inventory (NPRI) toolbox, United States Environmental Protection Agency – Compilation of Air Pollutant Emission Factors (AP-42), and EMEP/EEA air pollutant emission inventory guidebook – 2016

[5] The data has been restated.

Air pollutants are mainly generated from the operation of production plants in Cambodia, including emissions from the use of emergency generators and steam boilers and from vehicles. Air pollutants in Hong Kong mainly originate from vehicle emissions. During the reporting period, the increase of air pollutant emissions is mainly due to the significant increase of use of production equipment such as steam boilers as a result of the increase in production activities in the production plants in Cambodia. The management will continue to monitor and manage the use of the relevant equipment to evaluate the effectiveness of the relevant measures.

Greenhouse gas emissions

We have implemented energy saving measures described in the paragraph headed "Use of resources" to reduce greenhouse gas emissions from its operations. The data of greenhouse gas emissions[6] are as follows:

Greenhouse gas emissions	Unit	2018	2017[7]
Scope 1[8]	Tonne carbon dioxide equivalent	**2,871.09**	1,378.67
Scope 2[9]	Tonne carbon dioxide equivalent	**13,822.99**	15,611.36
Total greenhouse gas emissions	Tonne carbon dioxide equivalent	**16,694.08**	16,990.03
Total greenhouse gas emission intensity	Tonne carbon dioxide equivalent/ HK$ million of revenue	**58.46**	63.32
CO_2 emission from biofuels[10]	Tonne carbon dioxide equivalent	**25,586.53**	9,813.67

Scope 1 emissions are mainly from emergency generators, fuels used by boilers and fugitive emission of refrigerant in Cambodia, and from fuels used by vehicles in Hong Kong. Scope 2 emissions are mainly from the use of electricity by production plants and headquarters. Carbon dioxide emission from biofuels is mainly from emissions in burning of firewood in Cambodia. The production plants will continue to monitor and manage the use of the relevant resources to evaluation the effectiveness of the relevant measures.

6 The Group's greenhouse gas emissions are calculated with reference to Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.

7 The data has been restated.

8 Scope 1: Direct emissions from operations that are owned or controlled by the Company include the business units in Hong Kong and Cambodia.

9 Scope 2: "Energy indirect" emissions resulting from the generation of purchased or acquired electricity, heating cooling and steam consumed within the company.

10 Pursuant to the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, the carbon dioxide emission from the burning of biofuels is reported separately. However, the nitrous oxide and methane generated from which are included in Scope 1.

Treatment of waste water

The production plants strictly abide by the Law of Cambodia on Environmental Protection and Natural Resources Administration (Waste Water Pollution Control) in the treatment of waste water. Environmental officers from the Cambodian authorities carry out sewage test regularly. The discharge of waste water by the Group includes the industrial waste water from the operation and the domestic waste water from the daily water use by employees. The production plants have biochemical treatment pools for waste water treatment and invested in the establishment of a distributed control system (DCS) for online monitoring and control. if the indicators of the discharged water exceed the standards, the master valve will close automatically and no more water can be discharged. Moreover, the production plants adopted environmental dyeing agents to reduce the impact of the waste water discharge on the environment.

The Group has adopted various measures to ensure that the waste water can meet the discharge standards. The staff of waste water treatment station takes samples every 2 hours for checking whether it has fulfilled the standard. If it is found that the waste water fails to meet the required standards, the discharge of waste water would be suspended immediately, and the cause of the problem will be identified and the Group will ensure the waste water has met the standard before discharge.

The discharge of waste water by production plants in Cambodia is as follows:

Waste water discharge	Unit	2018[11]	2017
Total	Thousand tonnes	**133.52**	110.02

In addition, samples of the waste water discharged from the production plants are taken and tested regularly to see if the concentration of pollutants violates the Law of Cambodia on Environmental Protection and Natural Resources Administration (Waste Water Pollution Control). All test results indicated that the processed waste water met the standards required by the authorities in the reporting period. The average test results of the concentration of pollutants in the waste water are as follows:

Waste water pollutants	Unit	Average
pH	N/A	6.56
Total suspended solids (TSS)	mg/litre	53.00
Biological oxygen demand (BOD_5)	mg/litre	23.45
Chemical oxygen demand (COD)	mg/litre	45.25
Oil and grease	mg/litre	4.70
Total ammonia	mg/litre	0.18

[11] The data does not include Chung Yick.

Treatment of solid waste

The Group strictly abides by the Law of the PRC on Solid Waste Pollution Prevention and the Law of Cambodia on Environmental Protection and Natural Resources Administration (Solid Waste Management) in the treatment of solid waste. The solid waste generated from the headquarters in Hong Kong is non-toxic and non-hazardous solid waste, including used sweater and socks samples, plastic bags, waste paper box, knitting wool waste, fur tubes and other ordinary domestic waste. Such wastes were all collected and processed by waste treatment companies approved by the local environmental authorities. Used toner was generated during the operation of Hong Kong office, which was collected and treated by the recycling company.

Treatment of solid waste	Unit	2018	2017
Non-hazardous solid waste	Tonnes	95.69	65.30
Used toner	Tonnes	0.03	0.01

Noise control

The production plants of the Group strictly abide by the Law of the PRC on Noise Pollution Prevention and the Law of Cambodia on Environmental Protection and Natural Resources Administration (Noise Control Management) in controlling noises. It installs acoustic panels for equipment which generate high noise. In the general layout design of the production plants in Cambodia, portions of the plants generating high noises and low noises are separated. While meeting the requirements on the production process, equipment generating high noises are concentrated and measures on reducing and insulating noises are adopted.

Use of resources

The Group advocates environmental protection in our daily business operation. The Group adopts a variety of environmental friendly practices in its operation premises as set out below.

Use of electricity

The Group strictly abides by the Law of the PRC on Energy Saving. The electricity consumption is mainly from the normal operation of production plants, the operation of equipment and the electric equipment in office during the working hours. The Group understands that electricity consumption directly affects the emission of greenhouse gases. To reduce the emission of greenhouse gases, it strives to reduce the electricity consumption and attaches great importance to energy saving and emission reduction. The lights in all offices are replaced with T5 fluorescent lamps and the production plants are installed with transparent skylines to improve the utilization rate of power and reduce the use of electricity. Meanwhile, the Group installed frequency converters for high-power motors to reduce electricity usage. It replaces traditional air-conditioners with water screen air-conditioners to reduce the consumption of electricity.

Firewood

Some plants of the Group use firewood as fuels for boilers. In order to maximize the use of resources, the Group uses the remaining ashes after the burning of firewood as organic fertilizers for green plants in the plant area.

The data of different type of energy consumption are as follows:

Type of energy	Unit	2018	2017
Purchased electricity	MWh	**18,185.77**	19,270.05
Diesel	MWh	**1,665.57**	1,154.67
Petrol	MWh	**98.52**	175.36
Firewood	MWh	**64,679.03**	24,807.54
Total energy consumption	MWh	**84,628.88**	45,407.62
Total energy consumption intensity	MWh/HK$ million of revenue	**296.36**	169.23

Use of water

The use of water of textile business is mainly from the tap water required for the normal operation of production plants, the drinking water in office during the working hours and the clean water in tea rooms and bathrooms. The production plants in Cambodia obtain water from nearby rivers or underground water and they have also established rainfall collection pools, while the use of water by the headquarters in Hong Kong and the production plants in the PRC is for household use. As a result, we do not have any major problem in securing appropriate water source. The Group attaches great importance to the improvement of the utilization rate of water resources and uses recycled water for production. It implements various measures in production plants to improve the utilization rate of water resources, including setting up signboards on saving water at the place using water; replacing traditional water taps with water-saving taps; and strengthening the water-saving education on staff to enhance their awareness on energy saving and reducing emission. The Group's water consumption is as follows:

Water consumption	Unit	2018	2017
Total water consumption	Thousand tonnes	**443.44**	428.70
Water consumption intensity	Thousand tonnes/ HK$ million of revenue	**1.55**	1.60

Paper

The use of paper is mainly from the operation of the office, and the Group adopts the following measures to save paper:

- Designating specific recycling bins for waste paper and regularly contacting waste paper recycling companies on recycling matters;
- Using recycled paper;
- Using both sides of paper for printing and photocopying;
- Using used paper for drafting, printing and receiving fax;
- Recycling used envelopes and folders in issuing internal documents and letters;
- Avoiding printing and photocopying documents unless necessary;
- Sending soft copies through emails rather than sending printed copies;
- Archiving documents in the electronic form;
- Transforming documents in the electronic form, if possible;
- Sending electronic greeting cards instead of paper cards during festivals.

Packaging material used

The packaging materials[12] used are as follows:

Type of packaging material (Thousand pcs)	2018	2017[13]
Plastic bag	3,461.71	2,107.07
Carton	70.41	154.65
Clothes hanger	17.07	112.00
Carton sealing tape	4.44	9.84
Nylon bag	98.77	N/A
Strapping	49.65	N/A
Textile paper tubes	1,308.24	N/A
Inner packaging bag	1,410.00	N/A
Nylon ropes*	2.84	N/A

[12] As the packaging materials are of different types, weight cannot be used as the reporting unit.
[13] As there is no relevant data for certain materials in 2017, therefore no disclosure is made for them.
* They weighs 500 grams each.

Environment and natural resources

The Group pays much attention to environmental issues and the utilization of natural resources. The Group attaches great importance to the use of resources and advocates the environmental concept on energy saving and emission reduction as well as reducing the utilization of natural resources. Besides paper, the Group requires all plants operated by it to recycle all packaging materials and production materials, including paper tubes, paper boxes, fur tubes, plastic tubes, waste iron, waste copper and packaging bags. The Group attaches great importance to the greening work in its operation area and the green coverage in the plant area is relatively high. Besides, a majority of the interior lighting system in the plant area adopts the solar energy power storage system to reasonably utilize solar energy and indirectly save electricity. In order to reduce the solid waste generated, the Group requires employees to reduce the waste of food.

SOCIAL ASPECTS

Employment and labour practices

Employment

The Group firmly believes that employees are one of the most important assets of an enterprise. With the continuous growth of an enterprise, it must establish sustainable human capitals and attract and retain talents. The Group strictly abides by the labour laws in Hong Kong, Cambodia and the PRC, including the Labour Law of the PRC, the Employment Promotion Law of the PRC, the Labour Contract Law of the PRC, the Social Insurance Law of the PRC, the Labour Law of Cambodia, the Employment Ordinance of Hong Kong, the Sex Discrimination Ordinance of Hong Kong, Race Discrimination Ordinance of Hong Kong and other relevant laws, and ensure that it provides reasonable remuneration and welfare for employees and effectively prevents the employment of child labours and forced labours. The recruitment policy of the Group respects all employees. In the employment, training, performance management, selection of employees and the calculation of salaries, it ensures that no employees will be discriminated as a result of differences in race, religion, skin colour, sex, nationality, age and disability. It treats all employees fairly, equally and impartially. Meanwhile, the termination of any employment contracts shall be based on reasonable grounds with proper legal basis. The Group strictly prohibits any inequitable or unreasonable dismissals. The human resources department of the Group will regularly review the latest laws and regulations to update relevant policies on human resources.

The Group will consider the working experiences of employees, the expected capability, background, the market remuneration for the position, the internal budget of the Company and other factors in recruiting new employees. As a result, the Group strives to attract and retain talents and allows them to achieve their goals in an environment where the Group values fairness, mutual respect, credit and other beliefs.

In order to improve the salary, welfare, reward and sanction system on employees, the Group has established the basic remuneration management system on employees. It classifies the basic remuneration levels based on the positions, working time, technical skills and positions. It also establishes the employees performance management system. It holds the performance appraisal meeting every year to evaluate and reward the diligent staff and staff with unsatisfactory performance based on the completion of the work of the department and the implementation of various systems.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The working time and rest time of employees are in compliance with the local employment laws and are stipulated in the employment contract. Besides offering statutory paid leaves and competitive remuneration, contributing social insurance as well as housing provident fund and commercial travel accident insurance for employees, employees also enjoy maternity leave, marital leave, paternity leave, compassionate leave and other welfare according to laws. During the reporting period, after considering the current difficulty in hiring experienced staff in the textile industry, the plants in the PRC adjusted the remuneration of all employees of the plants and provided Spring Festival holidays more than that mandated by the laws to attract and retain talents, and to raise their production quality.

In order to foster the sense of belonging of employees, all subsidiaries of the Group regularly hold various group activities. It held anniversary dinner, Christmas party and other group activities to promote the friendship among employees and establish a harmonious relation in the team.

The composition and turnover of employees are as follows:

Employee composition	2018	2017
By gender		
Male	509	552
Female	2,468	2,836
By age group		
below 30	1,265	1,656
30-39	1,182	1,235
40-49	339	354
50 or above	191	143
By position		
Assistant general manager and above	17	10
Manager	8	17
Assistant manager	5	2
General staff	239	184
Operation staff	2,708	3,175
By geographical region		
Hong Kong	2,637	50
The PRC	292	280
Cambodia	48	3,058
Total	2,977	3,388

Turnover	2018	2017
By gender		
Male	8%	6%
Female	8%	2%
By age group		
Below 30	9%	2%
30-39	8%	2%
40-49	7%	6%
50 and above	11%	17%
By geographical region		
Hong Kong	32%	31%
The PRC	10%	17%
Cambodia	8%	1%
Overall	8%	3%

Health and safety

The Group devotes itself to providing employees with a safe and healthy working environment in compliance with the relevant laws and regulations of the PRC, Cambodia and Hong Kong, including the Law of the PRC on Safety Production, the Law of the PRC on the Prevention of Occupational Diseases, the ordinances on insurance on work-related injuries and the ordinance on occupational safety and health. The Group actively implements measures on standard safety production and established a management system on standard safety production and also formulated related policies, such as fire safety policy. During the reporting period, the Group had no material non-compliance with the aforesaid laws and regulations.

Meanwhile, the Group conducts relevant trainings on occupational health and safety for all employees and provides targeted trainings on emergency management, the safe operation of machinery and the disposal of dangerous materials for employees at relevant positions. It also organizes relevant employees to conduct emergency and fire drills every year. During the reporting period, the production plants in Cambodia held training such as traffic safety training as well as fire drills. The production plants in the PRC organised safety meeting monthly to continuously update the safety knowledge of employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The plants also adopt corresponding measures to guarantee a healthy and safe working environment. The Group arranges professionals to assess the light, noise, air, dust, ventilation, air and other labour and working environment to ensure that it provides good and safe working conditions for employees. The Group provides employees with appropriate personal protection equipment to prevent potential labour accidents and minimize the impact on the health of employees. Such equipment include: earplugs, eyes protectors, anti-dust respirators, masks, rubber gloves, boots, insulated shoes, aprons, hairnets and safety belts. For production plants generating high noise, in order to reduce the time that employees are exposed to noises, the Group conducts relevant training on protection knowledge for employees exposed to noises and equips them with hearing protectors meeting standards. It also requires them to cooperate in the implementation of the hearing protection plan of the enterprise and wear earplugs consciously. It organizes relevant employees to conduct health check every year to help employees and the Group to ascertain the health conditions of employees and make appropriate working arrangement and conduct treatment (if necessary). During the reporting period, there was one work injury case, in which 1 employee was injured, and 21 working days were lost. Other than that, there was no work-related fatalities.

Development and training

The Group is concerned about the professional development of every employee and sets corresponding training plans at all subsidiaries. The Group organized medium and junior level employees to attend training courses related to the requirements of their work and positions, including the induction courses for new employees, health and safety courses, language courses and technical courses. The induction training covers internal rules on remuneration and welfare, labour disciplines, health and safety, firefighting, working and position requirements. The Group also provides annual trainings and other ad hoc trainings:

- The annual trainings provide trainings on internal rules, the health and safety of all employees and firefighting;
- The Company arranges regular trainings for different groups of employees based on local regulations and rules, including the training on safety operation by fork-lift truck drivers, boiler operators, chemical products managers and first-aid employees;
- Ad hoc training courses are conducted based on the actual requirements of each department to improve the capability of employees, including the primary practice certificate for boiler operators, fork-lift truck drivers and crane drivers.

The performance index in respect of the relevant training is as follows:

Percentage of employees trained[14]	2018	2017
By gender		
Male	94%	30%
Female	99%	73%
By position		
Assistant general manager and above	94%	100%
Manager	75%	82%
Assistant manager	60%	100%
General staff	79%	68%
Operation staff	100%	66%

Average training hours[15] (hour/person)	2018	2017
By gender		
Male	9.16	3.29
Female	9.12	6.35
By position		
Assistant general manager and above	3.76	4.40
Manager	6.00	3.88
Assistant manager	6.00	10.00
General staff	6.97	8.62
Operation staff	9.37	5.70

Labour standards

The Group strictly abides by the Labour Law of the PRC, the Law of the PRC on Employment Contract, the regulations on the prevention of minor labours in the PRC, the Law of the PRC on the Protection of Minors, the Labour Law of Cambodia and other relevant labor laws and regulations and prevent the employment of child labours and forced labours by the Group. The subsidiaries of the Group have formulated child labour prevention policy, forced labour prevention policy, etc. The production plants in Cambodia were also reviewed by the third party independent institution to continuously improve the compliance with the local labour laws and the major international labour standards.

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14 Percentage of employees trained = the numbers of employees trained during the reporting period/the numbers of employees at the end of the reporting period.

15 Average training hours = the total hours of training/ the numbers of employees at the end of the reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The human resources department of the Group complies with relevant national laws and regulations and implements the labour management procedures to review the induction materials of employees to ensure the ages of employees comply with the requirements of regulations. It also conducts induction talks with employees before they join the Group and ascertaining that they are not forced labours. During the reporting period, the Group did not hire any child labour or forced labour, and there was no material non-compliance with the aforesaid laws and regulations.

Operating practices

Supply chain management

The Group is principally engaged in the production and sale of dyed yarn, knitted sweaters and cotton yarns, the provision of dyeing services and knitting services and the trading of cotton and yarns. The main raw materials procured by the Group are wool and ancillary materials. When selecting suppliers, the Group generally considers environmental and social risk factors, requiring suppliers to provide local business licenses and taxation registration certificates to ensure that the suppliers meet the standards of national regulations on the industry. The specific standards for selecting include the following six aspects: meeting the standards of national laws and regulations on the industry; having good reputation; passing the certification of quality management system; good services; competitive prices; and outstanding performance. In addition, qualified suppliers in Cambodia must provide business licenses, the approvals on pollution emission tax and value-added tax as well as the standard certificates on relevant products not containing hazards and meeting various international regulations.

For new suppliers, the Group requires them to provide samples to test their quality. If their samples are satisfactory and the price and delivery period meet the requirements, the procurement department will procure a few supplies to conduct further quality assessment. New suppliers have to pass an assessment period of 6 months. If the quality and other aspects of the suppliers is stable during the period, they will be included in our list of qualified suppliers. For suppliers with cooperation at present, the procurement department of the Group is responsible for managing and maintaining a healthy and good commercial partnership with them. The procurement department has to strictly control the quality, select samples for review and determination by the management. The suppliers must provide quality warranty or on-site (entrusted) tests. If the quality of raw materials of the suppliers declines and fails to meet the required quality of the Group within the stipulated period, the procurement department will suspend the cooperation with the suppliers.

