中金投集团

China Financial Services Holdings Ltd

China Financial Services Holdings Limited

(Incorporated in Hong Kong with limited liability)

(Stock code: 605)

2018 Annual Report

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Luo Rui *(Chief Executive Officer)*
Madam Guan Xue Ling
Dr. Cheung Chai Hong

Non-executive Directors

Mr. Chan Yuk Ming *(Chairman)*
Mr. Cheung Siu Lam
Mr. Dong Yibing
Madam Huang Mei

Independent Non-executive Directors

Mr. Chan Chun Keung
Mr. Chan Wing Fai
Dr. Zhang Xiao Jun
Madam Zhan Lili

COMPANY SECRETARY

Mr. Chung Chin Keung FCCA, FCPA, FCA, CTA

AUDITORS

Crowe (HK) CPA Limited

AUDIT COMMITTEE

Mr. Chan Wing Fai *(Chairman)*
Mr. Chan Chun Keung
Dr. Zhang Xiao Jun
Madam Huang Mei
Madam Zhan Lili

REMUNERATION COMMITTEE

Mr. Chan Wing Fai *(Chairman)*
Mr. Chan Chun Keung
Mr. Dong Yibing
Dr. Zhang Xiao Jun
Madam Zhan Lili

NOMINATION COMMITTEE

Mr. Chan Yuk Ming *(Chairman)*
Mr. Chan Chun Keung
Mr. Chan Wing Fai
Mr. Dong Yibing
Madam Zhan Lili
Dr. Zhang Xiao Jun

PRINCIPAL BANKER

Bank of Beijing

SHARE REGISTRAR

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

REGISTERED OFFICE

Suite 5606
56th Floor
Central Plaza
18 Harbour Road
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STOCK CODE: 605

WEBSITE

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INVESTORS RELATION

0605ir@cfsh.com.hk

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2018	2017	Percentage change
	HK$'000	HK$'000	%
Interest and services income	**823,013**	732,705	12.3
After-tax operating profit attributable to equity shareholders (excluding effect on share-based payment expenses)	**271,601**	290,845	(6.6)
ROE (After-tax operating profit attributable to equity shareholders/(Total equity attributable to equity shareholders-Goodwill))	**8.7%**	9.5%	(8.4)
Profit for the year attributable to equity shareholders of the Company	**270,427**	286,675	(5.7)
Basic earnings per share (HK cents)	**6.29**	7.09	(11.3)

CHAIRMAN'S STATEMENT

In 2018, with excellent operation and management capabilities, the Group continued to integrate its businesses in various regions with the objective of establishing as an integrated financial service provider with stable improvement in the Group's business performance. Under the background of the successive launching of a series of regulatory policies, the Group has not forgotten its original intention in terms of risk management, conducted prudent operation with focus on compliance risk and collateral risk.

In 2018, the operating conditions of the loan assets of Hong Kong Credit Gain as well as Chengdu Vision Credit acquired by the Group were getting better, and achieved remarkable results in increasing loan income, controlling operating costs and non-performing loan ratio. It also indicated that the Group's loan business in Hong Kong and Chengdu had gradually been on the right track and became a new stronghold of cross-regional financial service supply network, which is of tremendous strategic significance. The above acquisitions have achieved healthy results and provided further guidance on the Group's development direction. The Group will continue to seek target assets in the core cities nationwide and rely on the Group's extensive management experience to dig out the inherent value of target assets.

At the same time, the Group had made substantial progress in its cooperation with financial technology companies. In the future, the Group will launch an online lending platform based on the intelligent risk management model to enhance customer base through online channels, and rely on an online loan process to expand its business scale and cost saving, so as to achieve economies of scale. Looking into the future, the Group will continue to adopt technology to greatly enhance the efficiency and scalability of its business to facilitate the Group's transformation.

2018 marked an important step in the Group's development. The Group will further enhance the competitive advantages and synergies of its businesses in various regions, and continue to adhere to the development strategy of a sound operation to enhance and strengthen the Group's long-term competitiveness. I would like to express my heartfelt appreciation to all the directors, managers and employees for their unremitting efforts in 2018, as well as to our shareholders and customers for their long-standing trust on us. Your support has provided us with infinite energy.

Chan Yuk Ming
Chairman

Hong Kong, 28 March 2019

I. About this Report

The Company is pleased to present this Environmental, Social and Governance Report (the "ESG Report") to provide an overview of our Group's management of significant issues affecting the operation, including environmental, social and governance issue.

China Financial Service Holdings Limited (the "Company") is an integrated financial services provider mainly provides short-term financing services to small and medium enterprises, micro-enterprises as well as individuals through real estate mortgage. By adhering to the operation philosophy of "Honesty and Pragmatic, Diligence and Enterprising, Innovation and Development, Cooperation and Mutual Benefits", we always provide customers with financing proposals catering their needs. The Company and its subsidiaries (collectively, the "Group" or "We") stringently adhere to their environmental and social responsibilities.

We consider corporate sustainability as the key to the long-term and healthy development of the Group. As a responsible and caring corporation, we value work ethics as much as we cherish the opportunities to engage in sustainable development. We believe that the key to success in the overall approach of ESG is to ensure management makes informed decisions through thorough and ongoing review and monitoring of the ESG issues with the participation of all stakeholders. Hence, we have included key performance indicators in our ESG Report in FY2018 in order to give our stakeholders and the public a more comprehensive and profound understanding of the effectiveness of the implemented operational strategies in pursuing environmental sustainability.

We understand and attach great importance to the significant relationship between risk management and business development. Hence, not only have we strived to build a seamless financing network, but we also review and refine our overall business operation. At the same time, we maintain in-depth communication with all stakeholders to identify operational risks in advance and take precautions accordingly.

In order to add international compatibility, the Group has also referenced Sustainability Development Goals (SDGs) in the report. SDGs are the 17 goals proposed by the United nation and come to effective in 2016. The SGDs are a call for action by all countries to promote prosperity while protecting the plant. They recognize that ending poverty must go hand-in-had with strategies that build economic growth and address a range of social needs including education, health, social protection, and job opportunities while tacking climate change and environmental protection.

II. Reporting Period and Scope of The Report

We are pleased to present Environmental, Social and Governance ("ESG") Report for FY2018 to demonstrate the Group's approach and performance in terms of ESG management and corporate sustainable development for the financial year ended on 31 December 2018. This ESG report is prepared in full compliance with the ESG Reporting Guide as set out in Appendix 27 of the Listing Rules on The Stock Exchange of Hong Kong Limited.

This ESG Report covers the environmental and social performance within the operational boundaries of the Group that includes the business of manufacturing and sales of packaging materials and development, distribution and operation of mobile gaming products. The reporting period of this ESG report is for the financial year 2018 ("FY2018"), from 1 January 2018 to 31 December 2018. This report is prepared in both English and Chinese. If there is any conflict or inconsistency, the English version shall prevail.

III. Stakeholder Engagement

We acknowledge the importance of proper disclosure of business activities, believing it as the key to building trust with investors and shareholders.

With the goal to strengthen corporate sustainability approach and performance while enhancing stakeholders' awareness of ESG and sustainability issues, the Group has put tremendous efforts into its