The current suppliers for the business mainly provide the Group with low-value consumables (parts and accessories), logistics service and raw materials. Their geographical distribution is as follows:

Suppliers by geographical distribution	2018	2017
Shanghai	2	1
Shandong	4	4
Sichuan	–	1
Anhui	51	33
Jiangxi	–	3
Jiangsu	17	14
Hebei	2	1
Henan	5	5
Shaanxi	1	1
Hubei	1	–
Total	83	63

Product responsibility

The Group adheres to the concept of "Quality and Service Are Top Priorities" for products. It requires excellent quality, loyal services, green and environmental protection and waste-free. The Group strictly abides by relevant laws and regulations on the industry, including the Law of the PRC on Safety Production, the Law of the PRC on Standardization, the Quality Law of the PRC and corresponding internal rules and regulations. All products must fully meet the EU standards on environmental protection, including REACH, WEEE, RoHS, EuP and other rules. During the reporting period, there was no material non-compliance with the aforesaid laws and regulations.

The Group has established a complete system on quality assurance and safety. The quality inspection department must conduct the routine inspection on the products based on the Responsibilities of the Positions of the Quality Inspection Department. In early stage of production, the quality inspection department shall compare and inspect if there are errors in the weaving, stitching, cross stitching, laundering, amending, packaging and other processes. Meanwhile, it also inspects whether the AQL (Acceptable Quality Level) meets the standards. If it identifies defective products, it must explain the requirements to the employees in the production line, include improvement suggestions into the inspection report and follow up if the production department makes improvements as required. While it conducts random inspections on unfinished products, relevant departments must keep all products tidy for quality inspection staff to conduct random inspection. If it identifies any problems, it must hold meetings to discuss how to improve the same. Defective products must be returned for rework until they meet the standards and are handed over to the next production stage. During the final inspection, the quality inspection department shall randomly select samples for inspection and ensures that all of the problems raised before have been improved. It shall inspect a considerable amount of clothes to conduct detailed inspection and check if all indicators meet the standards based on the requirements of the Company and fill in the inspection report on bulk products.

If the Group receives complaints on product quality from customers, relevant departments will contact customers immediately and investigate the reasons of the complaint and resolve the matter. They will collect relevant information and submit them to the quality inspection department to investigate and analyze the reasons and determine the responsibilities. They will categorize them based on the sources of defective products and notify the relevant responsible departments to follow up the subsequent handling processes. During the reporting period, the Group had not received any complaint about its products' safety or health risk nor had to recall and return the product.

The Group appoints legal advisors to provide suggestions and advices on the advertisement policies and labelling policies for the products. All advertisement suggestions shall be reviewed by legal advisors and approved by the media before official launch to prevent improper activities such as false or exaggerated advertisements. The Group attaches great importance to the labelling and categorization of relevant products. According to national laws and regulations and industrial standards, the Group prepares corresponding internal rules and regulations to guarantee the safety and traceability of products.

The Group has strictly abided by the Intellectual Property Law of the PRC, the Intellectual Property Protection Law of the PRC, and stresses on protecting customer's trade secret. Upon receiving design draft from customers, the relevant department will implement the corresponding measures to ensure confidentiality of trade secret such as intellectual property and privacy, and prevent their leakage. For some products with intellectual property rights, the Group will enter into a confidentiality agreement with the relevant suppliers and customers for intellectual property and trade secret.

The Group has strictly abided by the laws and regulations of the PRC and Hong Kong Special Administrative Region, including the Law of the PRC on Protection of Consumer Rights, the Personal Data (Privacy) Ordinance of Hong Kong and other laws and regulations, in order to protect data and privacy of customers. During the reporting period, the Group had not received any complaints relating to breach of customer privacy/ loss of customer information.

Anti-corruption

The Group is committed to adhering to the highest ethical standards. The Group has strictly abided by relevant laws and regulations on anti-corruption of the PRC and Hong Kong, including the Law on Anti-money Laundering of the PRC, Article 274 (for extortion and racketeer) of the Criminal Law of the PRC, the Interim Provisions on Prohibiting Commercial Bribery, the Prevention of Bribery Ordinance of Hong Kong and the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance of Hong Kong. The relevant laws and regulations on anti-corruption of the PRC and Hong Kong shall be applicable to all Chinese and Hong Kong employees of companies in Cambodia.

In order to strengthen the internal management, maintain the attitude and discipline, improve the working efficiency, and enhance the corporate governance and internal control, the Group formulated the position accountability system of the Company according to relevant regulations. The system expressly prohibits employees from soliciting, accepting or providing bribes or any other form of improper interest. In addition, in order to prevent bribery, extortion, fraud and money laundering, the relevant departments will visit the suppliers, and evaluate price and quality regularly to ensure open and transparency when selecting suppliers. Also, the Group has provided a whistle-blowing channel to encourage exposure and disclosure of illegal acts. The privacy of the whistle-blower will be protected, and certain incentives will be offered. Employees may also report illegal acts by anonymous letters or e-mail. The Group established an independent monitoring team headed by the senior management, which is specifically responsible for anti-corruption investigations. If such whistleblowing message is received, such team will investigate the same in a confidential manner. Upon obtaining the relevant evidence, the Group will report the same to the authority. During the reporting period, there was no material non-compliance with the aforesaid laws and regulations nor any concluded corruption case.

COMMUNITY

Community Investment

The Group is committed to maintaining a sustainable development for its business and community in which it locates, and encourages its employees to actively participate in activities which contribute to the community. During the reporting period, the Group sponsored May Ching United Sport and Recreation Association Ltd., Cheung Sha Wan Kai Fong Welfare Association Limited and Greater China Financial Professionals Association.

Community investment	2018	2017
Amount of donation (HK$)	**50,000**	80,000

HKEX ESG REPORTING GUIDE INDEX

Subject Areas/Aspects/KPIs		Section/Statement
Subject Area A – Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
KPI A1.4	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions
Aspect A2: Use of resources		
General Disclosure	Policies on efficient use of resources, including energy, water and other raw materials.	Use of resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per meal).	Use of resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of resources
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Use of resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of resources
Aspect A3: The environment and natural resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The environment and natural resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The environment and natural resources

Subject Areas/Aspects/KPIs		Section/Statement
Subject Area B – Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Employment
Subject B2: Health and safety		
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and safety
KPI B2.1	Number and rate of work-related fatalities.	Health and safety
KPI B2.2	Lost days due to work injury.	Health and safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and safety
Aspect B3: Development and training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	Development and training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and training
KPI B3.2	The average training hours completed per employee by gender and employee category	Development and training
Aspect B4: Labour standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	Labour standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour standards

Subject Areas/Aspects/KPIs		Section/Statement
Operating Practices		
Aspects B5: Supply chain management		
General Disclosure	Policies on managing environmental and social risks of supply chain.	Supply chain management
KPI B5.1	Number of suppliers by geographical region.	Supply chain management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply chain management
Aspect B6: Product responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	There was no relevant complaint
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	There was no relevant complaint
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Product responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Product responsibility
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	N/A

Subject Areas/Aspects/KPIs		Section/Statement
Aspect B7: Anti-corruption		
General Disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	There was no relevant case
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

CORPORATE GOVERNANCE REPORT

The Company is committed to the implementations of good corporate governance practices and procedures.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "Corporate Governance Code") as set out in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). None of the directors of the Company (the "Directors") is aware of any information which would reasonably indicate that the Company is not, or was not in compliance with the code provisions as set out in the Corporate Governance Code during the year ended 31st December, 2018 (the "Relevant Period"), save for those deviations as set out below:

(a) certain non-executive Directors did not attend the extraordinary general meeting of the Company; and

(b) the chairman of the Board (the "Chairman") did not attend the annual general meeting of the Company.

The Company has adopted some of the recommended best practices as set out in the Corporate Governance Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with each of the Directors, all of them have confirmed that they have complied with the required standard as set out in the Model Code during the Relevant Period.

BOARD OF DIRECTORS

Composition of the Board

As at the date of this report, there are (i) four executive Directors, namely Mr. Poon Sum, Mr. Cheung Tat Chung, Mr. Ng kwok Hung Perry and Mr. Hao Xiangbin, and (ii) three independent non-executive Directors, namely Mr. Chan Shu Kin, Dr. Tse Kwok Sang and Mr. Chiu Wai Piu. The Directors' biographical information is set out on pages 43-44 of this report.

During the Relevant Period, the Chairman assumes the leadership of the Board to ensure that the Board works efficiently and discharges its responsibilities and encourages all Directors to make full and active contribution to the Board's affairs for the best interests of the Company. The Chairman has designated the Company Secretary of the Company for compiling the agenda for each Board meeting and is primarily responsible for approving the agenda after having taken into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda.

During the Relevant Period, Mr. Ng Kwok Hung Perry has been appointed as an executive Director on 17th September, 2018.

Subsequent to the end of the Relevant Period, Mr. Hao Xiangbin has been appointed as an executive Director on 11th January, 2019;

Board Meetings and General Meetings

During the Relevant Period, 9 Board meetings and 2 general meetings were held. The respective attendance of each member of the Board was as follows:–

	Board meetings	General meetings
Mr. Poon Sum	5/9	0/2
Mr. Cheung Tat Chung	9/9	2/2
Mr. Ng Kwok Hung Perry (appointed on 17th September, 2018)	4/4	N/A
Mr. Hao Xiangbin (appointed on 11th January, 2019)	N/A	N/A
Mr. Chan Shu Kin	6/9	2/2
Dr. Tse Kwok Sang	9/9	1/2
Mr. Chiu Wai Piu	8/9	1/2

Code Provision A.6.7

Under Code Provision A.6.7, independent non-executive Directors and other non-executive Directors should attend the general meetings to gain and develop a balanced understanding of the views of the shareholders.

Dr. Tse Kwok Sang and Mr. Chiu Wai Piu (being the independent non-executive Directors) were unable to attend the extraordinary general meeting of the Company held on 23rd February, 2018 due to their other business engagements.

Code Provision E.1.2

Under Code Provision E.1.2, the chairman of the Board should attend the annual general meeting.

Mr. Poon Sum, the chairman of the Board, did not attend the annual general meeting held on 4th June, 2018 due to his other business engagement. One (out of two) executive Directors and all committee members of each of the audit, remuneration, nomination and corporate governance committees attended the annual general meeting. The Company considers that their presence is sufficient for addressing the queries from, and maintaining effective communication with, the shareholders attending the annual general meeting.

Directors' insurance

The Company has taken out appropriate insurance cover in respect of legal action against the Directors during the Relevant Period.

Roles of the Board and the management of the Group

The Board assumes responsibility for the leadership and control of the Company and its members are collectively responsible for promoting the business of the Company. The Board makes decisions on important matters, including but not limited to the approval of the overall business strategies and policies, business development, risk management, annual budgets, financial results, investment proposals, major acquisition, disposals and capital transactions, internal control, material funding decisions and major commitments relating to the Group's operations. The Board has established four committees, namely the audit committee, the remuneration committee, the nomination committee and the corporate governance committee. The management of the Group is responsible for the day-to-day operations of the Group, which implements the business strategies and plans formulated and approved by the Board. Decisions on the Group's daily operations are delegated to the management of the Group.

Independent non-executive Directors

Each of the independent non-executive Directors has made an annual confirmation to the Company concerning his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors meet the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules and are considered to be independent. Mr. Chan Shu Kin is the independent non-executive Director with accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

During the Relevant Period, the independent non-executive Directors had met at least once with the Chairman without the presence of other Directors.

Each of the non-executive Directors (including the independent non-executive Directors) was appointed for a specific term. The appointment of:

- Mr. Chan Shu Kin is for a term of two (2) years commencing from 15th June, 2017;
- Dr. Tse Kwok Sang is for a term of two (2) years commencing from 9th July, 2017; and
- Mr. Chiu Wai Piu is for a term of two (2) years commencing from 1st September, 2017.

subject to retirement by rotation at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

Remuneration Committee

The Company has established its remuneration committee (the "Remuneration Committee") in August 2005. As at the date of this report, the members of the Remuneration Committee comprise all the independent non-executive Directors, namely Dr. Tse Kwok Sang, Mr. Chan Shu Kin and Mr. Chiu Wai Piu, with Dr. Tse Kwok Sang as the Chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and members of the senior management of the Company, to determine, with delegated responsibility, the specific remuneration packages of all executive Directors and members of the senior management of the Company, to assess the performance of the executive Directors and to approve the terms of the service contracts of the executive Directors. The terms of reference of the Remuneration Committee have been posted on the website of the Company and are available upon request. The Remuneration Committee will consult the Chairman about its proposals relating to the remuneration of other executive Directors. During the Relevant Period, 2 Remuneration Committee meetings were held. The respective attendance of each of the members of the Remuneration Committee was as follows:–

Dr. Tse Kwok Sang	2/2
Mr. Chan Shu Kin	1/2
Mr. Chiu Wai Piu	2/2

Nomination Committee

The Company has established its nomination committee (the "Nomination Committee") in August 2005. As at the date of this report, the members of the Nomination Committee comprise all the independent non-executive Directors, namely Dr. Tse Kwok Sang, Mr. Chan Shu Kin and Mr. Chiu Wai Piu, with Dr. Tse Kwok Sang as the Chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee are to determine the policy for the nomination of Directors, review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed change. The terms of reference of the Nomination Committee have been posted on the website of the Company and are available upon request. The Company has also adopted a board diversity policy in considering the suitability of a candidate for directorship. Board diversity comprises various aspects, including but not limited to gender, age, cultural and educational background, experience, professional qualifications, expertise, skills and the business plans of the Group at the material time. Pursuant to the board diversity policy, the Nomination Committee will review annually the structure, size and composition of the Board and will discuss any revisions that may be required in order to complement the Group's development and recommend any such revisions to the Board for consideration and approval. In selecting and nominating suitable candidates for directorship, the Nomination Committee would consider the relevant criteria based on a range of diversity perspectives as set out in the board diversity policy. The Board considers that its existing composition satisfies the requirements of diversity under the board diversity policy of the Company. During the Relevant Period, 2 Nomination Committee meetings were held. The respective attendance of each of the members of the Nomination Committee was as follows:–

Dr. Tse Kwok Sang	2/2
Mr. Chan Shu Kin	1/2
Mr. Chiu Wai Piu	2/2

Nomination Policy

The Nomination Committee shall invite nominations of candidates from Board members for consideration by the Nomination Committee. The Nomination Committee may also put forward candidates who are not nominated by Board members. The factors which would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate of director include, inter alia, reputation for integrity, professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy, willingness to develop adequate time to discharge duties as Board member, diversity of the Board, and such other perspectives appropriate to the Company's business. The Nomination Policy shall also be governed by other additional and relevant requirements and guidelines under the Listing Rules and Articles of Association applicable to the nomination, appointment, election and re-election of Directors.

Audit Committee

The Company has established its audit committee (the "Audit Committee") in August 2005. The Audit Committee comprises three members, who are all independent non-executive Directors and one of whom is an independent non-executive Director with the appropriate professional qualifications, or accounting or related financial management expertise. As at the date of this report, the members of the Audit Committee comprise all the independent non-executive Directors, namely Mr. Chan Shu Kin, Dr. Tse Kwok Sang and Mr. Chiu Wai Piu, with Mr. Chan Shu Kin as the Chairman of the Audit Committee.

The principal responsibilities of the Audit Committee are to review the relationship with the Auditors of the Company, review the financial information of the Group and oversee the Group's financial reporting system and internal control procedures. The terms of reference of the Audit Committee have been posted on the website of the Company and are available upon request. During the Relevant Period, 3 Audit Committee meetings were held. The respective attendance of each of the members of the Audit Committee was as follows:–

Mr. Chan Shu Kin	2/3
Dr. Tse Kwok Sang	3/3
Mr. Chiu Wai Piu	3/3

During the year ended 31st December, 2018, the Audit Committee reviewed the Group's interim and annual accounts. The Audit Committee had performed the following works:

(a) reviewed the financial reports for the six months ended 30th June, 2018 and for the year ended 31st December, 2017;

(b) reviewed the accounting principles and practices adopted by the Group and ensured the compliance with the relevant accounting standards, the Listing Rules and other statutory requirements;

(c) reviewed and recommended to the Board the audit scope and auditor's remuneration for the year ended 31st December, 2017.

Corporate Governance Committee

The Company has established its corporate governance committee (the “Corporate Governance Committee”) in April 2016. The Corporate Governance Committee comprises three members, who are all independent non-executive Directors and one of whom is an independent non-executive Director with the appropriate professional qualifications, or accounting or related financial management expertise. As at the date of this report, the members of the Corporate Governance Committee comprise all the independent non-executive Directors, namely Mr. Chan Shu Kin, Dr. Tse Kwok Sang and Mr. Chiu Wai Piu, with Mr. Chan Shu Kin as the Chairman of the Corporate Governance Committee.

The principal responsibility of the Corporate Governance Committee is to keep effectiveness of the corporate governance and system of internal non-financial control of the Company, develop and review the Company’s policies and practices on corporate governance and make recommendations to the Board, review and approve the annual corporate governance report and related disclosures in the annual and interim reports of the Company and ensure compliance with relevant requirements under the Listing Rules or other laws, regulations, rules and codes as may be applicable to the Company, review and monitor the training and continuous professional development of Directors and senior management of the Company, and develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Company.

The terms of reference of the Corporate Governance Committee have been posted on the website of the Company and are available upon request. During the Relevant Period, 1 Corporate Governance Committee meeting was held. The respective attendance of each of the members of the Corporate Governance Committee was as follows:-

Mr. Chan Shu Kin	1/1
Dr. Tse Kwok Sang	1/1
Mr. Chiu Wai Piu	1/1

Continuous Professional Development

Pursuant to Code Provision A.6.5 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the Relevant Period, each of the Directors have been given relevant guideline materials to ensure that they are aware of the latest changes in the commercial, legal and regulatory requirements in relation to the Company’s businesses, and to refresh their knowledge and skills on the roles, functions and duties of the director of a listed company.

New Directors, on appointment, will be given an induction package containing all key legal and Listing Rules’ requirements as well as guidelines on the responsibilities and obligations to be observed by a director. The package will also include the documentation for the corporate governance practices adopted by the Board.

The Company also continuously updates Directors on the latest developments regarding Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are also issued to Directors where appropriate to ensure their awareness of best corporate governance practices.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Poon Sum is the Chairman of the Board and Mr. Cheung Tat Chung is the chief executive officer of the Group. The roles of the Chairman and the chief executive officer are separate and exercised by different individuals.

COMPANY SECRETARY

The Company Secretary of the Company during the Relevant Period was Ms. Hui Wai Man, Shirley.

The biographical details of Ms. Hui Wai Man, Shirley, the current Company Secretary, are set out in the section headed "Directors and Senior Management" of this annual report. Ms. Hui Wai Man, Shirley took not less than 15 hours of relevant professional training in the year ended 31st December, 2018 as required by the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

Sufficient and effective risk management and internal control systems provide reasonable guarantee for the future success of the Company's business.

The Board is responsible for assessing and determining the nature and extent of risks that the Company is willing to accept and procure the Company to set up and maintain proper and effective risk management and internal control systems; and supervising the management's implementation and monitoring of risk management and internal control system.

The Board has reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting, internal audit and financial reporting functions, and was satisfied with the results of the review.

For the year ended 31st December 2018, the Board has conducted a review on the Group's risk management and internal control systems at least semi-annually. The Board was satisfied that the Group has complied with the provision regarding risk management and internal controls as required under the Corporate Governance Code and is of the view that the risk management and internal control systems are effective and sufficient.

AUDITOR'S REMUNERATION

For the year ended 31st December, 2018, the auditors of the Company received approximately HKD1,900,000 for audit service and did not receive any fee for non-audit services.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The statement by the auditors of the Company about their reporting responsibilities on the financial statements for the year ended 31st December 2018 are set out on page 57 of this report.

The auditors has stated in the financial statements that there is material uncertainty related to going concern and note 1 to the consolidated financial statements indicates that (a) the Group incurred a loss attributable to owners of the Company of approximately HK$275,391,000 for the year ended 31st December 2018; and (b) as at 31st December 2018, the Group had net current liabilities of approximately HK$300,030,000.

SHAREHOLDERS' RIGHTS

Convening extraordinary general meeting and putting forward proposals at Shareholders' meetings

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company at 9/F., 822 Lai Chi Kok Road, Cheung Sha Wan, Kowloon, Hong Kong to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) shall be reimbursed to the requisitionist(s) by the Company.

Enquiries to the Board

We always welcome Shareholders' views and input. Shareholders and other stakeholders may at any time address their concerns to the Company Secretary by mail, facsimile or email. The contact details are as follows:

Address:	9/F., 822 Lai Chi Kok Road, Cheung Sha Wan, Kowloon, Hong Kong
Facsimile no.:	(852) 2301 2238
Email:	info@gtiholdings.com.hk

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company regards high quality reporting as an essential element in building successful relationships with its shareholders. The Company always endeavours to provide relevant information to existing and potential investors, not only to comply with the different requirements in force but also to enhance transparency and communications with shareholders and the investing public. Regular and publicly available disclosures about important issues, including performance, fundamental business strategy, governance and management of risk are made through various channels:

- the Company's annual general meeting and extraordinary general meetings;
- interim and annual results announcements published on the websites of the Company and the Stock Exchange;
- interim and annual reports of the Company delivered to all shareholders;
- regular press releases;
- timely update of the websites of the Stock Exchange and the Company;
- circulars and other corporate communications to Shareholders; and
- prompt news releases and announcements regarding major corporate actions and business initiatives.

The Company maintains a website at www.gtiholdings.com.hk where the Company's announcements, circulars, notices, financial reports, business developments, press releases and other information are posted.

The Company is committed to ensuring that it is in full compliance with disclosure obligations stipulated under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information that is released by the Group.

CONSTITUTIONAL DOCUMENT

The Company did not amend its Articles of Association during the Relevant Period.

DIRECTORS

Executive Directors

Mr. POON Sum, aged 54, was appointed as Executive Director of the Company on 19th April 2017. Mr. Poon has over 32 years of experience in petroleum and coatings industry in Hong Kong and China. He was an executive director and honorary chairman of Tou Rong Chang Fu Group Limited (listed in Main Board of HKEX), until his retirement in August 2017. Currently, he is an executive director, and chief executive officer of Gold Horn International Enterprises Group Limited (Stock Code: GHE/P, a company listed on the TSX Venture Exchange, Canada).

Mr. CHEUNG Tat Chung, aged 64, was appointed as Executive Director and CEO of the Company on 13th August 2016. He is currently responsible for the management of the business operations of the Group, including daily operations, formulating group strategy and operation target in accordance with the board of directors' decision, also creating the Group culture and developing the Group's own brand. Mr. Cheung has over 31 years of corporate and institutional banking experience in terms of sales & marketing, relationship management, cross-border financing and trade financing business. He has worked for several international banks or financial institutions in Hong Kong. Apart from his banking experience, Mr. Cheung also has over 16 years' solid and comprehensive experience in China factory management across several provinces, including Guangdong, Jiangsu and Shanghai, particularly between 1998 and 2011. He is a founding and senior member of the Greater China Financial Professionals Association (大中華金融業人員總會).

Mr. NG Kwok Hung Perry, aged 51, was appointed as Executive Director of the Company on 17th September 2018. Mr. Ng is the chief operating officer at Yunduan Technology Co., Ltd. ("Yunduan Tech"). Mr. Ng is responsible for the operation and investment business of Yunduan Tech and assisting in formulating the Yunduan Tech's strategy of sustainable development. Mr. Ng was in the management of an European multinational conglomerate where he was overseeing the business of international trades and gained extensive experience in the aspects of investment and commodity trades, including fuel oil, non-ferrous metal and etc.. Mr. Ng holds a Bachelor (Honors) Degree in Engineering from the University of Melbourne and a Master Degree in Business Administration from the University of Adelaide.

Mr. HAO Xiangbin, aged 53, was appointed as Executive Director of the Company on 11th January 2019. Mr. Hao graduated from the Northeast Agricultural University with a postgraduate degree. He has worked in the management of a number of domestic commercial banks in the PRC and has more than 30 years of experience in the financial industry. He has unique insights and innovations in banking assets, liabilities and intermediary business. In 2014, Mr. Hao initiated a new business model for the outsourcing of the RMB banknotes clearing up services by the financial institutions in the PRC. Thereafter, Mr. Hao has successfully developed the business enterprise currently with 19 RMB banknotes clearing up centres all over the PRC. In addition, the lines of business have been diversified into the research and development and sale of the smart devices and equipment for handling banknotes and coins clearing up services, the development and application of Internet of Things in the financial sector, etc.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors

Mr. CHAN Shu Kin, aged 64, was appointed as an independent non-executive Director of the Company on 15th June, 2015. Mr. Chan is a practicing certified public accountant and is a partner of Messrs. Ting Ho Kwan & Chan, Certified Public Accountants. Mr. Chan has over 41 years of experience in the field of auditing, accounting as well as financial management. He is an associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of each of the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. He is also a Certified Tax Advisor of the Taxation Institute of Hong Kong and the past president of the Society of Chinese Accountants and Auditors. Mr. Chan is currently an independent non-executive director of Tou Rong Chang Fu Group Limited (formerly known as "PetroAsian Energy Holdings Limited", Stock Code: 850) and PYI Corporation Limited (Stock Code: 498).

Dr. TSE Kwok Sang, aged 62, was appointed as an independent non-executive Director of the Company on 9th July, 2015. He holds a bachelor degree in Chemistry from The University of Hong Kong. He also holds a degree of Master of Business Administration, a master degree in Statistics and a Ph.D. degree in Finance from Michigan State University in the United States. Dr. Tse has also obtained the professional designation of Associate of the Society of Actuaries in the United States. Dr. Tse is currently the Undergraduate Programme Director and Associate Professor of the School of Economics and Finance of The University of Hong Kong. Before joining The University of Hong Kong, Dr. Tse was the Assistant Professor of Finance at the Hong Kong University of Science and Technology; prior to that, he was the Assistant Professor of Finance and Insurance at Indiana University in the United States. Dr. Tse is a Co-opted Executive Councilor of the New Territories Heung Yee Kuk. On 1st July, 2010, Dr. Tse was appointed by the Chief Executive of the HKSAR Government as the Justice of the Peace. Dr. Tse is currently an independent non-executive director of Wing Lee Property Investments Limited (Stock Code: 864) and Sunlight Real Estate Investment Trust (Stock Code: 435) as well as AP Asset Management (HK) Limited.

Mr. CHIU Wai Piu, aged 72, was appointed as an independent non-executive Director of the Company on 1st September, 2015. He is a very experienced and reputable journalist and has over 43 years of experience in journalism. He has been a reporter, an editor, the main news assignment editor, the local news assignment editor, the managing editor and the editorial writer in newspapers and a senior research officer in "One Country Two Systems Research Institute". Mr. Chiu has been the founding treasurer and the second-session chairman of the "Hong Kong Federation of Journalists". In 2006, he was elected as the Vice Secretary – General & Treasurer in the new session of re-election of committee members of the "Hong Kong Federation of Journalists"; and he was also elected as the Director-General in 2009, he is now the Deputy Chief Secretary. Mr. Chiu has, for many years, devoted himself wholeheartedly in boosting cooperation among local journalists, enhancing professional conduct of journalists and developing the relationship and advocating the interchange of knowledge between journalists in Hong Kong and Mainland China. His contribution in this field is highly praised and recognised. Mr. Chiu currently serves as the independent non-executive director of Tou Rong Chang Fu Group Limited (formerly known as PetroAsian Energy Holdings Limited, Stock Code: 850) and Zhuoxin International Holdings Limited (formerly known as Gold Tat Group International Limited, Stock Code: 8266). Mr. Chiu served as an independent non-executive director of Global Strategic Group Limited (Stock Code: 8007) from October 2014 to June 2016.

SENIOR MANAGEMENT

Mr. LIN Chun Ming, aged 66, is the director of Chinakey (Hong Kong) Limited and the Senior Manager of the sales department of the Group. Mr. Lin is responsible for the sales and marketing of the Group's yarn dyeing and sweater knitting sections. Mr. Lin obtained a Diploma in Business Management from the Hong Kong Baptist University in 1977. Mr. Lin has over 31 years of sales and marketing experience in the textile industry. Mr.Lin first joined the Group as a sales representative of Addchance in April 1985 but vacated in April 1990 and founded his own textile business, Lynn's Trading Company. He re-joined the Group in May 1996.

Ms. HUI Wai Man, Shirley, aged 51, is the Company Secretary of the Company from 6th November 2015. She is a practicing accountant in Hong Kong and is currently a director of a CPA firm and a securities firm. Ms. Hui is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

Mr. IP Siu Kay, aged 46, is the Financial Controller of the Group since November 2015. Mr. Ip has years of experience in different areas such as accounting, auditing, taxation, company secretarial work, investor relations and corporate finance. He is an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants.

Mr. TSANG Fai, aged 46, joined the Group in January 1999 as an assistant to sales manager and was elected as an executive Director of the Company in May 2013. In June 2016, he resigned as the executive Director of the Company and remained his office as a director of a principal subsidiary of the Company. Mr. Tsang is responsible for the operation and administration of the Group's sweater knitting section. Mr. Tsang obtained his Bachelor's degree in Mathematical Science and Master's degree in Scientific Computing from the Hong Kong Baptist University in 1998 and 2003 respectively.

Mr. YEUNG Choi Yee, aged 44, joined the Group in November 2003 and was elected as an executive Director of the Company on 1 July 2015. In May 2016, he retired as the executive Director of the Company and remained his position as the general manager of the Group. Mr. Yeung is responsible for the supervision of the Group's information technology department, and the development of the Group's ISO9001 management system, quality system and technological research in the Group's yarn dyeing section. Mr. Yeung obtained his Bachelor's degree in Mathematical Science and Master's degree in Scientific Computing from the Hong Kong Baptist University in 1998 and in 2003 respectively.

DIRECTORS' REPORT

The Directors present the 2018 annual report and the audited consolidated financial statements for the year ended 31st December, 2018.

BUSINESS REVIEW

A review of the Group's business and the analysis using the financial key performance indicators are set out on page 2 of this report under the paragraphs headed "Business Review and Prospects" and "Financial Review" in the section headed "Management Discussion and Analysis" of this report. In summary, (i) the Group recorded a gross loss of HK$7.23 million for the year ended 31st December, 2018, which significantly was reduced by 89.3% as compared with the gross loss of HK$67.44 million for the year ended 31st December, 2017; (ii) production and sales of knitted sweaters and dyed yarn remained as the principal operation of the Group; (iii) the market demands from European customers decreased as a whole; (iv) the market condition for textile industry remained difficult in the year of 2018.

There are a number of principal risks and uncertainties facing the Group as follows: (i) overall weak growth in consumer market of textile industry, (ii) substantial fluctuation in exchange rates, (iii) the intensified international competition, (iv) rapid development of textile products in neighboring countries, such as Bangladesh. The above are not intended to be an exhaustive list of all principal risks and uncertainties facing the Group. These may change over time as new risks and uncertainties emerge and others cease to be of concern. The Group will actively develop new products to enhance competitiveness and will also explore other overseas markets to reduce the risks. At the same time, the Group will increase the sales in Mainland China and consider selling branded textile products in collaboration with suitable business partners.

Looking ahead, the global economy will remain uncertain. However, the rigid demand for textile products as necessity goods will continue to exist at a stable state.

Particulars of the major suppliers and customers of the Group are set out on page 53 of this report. The Directors are in general satisfied with the relationships with the customers and suppliers.

The Company recognizes the importance of having good working relationship with its staff and the Directors believe that the Group has good working relationship with its staff as a whole.

In respect of corporate social responsibility, our first green factory in Cambodia has commenced operation since the first quarter of 2013 and was established under the concept of reuse, reduce and recycle. By using environmental friendly materials and implementing green production processes, we aim to achieve better energy conservation and to minimize daily disposals. We have obtained the recognized environmental-related permits as planned. Details of our environmental, social and governance measures are set out in the Environmental, Social and Governance Report of this annual report.

Save and except for certain deviation from the Corporate Governance Code as set out under Appendix 14 to the Listing Rules, the Company has complied in all material respects with all relevant laws and regulations that have a significant impact on the Group.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 46 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 59.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 34 to the consolidated financial statements.

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

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2018 amounted to approximately HK$Nil.

DIRECTORS' REPORT

DIRECTORS

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

Executive Directors:

Mr. Poon Sum
Mr. Cheung Tat Chung
Mr. Ng Kwok Hung Perry (appointed on 17th September, 2018)
Mr. Hao Xiangbin (appointed on 11th January, 2019)

Independent non-executive Directors:

Mr. Chan Shu Kin
Dr. Tse Kwok Sang
Mr. Chiu Wai Piu

Mr. Cheung Tat Chung and Mr. Chiu Wai Piu will retire from office by rotation in accordance with Article 87(1) of the Articles of Association of the Company and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

Mr. Ng Kwok Hung Perry and Mr. Hao Xiangbin will retire from office in accordance with Article 86(3) of the Articles of Association of the Company and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Poon Sum has entered into a director's service agreement with the Company for a term of three years from 19th April, 2017, and either party may terminate the agreement by giving to the other party not less than three months notice in writing.

Mr. Cheung Tat Chung has entered into a director's service agreement with the Company for a term of three years from 13th August, 2016, and either party may terminate the agreement by giving to the other party not less than three months notice in writing.

Mr. Ng Kwok Hung Perry has entered into a director's service agreement with the Company for a term of three years from 17th September, 2018, and either party may terminate the agreement by giving to the other party not less than three months notice in writing.

Mr. Hao Xiangbin has entered into a director's service agreement with the Company for an initial term of three years from 11th January, 2019, and either party may terminate the agreement by giving to the other party not less than three months notice in writing.

Mr. Chan Shu Kin has entered into a letter of re-appointment with the Company for a term of two years from 15th June, 2017 to 14th June, 2019.

Dr. Tse Kwok Sang has entered into a letter of re-appointment with the Company for a term of two years from 9th July, 2017 to 8th July, 2019.

Mr. Chiu Wai Piu has entered into a letter of re-appointment with the Company for a term of two years from 1st September, 2017 to 31st August, 2019.

Other than as disclosed above, none of the directors of the Company has a contract of service with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (except for statutory compensation).

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

As at 31st December 2018, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong)), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in Shares

Name	Company/Name of associated corporation	Capacity	Numbers of Shares held	Percentage of shareholding
Poon Sum ("Mr. Poon")	The Company	Interest of spouse *(Note 1)*	4,000,000	0.07%
		Interest in controlled corporation *(Note 2)*	3,410,054,000	57.80%

Notes:

1. Mr. Poon was regarded as interested in all the Shares in which Ms. Wong Hiu Hung, his spouse, was interested by virtue of the SFO.

2. These Shares were registered in the name of Gold Train Investments Limited ("Gold Train"), the entire issued capital of which was owned by Mr. Poon. Mr. Poon was also the sole director of Gold Train. Mr. Poon was deemed to be interested in all the Shares in which Gold Train was interested by virtue of the SFO.

Save as disclosed above, as at 31st December 2018, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 23rd May, 2017 (the "Scheme") which enables the Company to grant options to eligible persons as incentives or rewards for their contributions to the Group. Pursuant to the Scheme, the Company may grant options to (a) any full time employee or director of any member of the Group; (b) any part time employee of any member of the Group who has spent not less than 10 hours per week in providing services to such member of the Group, determined by averaging out the total number of hours so spent in a period of four weeks immediately preceding the week in which a grant of the option is offered to such part time employee; or (c) any consultant or adviser of or to any member of the Group who has provided technical know-how and consultancy services to such member of the Group in accordance with the terms of a contractual relationship entered into between the consultant or adviser with such member of the Group.

The total number of the Shares which may be issued upon exercise of all options to be granted under the Scheme must not exceed 539,673,090 Shares, representing 10 per cent. of the Shares in issue as at the date of passing the resolutions approving the Scheme. The total number of the Shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent. of the Shares in issue from time to time unless approval from the shareholders of the Company in general meeting is obtained with such participant and his/her associates abstaining from voting.

The exercisable period of an option under the Scheme will be notified by the Board to each participant which shall not exceed 10 years from the date upon which the option is deemed to be granted and accepted. The Scheme does not require a minimum period for which an option must be held before an option can be exercised. Upon acceptance of the option, the eligible person shall pay HK$1.00 to the Company by way of consideration for the grant. The subscription price for the Shares subject to options will be a price determined by the Board and will be at least the highest of (i) the average closing price of the Shares on the Main Board as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; (ii) the closing price of the Shares on the Main Board as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; and (iii) the nominal value of the Share. Subject to the termination provisions, the Scheme will remain valid for a period of 10 years commencing on 23rd May, 2017. The Scheme will expire on 22nd May, 2027.

No options were granted, exercised, cancelled or lapsed during the year ended 31st December, 2018 nor outstanding as at 31st December 2018.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its ultimate holding company, any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EQUITY LINKED AGREEMENTS

Other than the Share Option Scheme, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

DIRECTORS' INDEMNITY

According to the articles of association of the Company, the Directors for the time being of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty in their respective offices.

The Company has taken out appropriate insurance cover in respect of legal action against the Directors during the year ended 31st December, 2018.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

RELATED PARTY TRANSACTIONS

Those related party transactions as set out in note 45(b) of the consolidated financial statements constituted exempted connected transactions/continuing connected transactions of the Company.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON IN SHARES AND UNDERLYING SHARES

As at 31st December 2018, the following substantial shareholders and other person (other than a director or chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in Shares

Name	Capacity	Numbers of Shares held	Percentage of shareholding
Gold Train	Beneficial owner *(Note 1)*	3,410,054,000	57.80%
Wong Hiu Hung ("Ms. Wong")	Beneficial owner	4,000,000	0.07%
	Interest of spouse *(Note 2)*	3,410,054,000	57.80%
China Great Wall AMC (International) Holdings Company Limited ("China Great ")	Security interest *(Note 3)*	2,752,332,765	46.65%

Notes:

1. The entire issued capital of Gold Train was owned by Mr. Poon. Mr. Poon was also the sole director of Gold Train. Mr. Poon was deemed to be interested in all the Shares in which Gold Train was interested by virtue of the SFO.

2. Ms. Wong was regarded as interested in all the Shares in which Mr. Poon, her spouse, was interested by virtue of the SFO.

3. China Great, having a security interest in 2,752,332,765 shares, was interested in 2,752,332,765 shares by virtue of the SFO.

Save as disclosed above, as at 31st December 2018, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors of the Company, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the executive directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The remuneration of the non-executive directors (including the independent non-executive directors) of the Company are recommended by the Remuneration Committee. The details of emoluments of the directors are set out in note 15 to the consolidated financial statements.

For the year ended 31st December, 2018, emolument of three of the senior management was within the band of HK$1,000,001 to HK$1,500,000 and the emoluments of all remaining senior management were within the band of HK$Nil to HK$1,000,000.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

None of the Directors of any of their respective associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's shares.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 60.5% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 23.1% of the Group's total sales.

DIRECTORS' REPORT

During the year, the aggregate purchases attributable to the Group's five largest suppliers comprised approximately 65.6% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 47.1% of the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers and suppliers.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2018.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Zhonghui Anda CPA Limited as auditor of the Company.

On behalf of the Board

POON SUM
Chairman

Hong Kong, 29th March, 2019

INDEPENDENT AUDITOR'S REPORT

中汇
ZHONGHUI

TO THE SHAREHOLDER OF
GTI HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of GTI Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 59 to 136, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (" IFRSs ") issued by the International Accounting Standards Board (the"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 (the " HKICPA "). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK$275,391,000 for the year ended 31 December 2018 and as at 31 December 2018 the Company had net current liabilities of HK$300,030,000. This condition indicates a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT

1. *Property, plant and equipment and prepaid lease payments*

Refer to Note 18 and 19 to the consolidated financial statements

The Group tested the property, plant and equipment and prepaid lease payments for impairment. This impairment test is significant to our audit because the balance of property, plant and equipment and prepaid lease payments of HK$186,351,000 and HK$23,591,000 as at 31 December 2018 is material to the consolidated financial statements, respectively. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

– Assessing the competence, independence and integrity of the external valuer engaged by client;

– Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;

– Checking key assumptions and input data in the valuation model to supporting evidence; and

– Checking arithmetical accuracy of the valuation model.

We consider that the Group's impairment test for property, plant and equipment and prepaid lease payments is supported by the available evidence.

2. *Trade and other receivables, deposits and prepayments*

Refer to Note 26 to the consolidated financial statements

The Group tested the trade and other receivables, deposits and prepayments for impairment. This impairment test is significant to our audit because the balance of trade and other receivables, deposits and prepayments of HK$254,570,000 as at 31 December 2018 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

– Assessing the Group's procedures on granting credit limits and credit periods to customers and debtors;

– Assessing the Group's relationship and transaction history with customers and debtors;

– Evaluating the Group's impairment assessment;

– Assessing the aging of the debts;

– Checking subsequent settlements from customers and debtors;

– Checking the repayment schedules of customers and debtors;

– Assessing the credit worthiness of customers and debtors; and

– Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade and other receivables, deposits and prepayments is supported by the available evidence.

3. *Investment in an associate*

Refer to Note 22 to the consolidated financial statements

The Group tested the amount of investment in an associate for impairment. This investment in an associate is significant to our audit because the balance of investment in an associate of HK$173,643,000 as at 31 December 2018 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Evaluating the Group's impairment assessment;
- Assessing the financial information of the associate;
- Obtaining and checking to evidence to support the Group's impairment assessment;
- Assessing the arithmetical accuracy of the value-in-use calculations;
- Assessing the reasonableness of the key assumptions (including revenue growth, profit margins and discount rates); and
- Checking input data to supporting evidence.

We consider that the Group's impairment test for of investment in an associate is supported by the available evidence.

Other Information

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with 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.

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/. This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Audit Engagement Director
Practising Certificate Number P03614
Hong Kong, 29 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*	611,052	413,861
Cost of sales		(618,282)	(481,304)
Gross loss		(7,230)	(67,443)
Interest revenue		63	3,719
Other income	*10*	7,917	9,551
Other gains and losses	*11*	(33,799)	200,966
Selling and distribution costs		(28,518)	(23,209)
Administrative expenses		(126,066)	(130,192)
Finance costs	*12*	(87,049)	(95,210)
Loss before tax		(274,682)	(101,818)
Income tax expense	*13*	(742)	(429)
Loss for the year	*14*	(275,424)	(102,247)
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss:			
Fair value changes of equity investments at fair value through other comprehensive income		1,275	–
Items that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		(5,837)	7,327
Fair value change of an available-for-sale investment		–	(13,061)
Reclassification of investment revaluation reserve to profit or loss on impairment of an available-for-sale investment		–	15,420
Reclassification of translation reserve to profit or loss upon disposal of a subsidiary/subsidiaries		7,271	(43,851)
		1,434	(34,165)
Total comprehensive loss for the year		(272,715)	(136,412)
Loss for the year attributable to:			
Owners of the Company		(275,391)	(101,333)
Non-controlling interests		(33)	(914)
		(275,424)	(102,247)
Total comprehensive loss for the year attributable to:			
Owners of the Company		(272,682)	(135,498)
Non-controlling interests		(33)	(914)
		(272,715)	(136,412)
Loss per share			
Basic and diluted (HK cents)	*17*	(5.09)	(2.37)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	18	186,351	276,239
Prepaid lease payments	19	23,005	44,479
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment		18,717	14,221
Goodwill	20	34,317	14,553
Intangible assets	21	26,310	–
Investment in an associate	22	173,643	–
Equity investments at fair value through other comprehensive income	23	5,414	–
Derivative financial instruments	37	1,412	–
Available-for-sale investments	23	–	84,315
Deferred tax assets	33	3,439	–
		472,608	433,807
Current assets			
Prepaid lease payments	19	586	1,121
Investment at fair value through profit or loss	24	2,199	–
Held-for-trading investment	24	–	2,565
Inventories	25	26,428	28,635
Trade and other receivables, deposits and prepayments	26	254,570	172,086
Tax recoverable		1,659	1,572
Bank balances and cash	27	15,591	62,435
		301,033	268,414
Assets classified as held for sale	28	20,823	7,792
		321,856	276,206
Current liabilities			
Trade and other payables	29	166,585	162,127
Contract liabilities	30	683	–
Tax liabilities		7,998	1,319
Bank and other borrowings – due within one year	31	422,581	302,449
Bank overdrafts	31	846	149
Obligation under finance lease	32	139	132
Amounts due to related parties	45	2,944	–
		601,776	466,176
Liabilities associated with assets classified as held for sale	28	20,110	–
		621,886	466,176
Net current liabilities		(300,030)	(189,970)
TOTAL ASSETS LESS CURRENT LIABILITIES		172,578	243,837

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Bank and other borrowings – due after one year	*31*	96,982	76,122
Obligation under finance lease	*32*	378	517
Amounts due to related parties	*45*	–	24,800
Deferred tax liabilities	*33*	10,745	3,644
		108,105	105,083
NET ASSETS		64,473	138,754
Capital and reserves			
Share capital	*34*	58,994	53,967
Share premium and reserves	*35*	(20,868)	82,878
Equity attributable to owners of the Company		38,126	136,845
Non-controlling interests		26,347	1,909
TOTAL EQUITY		64,473	138,754

The consolidated financial statements on pages 59 to 136 were approved and authorised for issue by the board of directors on 29 March 2019 and are signed on its behalf by:

Mr. Poon Sum	Mr. Cheung Tat Chung
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 *(Note i)*	Special reserves HK$'000 *(Note ii)*	Statutory reserves HK$'000 *(Note iii)*	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017	8,467	472,344	69,447	24,673	15,127	–	134,154	(813,863)	(89,651)	(1)	(89,652)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	7,327	–	7,327	–	7,327
Fair value loss on available-for-sale financial assets	–	–	–	–	–	(13,061)	–	–	(13,061)	–	(13,061)
Reclassification of investment revaluation reserve to profit or loss on impairment of an available-for-sale investment	–	–	–	–	–	15,420	–	–	15,420	–	15,420
Reclassification of translation reserve to profit or loss upon disposal of subsidiaries	–	–	–	–	–	–	(43,851)	–	(43,851)	–	(43,851)
Loss for the year	–	–	–	–	–	–	–	(101,333)	(101,333)	(914)	(102,247)
Total comprehensive income/(loss) for the year	–	–	–	–	–	2,359	(36,524)	(101,333)	(135,498)	(914)	(136,412)
Ordinary shares issued	45,500	318,500	–	–	–	–	–	–	364,000	–	364,000
Transaction costs attributable to issue of new ordinary shares	–	(4,969)	–	–	–	–	–	–	(4,969)	–	(4,969)
Deemed contributions from a shareholder and a related company arising from non-interest bearing advances therefrom	–	–	3,785	–	–	–	–	–	3,785	–	3,785
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	1,614	1,614
Acquisition of additional interest in a subsidiary	–	–	–	(822)	–	–	–	–	(822)	822	–
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	388	388
At 31 December 2017	53,967	785,875	73,232	23,851	15,127	2,359	97,630	(915,196)	136,845	1,909	138,754

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note i)	Special reserves HK$'000 (Note ii)	Statutory reserves HK$'000 (Note iii)	Investment revaluation reserve HK$'000 (Restated)	Translation reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018	53,967	785,875	73,232	23,851	15,127	2,359	97,630	(915,196)	136,845	1,909	138,754
Effect of changes in accounting policies (note 3)	–	–	–	–	–	(1,620)	–	2,359	739	–	739
At 1 January 2018, as restated	53,967	785,875	73,232	23,851	15,127	739	97,630	(912,837)	137,584	1,909	139,493
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(5,837)	–	(5,837)	–	(5,837)
Reclassification of translation reserve to profit or loss upon disposal of a subsidiary	–	–	–	–	–	–	7,271	–	7,271	–	7,271
Fair value changes of equity investments at fair value through other comprehensive income	–	–	–	–	–	1,275	–	–	1,275	–	1,275
Loss for the year	–	–	–	–	–	–	–	(275,391)	(275,391)	(33)	(275,424)
Total comprehensive loss for the year	–	–	–	–	–	1,275	1,434	(275,391)	(272,682)	(33)	(272,715)
Ordinary shares issued	5,027	167,770	–	–	–	–	–	–	172,797	–	172,797
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	24,298	24,298
Equity transaction (iv)	–	–	–	–	–	–	–	427	427	(427)	–
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	600	600
At 31 December 2018	58,994	953,645	73,232	23,851	15,127	2,014	99,064	(1,187,801)	38,126	26,347	64,473

Notes:

(i) The contributed surplus of the Group represents (i) the excess of the combined net assets of the subsidiaries acquired and the acquisition of amount due to a shareholder from Interlink Atlantic Limited (being the holding company of companies comprising the group before group reorganisation carried out in 2005), over the nominal value of the share capital of the Company issued in exchange thereof pursuant to the group reorganisation; less dividend paid approved by shareholders pursuant to the memorandum and articles of association of the Company; and (iii) deemed contributions arising from non-interest bearing advances from a shareholder and a related company held by this shareholder and his spouse.

(ii) Special reserves of the Group represent (i) the difference between the nominal value of share capital issued by Interlink Atlantic Limited, the Company's subsidiary, and the nominal value of the share capital of subsidiaries acquired by Interlink Atlantic Limited on 23 September 2004; (ii) the contribution from non-controlling interests of net assets value shared by them to a former shareholder of Interlink Atlantic Limited; and (iii) the difference between the amount by which the non-controlling interest is adjusted and the consideration paid for the change in the Group 's ownership interest in LW Asset Management Advisors Limited, an indirect nonwholly owned subsidiary of the Company, that do not result in changes in control over that subsidiary.

(iii) The Group's statutory reserves represent reserves required to be appropriated from profit after taxation of the Company's subsidiaries established in the People's Republic of China ("PRC") and Macau under PRC or Macau laws and regulations. In accordance with relevant PRC and Macau Company Laws and Regulations, the PRC and Macau companies are required to transfer 10% to 25% of their profits after taxation computed in their statutory financial statements presented under the relevant accounting principles and financial regulations applicable to the enterprises established in the PRC/Macau to the statutory surplus reserves until the reserve balance reaches 50% of their paid-in capital.

(iv) The Group transferred 4% equity interest of three indirectly owned subsidiaries, Chinakey Global Limited, Kinetic Treasure Limited and Everwin Enterprise Limited to a third party during the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Cash flows from operating activities		
Loss before tax	(274,682)	(101,818)
Adjustments for:		
Finance costs	87,049	95,210
Bank interest income	(63)	(806)
Interest income on loan receivables	–	(2,913)
Depreciation of property, plant and equipment	37,392	43,288
Amortisation of prepaid lease payments	916	1,095
Loss on disposal/written off of property, plant and equipment and prepaid lease payments	12,085	756
Gain on disposal of a subsidiary	(13,273)	(72,366)
Gain on debt restructuring	–	(166,396)
Gain on written back of trade and other payables	–	(1,277)
Gain on fair value changes of investment at fair value through profit or loss/held-for-trading investment	(839)	(918)
Write-down of inventories	1,773	16,521
Impairment losses recognised on property, plant and equipment and prepaid lease payments	34,833	21,628
Impairment loss recognised on an available-for-sale investment	–	15,420
Impairment losses recognised on trade and other receivables (net of bad debt recovered)	1,333	4,697
Operating cash flows before movements in working capital	(113,476)	(147,879)
Decrease in inventories	(191)	538
Increase in trade and other receivables, deposits and prepayments	(21,504)	(95,666)
Increase in investment at fair value through profit or loss/held-for-trading investment	(581)	(1,647)
(Decrease)/increase in trade and other payables	(10,388)	23,951
Increase in contract liabilities	683	–
Cash generated used in operations	(145,457)	(220,703)
Income tax paid	(544)	–
Net cash used in operating activities	(146,001)	(220,703)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Cash flows from investing activities		
Repayment of loans to independent third parties	–	34,000
(Payment)/refund of deposit paid for acquisition of investment	(12,335)	18,000
Deposit received on disposal of property, plant and equipment	–	6,301
Proceeds on disposal of property, plant and equipment and prepaid lease payments	8,519	4,076
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	661	1,832
Interest received	2,822	806
Advance to National Asia Group Limited	–	(2,298)
Purchase of property, plant and equipment	(6,727)	(7,003)
Disposal of a subsidiary (net of cash and cash equivalents disposed of)	35,918	(7,904)
Deposits received for disposals of subsidiaries	7,092	–
Acquisition of additional interest in a subsidiary	600	–
Loans to independent third parties	–	(42,000)
Net cash generated from investing activities	36,550	5,810
Cash flows from financing activities		
Repayment of bank borrowings and related finance costs related to debt restructuring	–	(352,608)
Proceeds from other borrowings	21,934	185,137
Repayments of other borrowings	(7,204)	(25,000)
New bank borrowings raised	75,983	–
Repayments of bank borrowings not related to debt restructuring	(78,310)	(21,278)
Proceeds from issue of bonds	228,196	136,658
Redemption of bonds	(115,274)	(21,976)
Expenses on issue of bonds	–	(15,309)
Interest paid	(39,564)	(13,394)
Expenses on issue of shares	–	(4,969)
Repayments of obligations under finance leases	(161)	(63)
(Repayment to)/Advances from related parties	(21,856)	27,963
Repayments of advances from former related parties	–	(29,248)
Proceeds from issue of shares	–	364,000
Net cash generated from financing activities	63,744	229,913
Net (decrease)/increase in cash and cash equivalents	(45,707)	15,020
Cash and cash equivalents at the beginning of the year	62,286	44,568
Effect of changes in foreign exchange rate	(1,834)	2,698
Cash and cash equivalents at the end of the year	14,745	62,286
Analysis of cash and cash equivalents		
Bank and cash balances	15,591	62,435
Bank overdraft	(846)	(149)
	14,745	62,286

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

GTI Holdings Limited (the "Company") was incorporated in Cayman Islands under the Companies Law as an exempted company with limited liability on 9 June, 2004 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office and principal place of business are Cricket Square Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and 9/F., 822 Lai Chi Kok Road, Cheung Sha Wan, Kowloon, Hong Kong, respectively.

The consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are presented in Hong Kong dollars ("HK$") which is the same as the functional currency of the Company and all values are rounded to the nearest thousand unless otherwise stated.

2. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK$275,391,000 for the year ended 31 December 2018 and as at 31 December 2018, the Group had net current liabilities of approximately HK$300,030,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial liabilities as and when they fall due given that (i) the Group will be able to successfully negotiate and agree with the creditors to renew or extend the existing borrowings or complete debt financing; (ii) the financial support of the substantial shareholder, at a level sufficient to finance the working capital requirements of the Group. The substantial shareholder has agreed to provide adequate funds to the Group; (iii) the Group is actively implementing cost-control and cost saving measures to improve operating cash flows and its financial position and the directors of the Company believe that the performance of the Group will be significantly improved in the forthcoming year.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on the going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements, to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS – continued

A. IFRS 9 (2014) "Financial Instruments"

Available-for-sale investments are now classified as investment at fair value through profit or loss and equity investments at fair value through other comprehensive income.

IFRS 9 (2014) has been applied in the amounts reported in the consolidated financial statements as follows:

	As at 1 January 2018 HK$'000
Decrease in available-for-sale investments	(84,315)
Increase in investment at fair value through profit or loss	84,049
Increase in equity investments at fair value through other comprehensive income	3,570
Decrease in accumulated losses	(2,359)
Decrease in investment revaluation reserve	1,620
Decrease in held-for-trading investments	(2,565)

B. IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 has been applied in the amounts reported in the consolidated financial statements as follows:

	As at 1 January 2018 HK$'000
Decrease in trade and other payables	16,159
Increase in contract liabilities	(16,159)

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB, and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the investments which are carried at their fair values.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES – continued

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

Consolidation

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Business combination and goodwill

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

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

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

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investments at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

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

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate 's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Associates – continued

The Group's share of an associate 's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

(a) Functional and presentation currency

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

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

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

(c) Translation on consolidation

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

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

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

– All resulting exchange differences are recognised in the translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currency translation – continued

(c) Translation on consolidation – continued

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the translation reserve. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on disposal.

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

Property, plant and equipment

Buildings comprise mainly factories and offices. Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

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

Buildings	Over the shorter of the term of lease or 20 to 25 years
Plant and machinery	10% – 20%
Furniture and fixtures	4% – 30%
Motor vehicles	30%
Leasehold improvements	12%

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Leases

The Group as lessee

(i) Operating leases

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

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the consolidated statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

The Group as lessor

(i) Operating leases

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Recognition and derecognition of financial instruments

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

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset 's carrying amount and the sum of the consideration received is recognised in profit or loss.

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

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investment at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investment at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

– Financial assets at amortised cost;

– Equity investments at fair value through other comprehensive income; and

– Investment at fair value through profit or loss.

(i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial assets – continued

(ii) Equity investments at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

(iii) Investment at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investment at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

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

Borrowings

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

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

Trade and other payables

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

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue from contracts with customers – continued

– the customer simultaneously receives and consumes the benefits provided by the Group's performance;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

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

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

Interest income is recognised using the effective interest method.

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

Employee benefits

(a) Employee leave entitlements

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

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

(b) Pension obligations

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

(c) Termination benefits

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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

Taxation

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

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

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

Related parties

A related party is a person or entity that is related to the Group.

(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 Company or of a parent of the Company.

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

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers 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 a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investments, inventories, tax recoverable and receivables, 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 any impairment loss. Where 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.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) 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.

Provisions and contingent liabilities

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

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

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon (i) the Group will be able to successfully negotiate and agree with the creditors to renew or extend the existing borrowings or complete debt financing; (ii) the financial support of the substantial shareholder, at a level sufficient to finance the working capital requirements of the Group. The substantial shareholder has agreed to provide adequate funds to the Group; (iii) the Group is actively implementing cost-control and cost saving measures to improve operating cash flows and its financial position and the directors of the Company believe that the performance of the Group will be significantly improved in the forthcoming year. Details are explained in note 2 to consolidated financial statements.

Key sources of estimation uncertainty

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

(a) Impairment loss of property, plant and equipment and prepaid lease payments

Property, plant and equipment and prepaid lease payments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds their recoverable amount. The recoverable amount is determined with reference to the fair value less costs of disposal. Where the fair value less costs of disposal are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of fair value less costs of disposal, a material impairment loss may arise.

(b) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Impairment loss of trade and other receivables

The Group makes impairment loss for trade and other receivables based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES – continued

Key sources of estimation uncertainty – continued

(d) Impairment loss of investment in an associate

Investment in an associate is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Value-in-use calculations are used for assessing the recoverable amount of the investment. These calculations require use of judgements and estimates.

Management judgement is required for assessing impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related carrying value of investment may not be recoverable; and (ii) whether the carrying value of the investment can be supported by the recoverable amount. Changing the estimations used by management in assessing impairment could materially affect the recoverable amount used in the impairment test and as a result affect the Group's consolidated financial position and consolidated results of operations. At the end of the reporting period, the carrying value of investment in an associate was approximately HK$173,643,000 (2017:nil).

(e) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was approximately HK$34,317,000 (2017: HK$14,221,000).

(f) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

(g) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(h) Fair value of investments

In the absence of quoted market prices in an active market, the directors estimate the fair value of the Group's investments in National Asia Group Limited and上海羡鴻文化藝術發展有限公司, details of which are set out in note 23 to the consolidated financial statements, by considering information from a variety of sources, including the latest financial information, the historical data on market volatility as well as the price and industry and sector performance of National Asia Group Limited and上海羡鴻文化藝術發展有限公司.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Price risk

The Group's investment at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

At 31 December 2018, if the share prices of the investments increase/decrease by 10%, loss before tax for the year would have been approximately HK$220,000 (2017: HK$257,000) lower/higher, arising as a result of the fair value gain/loss of the investments.

(c) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings as set out in note 31.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of People's Bank of China's basic borrowing rate arising from the Group's variable-rate bank borrowings.

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

If interest rates had been 50 basis points (2017: 50 basis points) higher/lower and all other variables were held constant, the Group's loss before tax for the year ended 31 December 2018 would increase/decrease by approximately HK$370,000 (2017: HK$377,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

6. FINANCIAL RISK MANAGEMENT – continued

(d) Credit risk

As at 31 December 2018, the carrying amount of the respective financial assets as stated in the consolidated statement of financial position best represents the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

At 31 December, 2018, the Group has a concentration of credit risk in its five largest customers, which accounted for approximately HK$66,453,000 (2017: HK$13,027,000) of the Group's trade receivables in aggregate. Management identified such concentration of credit risk by considering (i) the number of counterparties; (ii) similar characteristics of these customers such as garment and apparel retailing and wholesale industry and trading of petroleum; and (iii) the amount of risk exposure associated with the individual debtor. The Group normally grant a credit term of 30 days to 180 days to these customers. By regularly reviewing subsequent settlement of these trade receivables, the directors are of the opinion that the default risks of these trade receivables are being closely monitored. Other than that, the Group does not have any other significant concentration of credit risk.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to

– actual or expected significant changes in the operating results of the borrower;

– significant increases in credit risk on other financial instruments of the same borrower;

– significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 7 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 30 days of when they fall due.

6. FINANCIAL RISK MANAGEMENT – continued

(d) Credit risk – continued

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade loan receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

All of these loans are considered to have low risk and under the 'Performing' category because they have a low risk of default and have strong ability to meet their obligations.

6. FINANCIAL RISK MANAGEMENT – continued

(d) Credit risk – continued

	National Asia HK$'000	Others HK$'000	Total HK$'000
Loss allowance at 1 January 2017	–	–	–
Increase in provision in 2017	–	4,563	4,563
Written off in 2017	–	(4,570)	(4,570)
Exchange adjustments	–	7	7
Loss allowance at 31 December 2017 and 1 January 2018	–	–	–
Increase in provision in 2018	–	1,333	1,333
Written off in 2018	–	(1,333)	(1,333)
Loss allowance at 31 December 2018	–	–	–

(e) Liquidity risk

The Group's current liabilities exceeded its current assets by approximately HK$300,030,000 as at 31 December 2018 and the Group recorded a loss of approximately HK$275,424,000 for the year ended 31 December 2018. The Group is exposed to liquidity risk if it is not able to raise sufficient fund to meet its financial obligations.

The directors of the Company have given careful consideration to the future liquidity of the Group, details of which are set out in note 2.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause and amounts being demanded by the banks for immediate repayment (as at 31 December 2018) are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. FINANCIAL RISK MANAGEMENT – continued

(e) Liquidity risk – continued

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year HK$,000	Between 1 and 2 years HK$,000	Between 2 and 5 years HK$,000	Over 5 years HK$,000	Total HK$,000
31 December 2018					
Trade and other payables	157,947	–	–	–	157,947
Amounts due to related parties	2,944	–	–	–	2,944
Bank borrowings					
– Variable rate	83,495	–	–	–	83,495
Bond and other borrowings					
– Fixed rate	358,829	12,778	70,147	86,800	528,554
Bank overdrafts	846	–	–	–	846
Obligations under finance leases	160	160	240	–	560
	604,221	12,938	70,387	86,800	774,346

	Less than 1 year HK$,000	Between 1 and 2 years HK$,000	Between 2 and 5 years HK$,000	Over 5 years HK$,000	Total HK$,000
31 December 2017					
Trade and other payables	79,681	–	–	–	79,681
Amounts due to related parties	–	27,963	–	–	27,963
Bank borrowings					
– Variable rate	90,034	–	–	–	90,034
– Fixed rate	16,809	–	–	–	16,809
Bond and other borrowings					
– Fixed rate	241,146	16,041	36,525	18,000	311,712
Bank overdrafts	149	–	–	–	149
Obligations under finance leases	160	160	401	–	721
	427,979	44,164	36,926	18,000	527,069

6. FINANCIAL RISK MANAGEMENT – continued

(f) Categories of financial instruments

	2018 HK$,000	2017 HK$,000
Financial assets:		
Held-for-trading investments	–	2,565
Available-for-sale investments	–	84,315
Derivative financial instruments	1,412	–
Investment at fair value through profit or loss:		
– Mandatorily measured	2,199	–
Equity investments at fair value through other comprehensive income	5,414	
Financial assets at amortised cost (including cash and cash equivalents)	176,570	159,778
Financial liabilities:		
Financial liabilities at amortised cost	681,300	483,201

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities at amortised cost as reflected in the consolidated statement of financial position approximate their respective fair values.

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

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7. FAIR VALUE MEASUREMENTS – continued

(a) Disclosures of level in fair value hierarchy at 31 December 2018:

	Fair value measurements using			
	Level 1: HK$'000	Level 2: HK$'000	Level 3: HK$'000	Total HK$'000
Recurring fair value measurements:				
Equity investments at fair value through other comprehensive income	–	–	5,414	5,414
Investment at fair value through profit or loss	2,199	–	–	2,199
Derivative financial instruments	–	–	1,412	1,412
Total recurring fair value measurements	2,199	–	6,826	9,025

Disclosures of level in fair value hierarchy at 31 December 2017:

	Fair value measurements using			
	Level 1: HK$'000	Level 2: HK$'000	Level 3: HK$'000	Total HK$'000
Recurring fair value measurements:				
Held-for-trading investment				
– Listed equity security	2,565	–	–	2,565
Available-for-sale investments				
– Unlisted equity security	–	–	81,484	81,484
Total recurring fair value measurements	2,565	–	81,484	84,049

7. FAIR VALUE MEASUREMENTS – continued

(b) Reconciliation of assets measured at fair value based on level 3:

	Equity investments at fair value through other comprehensive income HK$'000	Derivative financial instruments HK$'000	Total HK$'000
At 1 January 2017	94,545	–	94,545
Fair value gain recognised in other comprehensive income	2,359	–	2,359
Fair value loss recognised in profit or loss (#)	(15,420)	–	(15,420)
At 31 December 2017	81,484	–	81,484
Effect of changes in accounting policies	3,570	–	3,570
At 1 January 2018, as restated	85,054	–	85,054
Acquisition of subsidiaries	569	1,412	1,981
Fair value gain recognised in other comprehensive inocme	1,275	–	1,275
Fair value gain recognised in profit or loss (#)	1,786	–	1,786
Transfer to investment in an associate	(83,270)	–	(83,270)
At 31 December 2018	5,414	1,412	6,826
(#) Include gains or losses for assets held at 2018	–	–	–
(#) Include gains or losses for assets held at 2017	(15,420)	–	(15,420)

As at 31 December, 2018, equity investments at fair value through other comprehensive income of approximately HK$5,414,000 (2017: available-for-sale investments of HK$81,484,000) was valued by reference to a Level 3 fair value measurement using discounted cash flows based on unobservable inputs including growth rates, operating margin and discount rate which is a pre-tax rate taking into account the risks specific to the equity investments at fair value through other comprehensive income. Where there was material change in the fair value of equity investments at fair value through other comprehensive income, the cause of the fluctuations would be reported to the management of the Group.

An increase in the growth rates and operating margin used in discounted cash flows would result in increase in the carrying amount of the equity investments at fair value through other comprehensive income/available-for-sale investments, and vice versa. A slight increase in discount rate used in discounted cash flows would result in decrease in the carrying amount of the available for-sale investments, and vice versa.

7. FAIR VALUE MEASUREMENTS – continued

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	2018 HK$'000	2017 HK$'000
Unlisted equity securities, classified as available-for-sale investments	Income approach	Discount rate	12.94%	Decrease	–	81,484
Unlisted equity securities, classified as Equity investments at fair value through other comprehensive income	Market approach	Lack of marketability discount	30%	Decrease	5,414	–
Derivative financial Instruments, profit guarantee	Income approach	Probabilities	5%	Increase	1,412	–

8. REVENUE

Revenue represents the amounts received and receivable for goods sold excluding value added taxes, less returns and allowances and services provided by the Group to outside customers during the year.

	2018 HK$'000	2017 HK$'000
Production, sale and trading of textile products	285,551	268,312
Trading of petroleum	324,763	144,805
Provision of financial services	738	744
Revenue from contracts with customers	611,052	413,861

8. REVENUE – continued

Disaggregation of revenue from contracts with customers:

	Production, sale and trading of textile products HK$'000	Trading of petroleum HK$'000	Provision of financial services and others HK$'000	Total HK$'000
For the year ended 31 December 2018				
Geographical markets				
PRC	67,697	–	244	67,941
Hong Kong	16,961	324,381	494	341,836
Other Asian countries	9,938	382	–	10,320
Europe	172,842	–	–	172,842
North America	18,113	–	–	18,113
	285,551	324,763	738	611,052
Timing of revenue recognition				
At a point in time	285,551	324,763	447	610,761
Over time	–	–	291	291
Total	285,551	324,763	738	611,052

	Production, sale and trading of textile products HK$'000	Trading of petroleum HK$'000	Provision of financial services and others HK$'000	Total HK$'000
For the year ended 31 December 2017				
Geographical markets				
PRC	73,498	–	–	73,498
Hong Kong	11,858	143,743	744	156,345
Other Asian countries	16,439	1,062	–	17,501
Europe	122,502	–	–	122,502
North America	44,015	–	–	44,015
	268,312	144,805	744	413,861
Timing of revenue recognition				
At a point in time	268,312	144,805	550	413,667
Over time	–	–	194	194
Total	268,312	144,805	744	413,861

8. REVENUE – continued

Production, sale and trading of textile products

The Group produces, sells and trades textile products to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer 's acceptance of the products and the customer has obtained legal titles to the products. Sales to customers are normally made with credit terms of 30 to 120 days.

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

Trading of petroleum

The Group trades of petroleum to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products. Sales to customers are normally made with credit terms of 180 days.

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

Provision of financial services and others

Management fee and performance fee of assets management contract is recognised on a monthly and quarterly basis, respectively, when the services are rendered, the amount for which can be reliably estimated and it is probable that the income will be received. The Management fee and performance fee are due on the end of each month and quarter, respectively.

9. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised.

The Group's operating and reportable segments has been modified as four, namely (i) Production, sale and trading of textile products, (ii) Trading of petroleum, (iii) Provision of financial services and (iv) RMB banknotes clearing up services and others.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment loss represents the loss before taxation of each segment without allocation of central administration costs, directors 'salaries, finance cost, interest revenue, other income and other gains and losses not attributable to segment loss. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

For the purposes of monitoring segment performances and allocating resources among segments, all assets and liabilities are allocated to operating segments on the basis of the revenue earned by individual reportable segments. Segment assets exclude equity investments at fair value through other comprehensive income/available-for-sale investments, investment at fair value through profit or loss/held-for-trading investment, tax recoverable, deposits and prepayments, assets classified as held for sale, bank balances and cash, and unallocated corporate assets while segment liabilities exclude bank and other borrowings, bank overdrafts, amounts due to former related parties/related parties, current and deferred tax liabilities, obligations under finance leases, liabilities associated with assets classified as held for sale, and unallocated corporate liabilities. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

9. SEGMENT INFORMATION – continued

Segment revenue and results

For the year ended 31 December 2018

	RMB banknotes clearing up services and others HK$'000	Production, sale and trading of textile products HK$'000	Trading of petroleum HK$'000	Provision of financial services HK$'000	Total HK$'000
Revenue	–	285,551	324,763	738	611,052
Segment (loss)/profit	–	(154,529)	1,074	(5,278)	(158,733)
Unallocated expenses					(50,992)
Interest revenue					63
Other income					7,917
Other gains and losses					14,112
Finance costs					(87,049)
Loss before tax					(274,682)

For the year ended 31 December 2017

	Production, sale and trading of textile products HK$'000	Trading of petroleum HK$'000	Provision of financial services HK$'000	Total HK$'000
Revenue	268,312	144,805	744	413,861
Segment (loss)/profit	(201,173)	2,114	(4,825)	(203,884)
Unallocated expenses				(33,616)
Interest revenue				3,719
Other income				2,913
Other gains and losses				224,260
Finance costs				(95,210)
Loss before tax				(101,818)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

9. SEGMENT INFORMATION – continued

Segment assets and liabilities

As at 31 December 2018

	RMB banknotes clearing up services and others HK$'000	Production, sale and trading of textile products HK$'000	Trading of petroleum HK$'000	Provision of financial services HK$'000	Total HK$'000
Segment assets	137,958	274,980	54,328	132	467,398
Equity investments at fair value through other comprehensive income					5,414
Investment at fair value through profit or loss					2,199
Assets classified as held for sale					20,823
Tax recoverable					1,659
Unallocated corporate assets					296,971
Consolidated total assets					794,464
Segment liabilities	14,495	97,086	2,489	8	114,078
Bank and other borrowings					519,563
Bank overdrafts					846
Amounts due to former related parties/related parties					23,894
Current and deferred liabilities					18,743
Obligations under finance leases					517
Liabilities associated with assets classified as held for sale					20,110
Unallocated corporate liabilities					32,240
Consolidated total liabilities					729,991

9. SEGMENT INFORMATION – continued

Segment assets and liabilities – continued

As at 31 December 2017

	Production, sale and trading of textile products HK$'000	Trading of petroleum HK$'000	Provision of financial services HK$'000	Total HK$'000
Segment assets	444,393	22,426	19,982	486,801
Available-for-sale investments				84,315
Held-for-trading investment				2,565
Assets classified as held for sale				7,792
Tax recoverable				1,572
Unallocated corporate assets				126,968
Consolidated total assets				710,013
Segment liabilities	105,201	15,123	447	120,771
Bank and other borrowings				378,571
Bank overdrafts				149
Amounts due to former related parties/related parties/former subsidiary				61,035
Current and deferred liabilities				4,963
Obligations under finance leases				649
Unallocated corporate liabilities				5,121
Consolidated total liabilities				571,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

9. SEGMENT INFORMATION – continued

Other segment information

For the year ended 31 December 2018

	RMB banknotes clearing up services and others HK$'000	Production, sale and trading of textile products HK$'000	Trading of petroleum HK$'000	Provision of financial services HK$'000	Unallocated HK$'000	Total HK$'000
Addition to non-current assets (Note)	44,598	1,177	–	–	324	46,099
Depreciation of property, plant and equipment	–	36,208	2	46	1,136	37,392
Amortisation of prepaid lease payments	–	916	–	–	–	916
Loss on disposal/written off of property, plant and equipment	–	12,085	–	–	–	12,085
Gain on disposal of a subsidiary	–	–	–	–	13,273	13,273
Loss on fair value changes of investment at fair value through profit or loss	–	–	–	–	839	839
Impairment losses recognised on property, plant and equipment and prepaid lease payments	–	34,833	–	–	–	34,833
Impairment losses recognised on trade and other receivables	–	–	–	–	1,333	1,333
Write-down of inventories	–	1,773	–	–	–	1,773

9. SEGMENT INFORMATION – continued

Other segment information – continued

For the year ended 31 December 2017

	Production, sale and trading of textile products HK$'000	Trading of petroleum HK$'000	Provision of financial services HK$'000	Unallocated HK$'000	Total HK$'000
Addition to non-current assets (Note)	3,032	8	134	4,528	7,702
Depreciation of property, plant and equipment	42,571	1	33	683	43,288
Amortisation of prepaid lease payments	1,095	–	–	–	1,095
Loss on disposal/written off of property, plant and equipment and prepaid lease payments	756	–	–	–	756
Gain on disposal of subsidiaries	–	–	–	72,366	72,366
Gain on debt restructuring	–	–	–	166,396	166,396
Gain on fair value changes of held-for- trading investment	–	–	–	918	918
Impairment losses recognised on property, plant and equipment and prepaid lease payment	21,628	–	–	–	21,628
Impairment loss recognised on available-for-sale investment	–	–	–	15,420	15,420
Impairment losses recognised on trade and other receivables	4,697	–	–	–	4,697
Write-down of inventories	16,521	–	–	–	16,521

Note: Non-current assets excluded goodwill, investment in an associate, deposit paid for acquisition of prepaid lease payments and property, plant and equipment, deferred tax assets and financial assets

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

9. SEGMENT INFORMATION – continued

Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue		Non-current assets	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
PRC	67,941	73,498	166,361	161,308
Hong Kong	341,836	156,345	7,955	15,577
Other Asian countries	10,320	17,501	80,067	158,054
Europe	172,842	122,502	–	–
North America	18,113	44,015	–	–
	611,052	413,861	254,383	334,939

Notes:

(i) Included in revenue from customers located in Europe are amounts of approximately HK$124,149,000 (2017: HK$82,493,000), approximately HK$15,283,000 (2017: HK$8,106,000) and approximately HK$9,512,000 (2017: HK$5,815,000) arising from sales to customers based in United Kingdom, Netherlands and Spain, respectively.

(ii) Non-current assets excluded goodwill, investment in an associate, deferred tax assets and financial assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2018 HK$'000	2017 HK$'000
Customer A from segment of trading of petroleum	140,972	50,898
Customer B from segment of trading of textile products	86,906	42,284
Customer C from segment of trading of petroleum	61,668	29,745 *

* Revenue from this customer did not exceed 10% of total revenue for the year. This amount was shown for comparative purpose.

10. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Income from sales of scrap materials	3,168	2,453
Sundry income	4,749	7,098
	7,917	9,551

11. OTHER GAINS AND LOSSES

	2018 HK$'000	2017 HK$'000
Gain on disposal of a subsidiary subsidiaries (note 38)	13,273	72,366
Gain on debt restructuring	–	166,396
Gain on fair value changes of investment at fair value through profit or loss/held-for-trading investment	839	918
Gain on written back of trade and other payables	–	1,277
Net exchange gain	340	2,510
Loss on disposal/written off of property, plant and equipment and prepaid lease payments	(12,085)	(756)
Impairment losses recognised in respect of property, plant and equipment and prepaid lease payments (note 18)	(34,833)	(21,628)
Impairment loss recognised on available-for-sale investments	–	(15,420)
Impairment losses recognised on trade and other receivables (net of bad debt recovered)	(1,333)	(4,697)
	(33,799)	200,966

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

12. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on bank and other borrowings	87,020	94,571
Interest on finance leases	29	17
Imputed interest expense on amounts due to related parties	–	622
	87,049	95,210

13. INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
Hong Kong Profits Tax:		
– Current tax	241	536
– Overprovision in prior years	(30)	–
Deferred tax (note 33)	531	(107)
	742	429

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the year 2017. For the year ended 31 December 2018, Hong Kong Profits Tax is calculated under two-tier profits tax system where the first HK$2 million of estimated assessable profits is taxed at a rate of 8.25% and the remaining of estimated assessable profits is taxed at 16.5%. The Group should elect one of the Hong Kong subsidiary to apply the two-tier profit tax rate.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulations in Cambodia, the profits generated from Cambodian subsidiaries of the Company are entitled to exemption from the Cambodian Income Tax until 2018.

13. INCOME TAX EXPENSE – continued

The tax expense for the year 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	(274,682)	(101,818)
Taxation at the domestic income tax rate of 16.5%	(45,323)	(16,800)
Tax effect of income not taxable and expenses not deductible for tax purpose	(6,917)	(25,921)
Overprovision in prior years	(30)	–
Tax effect of tax losses incurred by Cambodian subsidiaries	17,749	18,175
Tax effect of tax losses not recognised	38,996	41,869
Tax effect of other deductible temporary differences not recognised	–	4,833
Utilisation of tax losses previously not recognised	(3,733)	(21,727)
	742	429

14. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	2018 HK$'000	2017 HK$'000
Auditor's remuneration	1,900	3,880
Cost of inventories sold	618,282	481,304
Write-down of inventories (included in cost of sales)	1,773	16,521
Depreciation of property, plant and equipment	37,392	43,288
Amortisation of prepaid lease payments	916	1,095
Operating lease charges	6,855	7,104
Directors' remuneration (note 15)	5,010	5,265
Other staff costs	132,241	136,354
Retirement benefits scheme contributions, excluding directors	4,502	5,029
Total staff costs	141,753	146,648

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2018

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

For the year ended 31 December 2018

		Fees HK$'000	Salaries and other benefits HK$'000	Bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive Director						
Mr. Poon Sum	(i)	–	3,240	–	9	3,249
Mr. Cheung Tat Chung		–	960	–	9	969
Mr. Ng Kwok Hung, Perry	(ii)	–	69	–	3	72
Independent Non-Executive Director						
Mr. Chan Shu Kin		240	–	–	–	240
Dr. Tse Kwok Sang		240	–	–	–	240
Mr. Chiu Wai Piu		240	–	–	–	240
Total		720	4,269	–	21	5,010

For the year ended 31 December 2017

		Fees HK$'000	Salaries and other benefits HK$'000	Bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive Director						
Mr. Poon Sum	(i)	–	2,193	–	13	2,206
Mr. Lo Ping	(iii)	–	785	115	8	908
Mr. Zheng Jun	(iii)	142	–	–	–	142
Mr. Cheung Tat Chung		–	960	–	18	978
Non-Executive Director						
Mr. Chui Chi Yun, Robert	(iii)	237	–	–	–	237
Mr. Zhao Xu	(iv)	74	–	–	–	74
Independent Non-Executive Director						
Mr. Chan Shu Kin		240	–	–	–	240
Dr. Tse Kwok Sang		240	–	–	–	240
Mr. Chiu Wai Piu		240	–	–	–	240
Total		1,173	3,938	115	39	5,265

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS – continued

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were paid for their services as directors of the Company or its subsidiaries. The independent non-executive directors ' emoluments shown above were paid for their services as directors of the Company.

The bonus payment for current year was determined regarding to the performance at the discretion of the remuneration committee.

Notes:

(i) Appointed as a director and the chairman on 19 April 2017.

(ii) Appointed as a director on 17 September 2018.

(iii) Retired as a director on 23 May 2017.

(iv) Appointed as a director on 13 August 2016 and retired on 13 August 2017.

The five highest paid employees during the year included one (2017: two) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining four (2017: three) non-director, highest paid employees for the year are as follows:

	2018 HK$'000	2017 HK$'000
Salaries and other benefits	4,402	2,947
Bonus	76	272
Retirement benefits scheme contributions	71	54
	4,549	3,273

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

	Number of employees 2018	 2017
Below HK$1,000,000	1	2
HK$1,000,001 to HK$1,500,000	3	1

During the years ended 31 December 2018 and 2017, no emoluments were paid by the Group to the five highest paid individuals or directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

16. DIVIDENDS

The Directors do not recommend the payment of any dividend for the years ended 31 December 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2018

17. LOSS PER SHARE

The calculation of the basic loss per share for the year is based on the loss for the year attributable to the owners of the Company of approximately HK$275,391,000 (2017: HK$101,333,000) and on the weighted average number of shares in issue during the year of approximately 5,408,182,000 (2017: 4,277,690,000).

No diluted loss per share is presented as the Company had no potential ordinary shares outstanding during any time in both years.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2017	325,163	569,066	22,745	12,321	5,798	37,167	972,260
Exchange adjustments	12,812	15,644	336	525	542	1,068	30,927
Additions	496	2,069	2,855	1,770	447	65	7,702
Transfer in/(out)	106	–	–	–	–	(106)	–
Acquisition of subsidiaries	–	–	1,653	–	–	–	1,653
Disposal/written off	–	(42,708)	(12,642)	(1,574)	–	–	(56,924)
Disposal of subsidiaries	–	–	(2,529)	–	–	–	(2,529)
Reclassified as held for sale	–	(104,339)	–	–	–	–	(104,339)
At 31 December 2017 and 1 January 2018	338,577	439,732	12,418	13,042	6,787	38,194	848,750
Exchange adjustments	(8,900)	(8,369)	(237)	(297)	(223)	(1,760)	(19,786)
Additions	–	1,167	98	–	236	–	1,501
Acquisition of subsidiaries	–	14,918	19	52	3,299	–	18,288
Disposal/written off	(12,700)	(88,326)	(1,974)	(5,238)	(6,117)	–	(114,355)
Disposal of subsidiaries	–	–	–	–	–	(21,565)	(21,565)
Reclassified as held for sale (note 28)	(5,621)	(112)	(382)	(292)	–	–	(6,407)
At 31 December 2018	311,356	359,010	9,942	7,267	3,982	14,869	706,426

18. PROPERTY, PLANT AND EQUIPMENT – continued

	Buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Construction in progress HK$'000	Total HK$'000
Accumulated depreciation							
At 1 January 2017	194,093	393,072	21,643	12,007	5,787	10,987	637,589
Exchange adjustments	4,547	13,398	335	493	442	54	19,269
Provided for the year	7,993	33,531	769	711	284	–	43,288
Eliminated on disposal/written off	–	(38,110)	(12,460)	(1,522)	–	–	(52,092)
Eliminated on disposal of subsidiaries	–	–	(200)	–	–	–	(200)
Impairment losses recognised in profit or loss	17,992	3,119	93	–	–	–	21,204
Reclassified as held for sale	–	(96,547)	–	–	–	–	(96,547)
At 31 December 2017 and 1 January 2018	224,625	308,463	10,180	11,689	6,513	11,041	572,511
Exchange adjustments	(4,958)	(6,705)	(211)	(542)	–	(2,280)	(14,696)
Provided for the year	13,212	22,562	661	537	420	–	37,392
Eliminated on disposal/written off	(4,813)	(76,259)	(1,324)	(5,238)	(6,117)	–	(93,751)
Eliminated on disposal of subsidiaries	–	–	–	–	–	(12,327)	(12,327)
Impairment losses recognised in profit or loss	17,590	7,789	–	76	–	9,378	34,833
Reclassified as held for sale (note 28)	(3,150)	(112)	(333)	(292)	–	–	(3,887)
At 31 December 2018	242,506	255,738	8,973	6,230	816	5,812	520,075
At 31 December 2018	68,850	103,272	969	1,037	3,166	9,057	186,351
At 31 December 2017	113,952	131,269	2,238	1,353	274	27,153	276,239

At 31 December, 2018, the carrying value of motor vehicles includes an amount of HK$472,000 (2017: 620,000) in respect of assets held under finance leases.

18. PROPERTY, PLANT AND EQUIPMENT – continued

Note:

(i) At 31 December 2018, the directors of the Company conducted reviews of the recoverable amounts of the Group's property, plant and equipment and prepaid lease payments (as set out in note 19) under the segment of production, sale and trading of textile products due to the recurring operating loss from the Group's textile business with reference to the valuation reports issued by an independent external valuer, Vigers Appraisal & Consulting Limited.

For the year ended 31 December 2018, the directors of the Company have assessed the recoverable amounts of property, plant and equipment and prepaid lease payments in PRC and Cambodia based on their fair values less costs of disposal at the end of the reporting period. The fair values less costs of disposal of the respective property, plant and equipment have been based on a valuation carried out by Vigers Appraisal & Consulting Limited. In estimating the fair value of the property, plant and equipment and prepaid lease payments, the highest and best use is their current use. The fair values of the leasehold lands were determined using the direct comparison method, which made reference to the recent transactions for similar properties in the proximity and adjusted for a number of unobservable inputs between the comparable properties and the subject matters. For buildings, plant and machinery and furniture and fixtures, their fair values were determined using the replacement cost method, with adjustments to reflect comparable utility and age, etc. The fair value measurements for the Group's property, plant and equipment and prepaid lease payments are categorised as Level 3. There are no transfers into or out of Level 3 during the year. As a result, an impairment losses of approximately HK$34,833,000 was charged to profit or loss.

For the year ended 31 December 2017, in addition to the fair value assessment of property, plant and equipment and prepaid lease payments in PRC, the directors of the Company have assessed the recoverable amounts of property, plant and equipment and prepaid lease payments in Cambodia based on their value in use at the end of the reporting period which used cash flow projection derived from the most recent financial budget approved by the management based on its best estimates covering 5 years. The growth rate used in the forecast was zero. The cash flow forecast applied a discount rate of 12.5% which reflected the return on assets and the risks specific to the textile business. As a result, an impairment losses of approximately HK$21,628,000 was charged to profit or loss.

19. PREPAID LEASE PAYMENTS

	2018 HK$'000	2017 HK$'000
Analysed for reporting purpose as:		
Non-current asset	23,005	44,479
Current asset	586	1,121
	23,591	45,600

20. GOODWILL

	HK$'000
At 1 January 2017	–
Arising on acquisition of subsidiaries	23,452
Disposal of subsidiaries	(8,899)
At 31 December 2017 and 1 January 2018	14,553
Arising on acquisition of subsidiaries (note 37)	34,317
Transfer to assets held for sale (note 28)	(14,553)
At 31 December 2018	34,317

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (" CGUs ") that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2018 HK$'000	2017 HK$'000
RMB banknotes clearing up services and others		
– Jiu Zhou Financial Group Co., Limited and its subsidiaries	33,679	–
– 大慶市鴻易盛科技開發有限公司	6	–
– 中山暗溯服飾有限公司	632	–
Provision of financial services		
– LW Asset Management Advisors Limited and its subsidiaries	–	14,553
	34,317	14,553

The recoverable amounts of the CGUs are determined on the basis of their value in use using discounted cash flow method (level 3 fair value measurements). The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years and with reference to an independent valuation performed by Ravia Global Appraisal Advisory Limited. Key assumptions used by the management in the discounted forecast cash flows calculation of the cash generating unit include budgeted revenue and profit margins. The pre-tax discount rate used for estimating the value in use is 23%.

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21. INTANGIBLE ASSETS

	Technology HK$'000	Customer relationship HK$'000	Total HK$'000
Cost			
At 1 January 2017, 31 December 2017 and 1 January 2018	–	–	–
Acquisition of subsidiaries	12,187	14,123	26,310
At 31 December 2018	12,187	14,123	26,310

Customers relationship represents the long-term business relationships with its key customers. The average remaining amortisation period of the customer relationship is 5 years (2017: nil).

The technologies for RMB coins clearing machine system were recognised as part of the acquisition of the RMB banknotes clearing up services business (note 37) and were recognised at their fair value at the date of acquisition. The average remaining amortisation period of the technology is 7 years (2017: nil).

22. INVESTMENT IN AN ASSOCIATE

	2018 HK$'000	2017 HK$'000
Unlisted investment:		
Share of net assets	106,194	–
Goodwill	67,449	–
	173,643	–

22. INVESTMENT IN AN ASSOCIATE – continued

The following table shows information of the associate that is material to the Group. This associate is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the IFRS financial statements of the associate.

Name	Coulman International Limited 2018 HK$
Principal place of business/country of incorporation	PRC/BVI
% of ownership interests/voting rights held by the Group	27%
At 31 December:	
Non-current assets	725,408
Current assets	116,342
Non-current liabilities	(178,988)
Current liabilities	(269,450)
Net assets	393,312
Group's share of net assets	106,194
Goodwill	67,449
Group's share of carrying amount of interests	173,643
Year ended 31 December:	
Revenue	424,571
Profit from continuing operations	22,031
Profit after tax from discontinued operations	–
Other comprehensive loss	(4,925)
Total comprehensive income	17,106

The associate principally engaged in natural gas pipeline construction, operation, management, natural gas sales and natural gas business consulting services.

22. INVESTMENT IN AN ASSOCIATE – continued

As at 31 December 2018, the bank and cash balances of the Group' associate in the PRC denominated in RMB amounted to HK$8,956,000. Conversion of RMB into foreign currencies is subject to the PRC 's Foreign Exchange Control Regulations.

The Group held 13.0% of the equity interest of Coulman International Limited, which was classified as available-for-sale investments in the Group's consolidated statement of financial position as at 31 December 2017. On 1 January 2018, the available-for-sale investments were reclassified as investment at fair value through profit or loss. On 27 November 2018, the Group further acquired 14.0% of the equity interest of Coulman International Limited which satisfied by the Company by way of allotment and issue of 240,997,229 shares. Completion took place on 19 December 2018 in accordance with the terms and conditions of the Sale and Purchase Agreement. As a result, Coulman International Limited became an associate of the Group.

There were no contribution to the Group's revenue and loss for the year respectively for the period between the date of acquisition and the end of the reporting period.

23. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENTS

	2018 HK$'000	2017 HK$'000
Unlisted securities		
– Coulman International, at fair value	–	81,484
– 上海羨鴻文化藝術發展有限公司, at fair value	569	–
– National Asia Group Limited (the "National Asia"), at fair value	4,845	–
– National Asia, at cost	–	9,500
Less: impairment loss recognised	–	(6,669)
	5,414	84,315

The above investments are intended to be held for the medium to long-term. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to profit or loss.

24. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS/HELD-FOR-TRADING INVESTMENTS

	2018 HK$'000	2017 HK$'000
Equity securities listed in Australia, at fair value	2,199	2,565

25. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	4,492	5,801
Work in progress	9,854	13,224
Finished goods	12,082	9,610
	26,428	28,635

26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 HK$'000	2017 HK$'000
Trade receivables	115,012	31,477
Refundable deposit paid for acquisition of an investment (note i)	22,000	22,000
Amount due from National Asia (note ii)	4,632	4,632
Refundable deposits paid for potential investments (note iii)	48,335	36,000
Prepayment of petroleum trading business	36,937	61,075
Prepaid expenses	6,121	2,480
VAT receivables	2,198	3,120
Deposits	6,638	5,248
Interest receivables	51	2,820
Others (note iv)	12,646	3,234
	254,570	172,086

Note:

(i) On 30 June 2016, the Group has entered into a formal sale and purchase agreement with Kai Lian Group Limited ("Kai Lian") to acquire 22% equity interest in Coulman International at a consideration of HK$160,000,000, which is to be partially settled by the refundable deposit of HK$40,000,000 paid in 2015 and the remaining balance of HK$120,000,000 in cash and/or issue of the promissory notes by the Company to Kai Lian.

On 31 December 2016, the Company has announced that the said formal sale and purchase agreement has lapsed due to certain conditions precedent not yet been fulfilled or waived by the Group on or before 31 December 2016. Pursuant to a settlement agreement entered into by the Group with Kai Lian on 21 March 2017, the said deposit is secured by the 38% of the issued share capital of Coulman International owned by Kai Lian and held under custody for the benefits of the Group before the full amount has been settled by Kai Lian. As agreed by the Group and Kai Lian, the above refundable deposit of HK$40,000,000 would be refunded to the Group by installments in 2017.

During the year ended 31 December 2017, HK$18,000,000 has been refunded by Kai Lian. The outstanding refundable deposits paid for acquisition of an investment of HK$22,000,000 is secured by 38% of the issued share capital of Coulman International owned by Kai Lian is continued to be held under custody for the benefits of the Group before the full settlements of these amounts.

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For the year ended 31st December 2018

26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – continued

Note: – continued

(ii) The amount is unsecured, interest-free and repayable on demand. The directors of the Company expected that the amount will be recovered within twelve months from the end of the reporting period.

(iii) The balance as at 31 December 2018 and 2017 represents amounts placed with various consultancy firms, both of which are independent third parties, for the purpose of seeking potential investment opportunities for the Group. Pursuant to the relevant service agreements, these deposits will be applied as the considerations to be paid by the Group for any confirmed investments. Any unutilised balance upon the expiry of the terms of services of these consultants will be refunded in full to the Group. During the year ended 31 December 2018, the Group acquired Jiu Zhou Financial Group Co. Limited (note 37).

(iv) Included in other receivables are mainly (i) due from several independent third parties and the Group has recognised impairment losses of HK$1,333,000 (2017: HK$4,563,000) during the year ended 31 December 2018 in view of the difficulties encountered on collection of the amounts; (ii) other loan receivable of HK$7,000,000 (2017: HK$nil) to independent third party which was secured over respective personal guarantees.

The Group generally allows credit period ranged from 30 days to 180 days to its trade customers. Before accepting any new customer, the Group will assess and understand the potential customer 's credit quality and define its credit limits. Credit limits attributed to each customer are reviewed regularly.

Aged analysis of trade receivables is presented based on the invoice dates at the end of the reporting period, which approximate the respective revenue recognition dates, are as follows:

	2018 HK$'000	2017 HK$'000
0-30 days	16,783	11,008
31 – 60 days	8,948	7,138
61 – 90 days	7,361	6,924
91 – 120 days	9,805	1,685
Over 120 days	72,115	4,722
	115,012	31,477

Movement in the allowance for doubtful debts

	2018 HK$'000	2017 HK$'000
At 1 January	–	–
Allowance recognised on trade receivables	–	134
Amounts written off during the year as uncollectible	–	(134)
At 31 December	–	–

26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – continued

The Group applies the simplified approach under IFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current HK$'000	Over 30 days past due HK$'000	Over 60 days past due HK$'000	Over 120 days past due HK$'000	Total HK$'000
At 31 December 2018					
Weighted average expected loss rate	–	–	–	–	–
Receivable amount	79,178	4,241	1,015	30,578	115,012
Loss allowance	–	–	–	–	–
At 31 December 2017					
Weighted average expected loss rate	–	–	–	–	–
Receivable amount	19,674	10,408	1,393	2	31,477
Loss allowance	–	–	–	–	–

27. BANK BALANCES AND CASH

As at 31 December 2018, the bank and cash balances of the Group denominated in RMB amounted to HK$4,615,000 (2017: HK$4,634,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

28. DISPOSAL GROUP HELD FOR SALE

During the year ended 31 December 2018, the directors intended to dispose of one of the Group's subsidiary engaged in production, sale and trading of textile products business and two of the Group's subsidiaries engaged in financial services business (the "Disposal Group"). The Group had committed to a plan to sell the Disposal Group and negotiating with buyers to complete the plan during the year ended 31 December 2018. Up to the end of the reporting period, the negotiations were not yet completed. The assets and liabilities attributable to the Disposal Group, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position.

	Production, sale and trading of textile products HK$'000	Provision of financial services HK$'000	Total HK$'000
Prepaid lease payment	2,483	–	2,483
Property, plant and equipment	2,471	49	2,520
Goodwill	–	14,553	14,553
Trade and other receivables, deposits and prepayments	323	763	1,086
Tax recoverable	181	–	181
Total assets classified as held for sale	5,458	15,365	20,823
Bank borrowings-due within one year	(15,945)	–	(15,945)
Trade and other payables	(3,635)	(430)	(4,065)
Taxation payable	(93)	–	(93)
Deferred tax liabilities	–	(7)	(7)
Total liabilities associated with assets classified as held for sale	(19,673)	(437)	(20,110)
Net (liabilities)/assets of Disposal Group	(14,215)	14,928	713

At 31 December 2018, cumulative expense attributable to owners of the Company recognised in other comprehensive income relating to the disposal group classified as held for sale amounted to approximately HK$1,370,000.

29. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	43,162	24,762
Receipt in advance from customers	–	16,159
Accrued salary	34,982	31,333
VAT tax payables	1,546	719
Interest payables	10,342	–
Amounts due to former related party (note i)	20,950	20,950
Amount due to a former subsidiary	–	15,285
Deposits received for disposals of property, plant and machinery	–	6,301
Deposits received for disposal of subsidiaries	7,092	–
Accrued expenses	11,163	27,934
Others (ii)	37,348	18,684
	166,585	162,127

Note:

(i) The Group received a writ of summons from an entity, to the best knowledge of the directors of the Company, beneficially owned by a former director and a former shareholder of the Company. The amount claimed by this former related party against an indirectly wholly owned subsidiary of the Company, Addchance Limited is approximately HK$20,950,000.

The directors of the Company have instructed its legal advisers to review the details of this legal proceeding and provide further legal advices. The directors of the Company believe that the Group has sufficient grounds to defend against the legal claim. However, the ultimate outcome of this legal proceeding could not be assessed at this stage.

(ii) The Group acquired Jiu Zhou Financial Group Co. Limited and its subsidiaries (the "Target Group") on 28 December 2018 (note 37), the Target Group entered into the cooperative agreement with third parties and received HK$10,500,000 from third parties for the educational project. The educational project will be terminated in 2019.

The following is an aged analysis of trade payables presented based on the invoice dates at the end of reporting period:

	2018 HK$'000	2017 HK$'000
0-60 days	13,031	9,122
61-90 days	6,002	10,795
Over 90 days	24,129	4,845
	43,162	24,762

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30. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2018 HK$'000	As at 1 January 2018 HK$'000
Contract liabilities	683	16,159
Revenue recognised in the year that was included in contract liabilities at beginning of the year	16,159	N/A

Transaction prices allocated to performance obligations unsatisfied at end of the year and expected to be recognised as revenue in:

	As at 31 December 2018 HK$'000	As at 1 January 2018 HK$'000
– 2018	–	16,159
– 2019	810	–
	810	16,159

Significant changes in contract liabilities during the year

	2018 HK$'000
Transfer from trade and other payable	16,159
Increase due to operations in the year	94,268
Acquisition of subsidiaries	185
Transfer of contract liabilities to revenue	(109,929)

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

31. BANK AND OTHER BORROWINGS/BANK OVERDRAFTS

	2018 HK$'000	2017 HK$'000
Bank borrowings (notes i and v)		
– Bank loans	83,144	106,842
Unlisted and unguaranteed corporate bonds issued by the Company (note ii)		
– Bonds issued in 2015	13,733	12,423
– Bonds issued in 2016	13,074	11,216
– Bonds issued in 2017	21,565	55,205
– Bonds issued in 2018	166,189	–
	214,561	78,844
Other borrowings (note iii and v)	221,858	192,885
Bank overdrafts (note iv)	846	149
	520,409	378,720
Carrying amount are repayable, based on scheduled repayment dates set out in the loan agreements, as follows:		
On demand within one year	423,427	302,598
Repayable more than one year but not more than two years	7,888	47,483
Repayable more than two years but not more than five years	44,694	19,499
Repayable more than five years	44,400	9,140
	520,409	378,720
Less: Amount due and repayable within one year shown under current liabilities		
– Bank and other borrowings	(422,581)	(302,449)
– Bank overdrafts	(846)	(149)
Amount shown under non-current liabilities	96,982	76,122

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31. BANK AND OTHER BORROWINGS/BANK OVERDRAFTS – continued

	2018 HK$'000	2017 HK$'000
Analysed as:		
– Secured (note v)	283,989	292,523
– Unsecured	236,420	86,197
	520,409	378,720
Analysed as:		
– Fixed-rate	437,265	288,686
– Variable-rate	83,144	90,034
	520,409	378,720

Notes:

(i) Since the year ended 31 December 2015, the Group has breached certain loan covenants and defaulted on repayment of certain bank borrowings (" Defaulted Bank Borrowings "). Certain bankers of the Company (the " Banks ") have therefore demanded immediate repayment of defaulted bank loans of HK$504,673,000 as at 31 December 2016 by the Group or they may consider commencing legal proceedings against the Group. The Group has been actively negotiating with the Banks for restructuring the relevant borrowings, including rescheduling the terms of repayment and/or the extension or revision of the relevant banking facilities. As part of the negotiations, Addchance Dyeing, a company owned as to 60% by Dr. Sung Chung Kwun, the former chairman and the former shareholder of the Company, who retired on 31 May 2013, as to 20% by Mr. Sung Kim Ping, a former executive director of the Company, who retired on 7 May 2016, and as to 20% by an independent third party to the best knowledge of the directors, has arranged the execution of second mortgage on its own property in respect of the Sung's Tower, Nos. 15-19 Lam Tin Street, Kwai Chung, New Territories, Hong Kong (the "Addchance Dyeing Property"), in favour of the Banks to secure all the present and future debts owed by the Group to the Banks.

On 9 March 2017, the Group and each of the Banks entered into a debt restructuring deed (the "Debt Restructuring Deed "), pursuant to which the Banks agree to assign and transfer to the Group all of its rights, title, benefits and interests in the defaulted bank borrowings, including the charge over Addchance Dyeing Property, for a consideration of approximately HK$527 million which is equal to the outstanding balance of the Defaulted Bank Borrowings as at the date of the Debt Restructuring Deed, upon fulfilment of certain conditions.

Pursuant to the Debt Restructuring Deed the Group has to pay (i) HK$50 million upon the execution of the Debt Restructuring Deed; (ii) HK$40 million by 30 days from date of entering into the Debt Restructuring Deed; (iii) HK$140 million by 180 days from date of entering into the Debt Restructuring Deed; and (iv) the remaining balance of the outstanding defaulted of the outstanding defaulted bank borrowings at the date of the Debt Restructuring Deed, which would be reduced to HK$150 million should such amount be paid within one year from the date of entering into the Debt Restructuring Deed. If an aggregate amount of HK$380 million is paid by the Group at any time before the first anniversary of the date of the Debt Restructuring Deed, the consideration of approximately HK$527 million under the Debt Restructuring Deed will be reduced to HK$380 million.

During the year ended 31 December 2017, the Group has repaid HK$380 million to the Banks and the Defaulted Bank Borrowings has been fully settled. The remaining balance of the outstanding defaulted bank borrowings of HK$166,396,000 has been derecognised and the Group recognised as a gain on the debt restructuring in profit or loss. As at 31 December 2018 and 2017, the Group is not in breach of any loan covenants of any bank borrowings.

31. BANK AND OTHER BORROWINGS/BANK OVERDRAFTS – continued

Notes: – continued

(ii) Bonds are issued by the Company and are fixed-rate borrowings.

Bonds issued in 2015 with outstanding principal amount of HK$19,900,000 as at 31 December 2018 are unsecured and carry weighted average coupon interest rates of 6% per annum. The weighted average effective interest rate is 10.55% per annum and the bonds are due in 2022.

Bonds issued in 2016 with outstanding principal amount of HK$15,000,000 as at 31 December 2018 are unsecured and carry weighted average coupon interest rates of 7.5% per annum. The weighted average effective interest rate of the bonds is 16.57% per annum and are payable upon maturity in 2019.

Bonds issued in 2017 with outstanding principal amount of HK$44,845,000 as at 31 December 2018 are unsecured and carry weighted average coupon interest rates of 7.34% per annum. The weighted average effective interest rate is 12.83% per annum and the bonds are payable upon maturity in 2020 to 2025.

Bonds issued in 2018 with outstanding principal amount of HK$259,645,000 as at 31 December 2018 are unsecured and carry weighted average coupon interest rates of 6.09% per annum. The weighted average effective interest rate is 16.88% per annum and the bonds are payable upon maturity in 2019 to 2026.

(iii) In 2017, the Group raised funds independent third party of principal amounts of HK$200,000,000 bearing fixed interest rates at 20% per annum and due on 27 December 2018. Subsequent to the end of the reporting period, the Group negotiated with lender and entered into a supplement loan agreement, pursuant to which HK$40,000,000 will be settled by issuance of 222,222,000 new shares of the Company and the remaining balance will be repayable within one year.

In 2018, the Group raised funds from an independent third parties of principal amounts of HK$19,000,000, bearing fixed interest rates ranging from 5.4% per annum and repayable within one year.

(iv) Bank overdrafts are repayable on demand.

(v) The secured bank borrowings are secured by the Group's certain prepaid lease payments and property, plant and equipment. The borrowings ranges of effective interest rates of 5.87%-6.09% (2017: 5.44%-6.09%). Details are set out in note 43.

The other borrowing with principal amount of HK200,000,000 as at 31 December 2018 and 2017 advanced by an independent third party is secured by the second mortgage charge over Addchance Dyeing Property under the debt restructuring deed assigned to the Group by the banks upon settlements of the defaulted bank borrowings during the year and entire issued ordinary shares of Champion Forever Group Limited, a direct wholly-owned subsidiary of the Company, being the assignee of the above charge. The other borrowing is also guaranteed by Mr. Poon Sum.

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32. OBLIGATION UNDER FINANCE LEASE

The Group leases a motor vehicle under finance lease during the year ended 31 December 2018. The remaining lease term is 4 years (2017: 5 years). Interest rates underlying all obligation under finance lease is fixed at respective contract dates at 2.5% (2017: 2.5%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	160	160	139	132
In first to second years, inclusive	160	160	146	139
In the third to fifth years, inclusive	240	401	232	378
	560	721	517	649
Less: future finance charges	(43)	(72)	N/A	N/A
Present value of lease obligations	517	649	517	649
Less: Amount due for settlement within 12 months (shown under current liabilities)			(139)	(132)
Amount due for settlement after 12 months			378	517

33. DEFERRED TAX LIABILITIES

	Fair value adjustments on business combinations HK$'000	Allowance for impairment of trade and other receivables HK$'000	Accelerated tax depreciation HK$'000	Withholding tax on undistributed profits of subsidiaries HK$'000	Total HK$'000
At 1 January 2017	–	–	45	3,699	3,744
Arising from acquisition of subsidiaries	–	–	7	–	7
Credit to profit or loss	–	–	(45)	(62)	(107)
At 31 December 2017 and 1 January 2018	–	–	7	3,637	3,644
Reclassified as liabilities associated with assets classified as held for sale	–	–	(7)	–	(7)
Arising from acquisition of subsidiaries	6,577	(3,439)	–	–	3,138
Charge to profit or loss	–	–	–	531	531
At 31 December 2018	6,577	(3,439)	–	4,168	7,306

Under the Law on Taxation of Cambodia, withholding tax is imposed on dividends declared in respect of profits earned by Cambodian subsidiaries from 1 June 1998 onwards. For the year ended 31 December 2018, the aggregate amount of temporary differences associated with undistributed earnings for which deferred tax liabilities have not been recognised is approximately HK$18,801,000 (2017:HK$48,918,000) as the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

As at 31 December, 2018, the Group has unused tax losses of approximately HK$434,667,000 (2017: HK$443,170,000). No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$216,808,000 (2017: HK$267,744,000) that will expire between 2019 to 2023 (2017: 2018 to 2022). Other losses may be carried forward indefinitely.

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34. SHARE CAPITAL

	Number of shares	HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	10,000,000,000	100,000
Issued and fully paid of HK$0.01 each:		
At 1 January 2017	846,730,909	8,467
Issue of new shares (note i)	4,550,000,000	45,500
At 31 December 2017 and 1 January 2018	5,396,730,909	53,967
Issue of new shares (note ii)	261,658,031	2,617
Issue of new shares (note iii)	240,997,229	2,410
At 31 December 2018	5,899,386,169	58,994

Nore:

(i) On 6 January 2017, the Group entered into subscription agreements with four subscribers, Gold Train Investments Limited (the "First Subscriber"), Mr. Yuan Dongjie (the "Second Subscriber"), Mr. Chen Chiquan (the "Third Subscriber") and Ms. Li Shuanghui (the "Forth Subscriber"), pursuant to which the First Subscriber has agreed to subscribe no less than 2,500,000,000 new shares and no more than 3,800,000,000 new shares and each of the remaining subscribers was agreed to subscribe 250,000,000 new shares. Mr. Poon Sum is the sole director and shareholder of the First subscriber (who has been appointed as an executive director and chairman of the board of directors of the Company on 19 April 2017) and the remaining subscribers are independent third parties. All new shares issued under subscription agreements are HK$0.08 each. All of these subscriptions have been completed and an aggregate 4,550,000,000 shares have been issued by the Company. The gross and net proceeds from these subscriptions are approximately HK$364 million and HK$359 million, respectively. The net proceeds from the subscriptions were arrived after deduction of commission and other related expenses.

(ii) On 13 November 2018, the Group entered into the agreement with Mr. Hao Zhao to acquire entire equity interest of Jiu Zhou Financial Group Co. Limited which was satisfied by the Company by way of allotment and issue of 261,658,031 shares to the Mr. Hao Zhao. Completion took place on 28 December 2018 in accordance with the terms and conditions of the Agreement (as supplemented by the Supplemental Agreement). A total of 261,658,031 shares were issued to the Mr. Hao Zhao.

(iii) On 27 November 2018, the Group entered into the agreement with Hong Jun Global Limited to acquire 14.0% of the equity interest of Coulman International Limited which was satisfied by the Company by way of allotment and issue of 240,997,229 shares to the Hong Jun Global Limited. Completion took place on 19 December 2018 in accordance with the terms and conditions of the Sale and Purchase Agreement. A total of 240,997,229 shares were issued to Hong Jun Global Limited.

34. SHARE CAPITAL – continued

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 the shareholders through the optimisation of the debts and equity balance. The Group's overall strategy remains unchanged from prior years.

The directors of the Company consider that the capital structure of the Group consists of net debts, which include bank and other borrowings, bank overdrafts and amounts due to related parties, net of cash and cash equivalents, and shareholders'surplus.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues as well as issue of new debts or redemption of existing debts.

35. SHARE PREMIUM AND RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2017	472,344	227,072	(784,127)	(84,711)
Loss and total comprehensive expense for the year	–	–	(255,140)	(255,140)
Ordinary shares issued	318,500	–	–	318,500
Transaction costs attributable to issue of new ordinary shares	(4,969)	–	–	(4,969)
Deemed contributions from a shareholder and a related company arising from non-interest bearing advances therefrom	–	3,785	–	3,785
At 31 December 2017 and 1 January 2018	785,875	230,857	(1,039,267)	(22,535)
Loss and total comprehensive expense for the year	–	–	(194,974)	(194,974)
Ordinary shares issued	167,770	–	–	167,770
At 31 December 2018	953,645	230,857	(1,234,241)	(49,739)

The contributed surplus of the Company represents (i) the excess of the combined net assets of the subsidiaries acquired and the acquisition of amount due to a shareholder from Interlink Atlantic Limited, over the nominal value of the share capital of the Company issued in exchange in prior years thereof; less (ii) dividends paid in prior years; and (iii) deemed contributions arising from non-interest bearing advances from a shareholder and a company held by this shareholder and his spouse.

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36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 HK$'000	2017 HK$'000
Non-current assets		
Investments in subsidiaries	–	34,133
Amounts due from subsidiaries	308,192	348,165
	308,192	382,298
Current assets		
Other receivables, deposits and prepayments	51,026	44,762
Bank balances and cash	4,266	19,471
	55,292	64,233
Current liabilities		
Other payables	30,542	18,932
Amount due to a subsidiary	102,482	292,523
Bank and other borrowings-due within one year	117,579	9,926
	250,603	321,381
Net current liabilities	(195,311)	(257,148)
Non-current Liabilities		
Amounts due to related parties	6,644	24,800
Bank and other borrowings-due after one year	96,982	68,918
	103,626	93,718
Net assets	9,255	31,432
Capital and reserves		
Share capital	58,994	53,967
Reserves	(49,739)	(22,535)
	9,255	31,432

37. ACQUISITION OF SUBSIDIARIES

On 24 October 2018, the Group acquired 50% equity interest of 中山暗溯服飾有限公司 at a cash consideration of RMB500,000 (approximately HK$569,000). 中山暗溯服飾有限公司 was engaged in sales and trading of apparel during the year. The acquisition is for the purpose of expansion of the sources of income and prospects.

On 12 December 2018, the Group acquired 100% equity interest of 大慶市鴻易盛科技開發有限公司 at a cash consideration of RMB300,000 (approximately HK$342,000). 大慶市鴻易盛科技開發有限公司 was engaged in provision of services for oil industry, including but not limited to the development of oil drilling and exploration technology and provision of technical services in Daqing City, the PRC during the year. The acquisition is for the purpose of expansion business horizon in the oil industry and to commence oil service business.

On 28 December 2018, the Group acquired 66% equity interest of Jiu Zhou Financial Group Co. Limited for issuance of 261,658,031 ordinary shares of the Company. Jiu Zhou Financial Group Co. Limited was engaged in provision of RMB banknotes clearing up services during the year. The acquisition is for the purpose of expansion of the sources of income and prospects.

The fair value of the identifiable assets and liabilities of the above companies acquired as at its date of acquisition is as follows:

	RMB banknotes clearing up services HK$'000	Oil service business HK$'000	Sales and trading of apparel HK$'000	Total HK$'000
Property, plant and equipment	18,274	–	14	18,288
Intangible assets	26,310	–	–	26,310
Deferred tax assets	3,439	–	–	3,439
Equity investments at fair value through other comprehensive income	569	–	–	569
Inventories	–	663	103	766
Trade and other receivables, deposits and prepayments	51,206	2,910	1,163	55,279
Tax recoverable	–	–	36	36
Bank balances and cash	1,402	105	65	1,572
Trade and other payables	(14,104)	(3,263)	(1,505)	(18,872)
Tax liabilities	(8,829)	(79)	–	(8,908)
Deferred tax liabilities	(6,577)	–	–	(6,577)
Total identifiable net assets at fair value	71,690	336	(124)	71,902
Goodwill	33,679	6	632	34,317
	105,369	342	508	106,219

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2018

37. ACQUISITION OF SUBSIDIARIES – continued

	RMB banknotes clearing up services HK$'000	Oil service business HK$'000	Sales and trading of apparel HK$'000	Total HK$'000
Satisfied by:				
Cash	–	342	569	911
261,658,031 ordinary shares of the Company	82,422	–	–	82,422
Profit guarantee	(1,412)	–	–	(1,412)
Non-controlling interests	24,359	–	(61)	24,298
	105,369	342	508	106,219
Net cash outflow arising on acquisition:				
Cash consideration paid	–	(342)	(569)	(911)
Cash and cash equivalents acquired	1,402	105	65	1,572
	1,402	(237)	(504)	661

The fair value of the trade and other receivables acquired is approximately HK$55,173,000. The gross amount due under the contracts is approximately HK$69,050,000, of which approximately HK$13,877,000 is expected to be uncollectible.

The fair value of the 261,658,031 ordinary shares of the Company issued as part of the consideration paid was determined on the basis of the closing market price of the Company's ordinary shares on the acquisition date.

The goodwill arising on the acquisition of RMB banknotes clearing up services, oil service business and sales and trading of apparel is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

If the acquisition had been completed on 1 January 2018, total Group revenue for the year would have been approximately HK$645,166,000, and loss for the year would have been approximately HK$273,360,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is intended to be a projection of future results.

There were no contribution to the Group's revenue and loss for the year respectively for the period between the date of acquisition and the end of the reporting period.

37. ACQUISITION OF SUBSIDIARIES – continued

Profits guarantee arrangement

According to the supplemental agreement of sale and purchase agreement dated 24 December 2018, there was an arrangement of profit guarantee whereas the vendor irrevocably and unconditionally warrants and guarantees to Group that the audited consolidated net profit after tax of中晟匯裕科技服務有限公司and its subsidiaries was engaged in provision of RMB banknotes clearing up services for the financial years ending 31 December 2019, 31 December 2020 and 31 December 2021 shall not be less than RMB23,000,000, RMB28,000,000 and RMB34,000,000 (the "Guaranteed Profits") respectively.

In the event that the actual audited profits of the relevant year shall be less than the relevant Guaranteed Profit, the vendor shall compensate the Group for the sum being calculated as shortfall of the actual profit (i.e. the Guaranteed Profit less actual audited profit) multiplied by 66%.

38. DISPOSAL OF A SUBSIDIARY

On 31 October 2018, the Group disposed 100% equity interest of Luoding Addchance Dyeing Factory Limited for a cash consideration of RMB32,000,000 (equivalent to approximately HK$36,446,000) to羅定市大也貿易有限公司, an independent third party.

Net assets at the date of disposal were as follows:

	HK$,000
Prepaid lease payments	18,151
Property, plant and equipment	9,238
Bank balances and cash	19
Trade and other receivables, deposits and prepayments	7,027
Trade and other payables	(16,499)
Tax liabilities	(2,034)
Net assets disposed of :	15,902
Release of foreign currency translation reserve	7,271
Gain on disposal of subsidiary	13,273
Total consideration	36,446
Net cash inflow arising on disposal:	
Total consideration	36,446
Less: consideration receivable	(509)
	35,937
Cash and cash equivalents disposed of	(19)
	35,918

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2018

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Amounts due to a former related party HK$'000	Amounts due to related parties HK$'000	Interest payable HK$'000	Bank and other borrowings HK$'000	Obligations under finance leases HK$'000	Total HK$'000
At 1 January, 2017	50,198	–	14,169	611,256	–	675,623
Financing cash flows	(29,248)	27,963	(14,169)	(113,584)	(80)	(129,118)
Non-cash changes						
– Finance costs	–	622	–	94,571	17	95,210
– Deemed contributions from a shareholder and a related company arising from non-interest bearing advances therefrom	–	(3,785)	–	–	–	(3,785)
– Hire purchase of property, plant and equipment	–	–	–	–	712	712
– Disposal of subsidiaries	–	–	–	(51,816)	–	(51,816)
– Gain on debt restructuring	–	–	–	(166,396)	–	(166,396)
– Foreign exchange translation	–	–	–	4,540	–	4,540
At 31 December 2017 and 1 January 2018	20,950	24,800	–	378,571	649	424,970
Financing cash flows	–	(21,856)	–	85,761	(161)	63,744
Non-cash changes						
– Finance costs	–	–	10,342	76,678	29	87,049
– Reclassified disposal group held for sale (note 28)	–	–	–	(15,945)	–	(15,945)
– Foreign exchange translation	–	–	–	(5,502)	–	(5,502)
At 31 December 2018	20,950	2,944	10,342	519,563	517	554,316

40. CONTINGENT LIABILITIES

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities (2017: nil).

41. LEASE COMMITMENTS

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases in respect of certain office premises, directors' and staffs' quarters are analysed as follows:

	2018 HK$'000	2017 HK$'000
Within one year	5,443	5,275
In the second to fifth years inclusive	2,736	7,233
	8,179	12,508

Operating lease payments represent rental payable by the Group for its office premises. Leases are negotiated for an average term of two to five years with fixed rental.

42. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

Property, plant and equipment		
– Contracted but not provided for	2,794	–

43. PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged the following assets to banks for the bank borrowings and credit facilities granted to the Group:

	2018 HK$'000	2017 HK$'000
Prepaid lease payments	4,826	9,393
Property, plant and equipment	32,337	6,612
	37,163	16,005

In addition, the entire shareholdings in a subsidiary of the Company as at 31 December 2018 was pledged to an independent third party for the advances therefrom to the relevant subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2018

44. MAJOR NON-CASH TRANSACTION

On 19 December 2018, the Group acquired 14% equity interest of Coulman International Limited for issuance of 240,997,229 ordinary shares of the Company. (Note 22 and 34).

On 28 December 2018, the Group acquired 66% equity interest of Jiu Zhou Financial Group Co. Limited for issuance of 261,658,031 ordinary shares of the Company. (Note 34 and 37).

45. RELATED PARTY DISCLOSURE

(a) Related party balances

Details of the outstanding balances with related parties are set out as below. The amounts due to related parties are unsecured, interest-free and repayable in August 2019. The effective interest rate is 7.5% per annum.

	2018 HK$'000	2017 HK$'000
Amounts due to:		
– Mr. Poon Sum	2,944	8,833
– Easy Joy Investments Limited (Note)	–	15,967
	2,944	24,800

Note: Mr. Poon Sum, an executive director of the Company, and his spouse have controlling interests in Easy Joy Investments Limited.

(b) Related party transactions

Save as disclosed elsewhere in the consolidated financial statements, during the year, the Group entered into the following transactions with related parties:

		2018 HK$'000	2017 HK$'000
RC Corporate Services Limited ("RC") (Note)	Services fee paid by the Group	–	457
RCK Consulting Limited ("RCK") (Note)	Services fee paid by the Group	–	25

Note: Mr. Chui Chi Yun, Robert, a former non-executive director of the Company, has substantial interests in RC and RCK. On 23 May 2017, Mr. Chui Chi Yun, Robert was not re-elected as a non-executive director at the annual general meeting of the Company and ceased to be a director of the Company. The amounts for the year ended 31 December 2017 represent the amounts incurred in the period from 1 January 2017 up to the date Mr. Chui Chi Yun, Robert ceased to be a related party.

In addition, Mr. Poon Sum, a director of the Company, provided a personal guarantee to an independent third party for the Group's borrowing of principal amount of HK$200,000,000 during the year ended 31 December 2017 and 2018, as set out in note 31.

45. RELATED PARTY DISCLOSURE – continued

(c) Key management personnel remuneration

The remuneration of directors of the Company and other members of key management who have authority and responsibility, directly or indirectly, for planning, directing and controlling the activities of the Group during the reporting periods were as follows:

	2018 HK$'000	2017 HK$'000
Short-term benefits	10,383	10,276
Post-employment benefits	92	127
	10,475	10,403

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2018

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of subsidiary	Notes	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities
				Directly		Indirectly		
				2018	2017	2018	2017	
Interlink Atlantic Limited		BVI 24 November 1999	Ordinary share US$1	100%	100%	–	–	Investment holding
Addchance Limited		Hong Kong 2 October 1981	Ordinary shares HK$1,500,000	–	–	100%	100%	Manufacturing and trading of dyed yarn, provision of yarn-dyeing services, trading of cotton raw white yarn and fancy yarn and property holding
Chinakey (Hong Kong) Limited		Hong Kong 22 October 1997	Ordinary shares HK$1,000,000	–	–	100%	100%	Manufacturing and trading of knitted sweaters
Chinakey Global Limited		Hong Kong 15 August 2016	Ordinary shares HK$100	–	–	96%	100%	Manufacturing and trading of knitted sweaters
Sky Emperor International Limited		Hong Kong 12 March 1997	Ordinary shares HK$10,000	–	–	100%	100%	Trading of knitted sweaters
羅定互益染廠有限公司 Luoding Addchance Dyeing	*(iv)*	The PRC 6 November 1986	Registered capital US$24,124,000	–	–	–	100%	Provision of yarn dyeing services Factory Ltd.
廣西岑溪互益紡織有限公司 Cenxi Addchance Textile Factory Ltd.	*(i), (v)*	The PRC 27 September 2003	Registered capital US$2,000,000	–	–	100%	100%	Provision of knitting services
廣西梧州互益紡織有限公司 Wu Zhou Addchance Textile Factory Limited	*(i)*	The PRC 16 December 2005	Registered capital US$3,500,000	–	–	100%	100%	Manufacturing of knitted sweaters
安慶市宿松互益精紡有限公司 Anqing Su Song Addchance Spinning Company Limited	*(i)*	The PRC 14 April 2007	Registered capital US$10,000,000	–	–	100%	100%	Manufacturing of cotton yarn
新疆博樂互益紡織有限公司 Xinjiang Bole Addchance Textile Limited	*(i)*	The PRC 3 April 2007	Registered capital US$15,000,000 Paid up capital US$13,200,000	–	–	100%	100%	Manufacturing of cotton yarn
Chung Yick Textile Factory Limited	*(ii)*	Cambodia 30 July 2007	Registered capital US$7,000,000	–	–	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Dignity Knitter Limited	*(ii)*	Cambodia 26 May 2011	Registered capital US$2,000,000	–	–	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2018

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

Name of subsidiary	Notes	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company: Directly 2018	Directly 2017	Indirectly 2018	Indirectly 2017	Principal activities
Great Honour Textile Factory Limited	*(iii)*	Cambodia 26 May 2011	Registered capital US$2,000,000	–	–	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Eco base Factory Limited		Cambodia 1 January 2014	Registered capital US$2,000,000	–	–	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Everwin Enterprise Limited		Hong Kong 6 June 2018	Ordinary shares HK$100	–	–	96%	–	Manufacturing and trading of knitted sweaters
Endless Rich Limited		BVI 2 January 2015	Registered capital US$1	–	–	100%	100%	Investment in natural gas business
Endless Synergy Limited		BVI 5 July 2016	Registered capital US$100	–	–	100%	100%	Investment holding
Eternity Fortune Holdings Limited		BVI 2 January 2015	Registered capital US$100	–	–	100%	100%	Investment holding
Grand Asset Limited		Hong Kong 28 April 2017	Ordinary shares HK$1	–	–	100%	100%	Provision of human resource management
Grant Master Limited		Hong Kong 17 February 2017	Ordinary shares HK$100	–	–	100%	100%	Provision of office services
Group Profit Holdings Limited		Hong Kong 4 December 2013	Ordinary shares HK$1,000	–	–	51%	51%	Trading of petroleum
Kinetic Treasure Limited		Hong Kong 8 September 2015	Ordinary shares HK$1	–	–	96%	100%	Manufacturing and trading of dyed yarn, provision of yarn-dyeing services and trading of cotton raw white yarn and fancy yarn
LW Asset Management Advisors Limited	*(v)*	Hong Kong 30 March 2012	Ordinary shares US$10,140,000	–	–	82.03%	81.58%	Provision of asset management service
金達利股權投資基金管理（深圳）有限公司	*(v)*	The PRC 18 January 2017	Registered capital US$2,000,000	–	–	82.03%	81.58%	Provision of asset management service
中山基達環保科技有限公司		The PRC 23 July 2018	Registered capital RMB1,000,000	–	–	100%	–	Trading of ECO-environment products
中山暗溯服飾有限公司	*(vi)*	The PRC 13 June 2018	Registered capital RMB1,000,000	–	–	50%	–	Trading of garment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2018

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

Name of subsidiary	Notes	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company Directly 2018	Directly 2017	Indirectly 2018	Indirectly 2017	Principal activities
大慶市鴻易盛科技開發有限公司	*(vi)*	The PRC 8 February 2018	Registered capital RMB50,800,000	–	–	100%	–	Provision of services for oil industry
Jiu Zhou Financial Group Co., Limited	*(vi)*	Cayman Island 28 December 2018	Registered capital US$50,000	–	–	100%	–	Investment holding
Jiu Zhou Financial Group Limited	*(vi)*	Hong Kong 14 December 2018	Ordinary shares HK$10,000	–	–	100%	–	Investment holding
中晟匯裕科技服務有限公司	*(vi)*	The PRC 21 September 2012	Registered capital RMB51,000,000	–	–	66%	–	Provision of RMB banknotes clearing up services
大慶市中晟匯裕科技開發有限公司	*(vi)*	The PRC 21 October 2014	Registered capital RMB1,000,000	–	–	66%	–	Provision of RMB banknotes clearing up services
裏陽中晟匯裕網路科技服務有限公司	*(vi)*	The PRC 22 December 2015	Registered capital RMB5,000,000	–	–	66%	–	Provision of RMB banknotes clearing up services
齊哈爾市中成匯裕科技服務有限公司	*(vi)*	The PRC 6 August 2014	Registered capital RMB4,500,000	–	–	66%	–	Provision of RMB banknotes clearing up services
大興安嶙中晟匯裕科技服務有限公司	*(vi)*	The PRC 5 November 2014	Registered capital RMB1,000,000	–	–	66%	–	Provision of RMB banknotes clearing up services
七台河中成匯裕科技服務有限公司	*(vi)*	The PRC 14 August 2014	Registered capital RMB4,500,000	–	–	66%	–	Provision of RMB banknotes clearing up services
雙鴨山市中晟匯裕科技服務有限公司	*(vi)*	The PRC 9 September 2015	Registered capital RMB5,000,000	–	–	66%	–	Provision of RMB banknotes clearing up services

Notes:

(i) These companies are wholly-foreign owned enterprise.

(ii) The registered capital has not yet been paid up as at 31 December 2017.

(iii) The subsidiary is in the process of winding up during the year ended 31 December 2017 and 2018.

(iv) These companies are disposed of during the year ended 31 December 2018. Details are set out in note 38.

(v) These companies are classified as Disposal Group held for sale during the year ended 31 December 2018. Details are set out in note 28.

(vi) These companies are newly acquired during the year ended 31 December 2018. Details are set out in note 37.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries are investment holding companies in Hong Kong and the PRC or inactive.

The following table shows information of subsidiaries that have non-controlling interests (“ NCI ”) material to the Group. The summarised financial information represents amounts before intercompany eliminations.

	中晟匯裕科技服務有限公司 and its subsidiaries 2018 HK$'000
Principal place of business and country of incorporation	PRC/Cayman Island
% of ownership interests and voting rights held by NCI	34%
At 31 December:	
Non-current assets	48,592
Current assets	52,560
Current liabilities	(22,930)
Non-current liabilities	(6,577)
Net assets	71,645
Accumulated NCI	24,359
Year ended 31 December:	
Revenue	34,114
Profit	2,064
Total comprehensive income	2,011

47. EVENTS AFTER THE REPORTING PERIOD

(a) Issue of settlement shares

The Company entered into the supplemental loan agreement and to amend the terms and conditions of the original loan agreement (including but not limited to the extension of the term of the Loan), it is agreed the Company shall make prepayment of HK$40,000,000 as part repayment of the outstanding principal amount of the loan by way of allotment and issuance of the settlement shares comprise 222,222,000 new shares.

(b) Placing of new shares

On 15 February 2019, the Company entered into the placing agreement with the placing agent, pursuant to which the placing agent agrees, as agent of the Company, to procure on a best effort basis not fewer than six Placees, who will be independent third parties, to subscribe for up to 354,000,000 placing shares at the placing price of HK$0.18 per placing share. On 18 March 2019, an aggregate of 177,208,000 placing shares were issued.

48. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29 March 2019.

FINANCIAL SUMMARY

For the year ended 31 December, 2018

RESULTS

	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000
Revenue	1,016,283	961,072	467,138	413,861	611,052
Loss before taxation	(180,731)	(961,654)	(350,173)	(101,818)	(274,682)
Income tax (expense) credit	(3,527)	10,525	405	(429)	(742)
Loss for the year	(184,258)	(951,129)	(349,768)	(102,247)	(275,424)
Profit (loss) attributable to:					
Owners of the Company	(184,258)	(951,129)	(349,771)	(101,333)	(275,391)
Non-controlling interests	–	–	3	(914)	(33)
	(184,258)	(951,129)	(349,768)	(102,247)	(275,424)

ASSETS AND LIABILITIES

	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000
Total assets	2,641,692	1,712,118	881,655	710,013	794,464
Total liabilities	(1,693,875)	(1,448,527)	(971,307)	(571,259)	(729,991)
	947,817	263,591	(89,652)	138,754	64,473
Equity attributable to owners of the Company	947,817	263,591	(89,651)	136,845	38,126
Non-controlling interests	–	–	(1)	1,909	26,347
	947,817	263,591	(89,652)	138,754	64,473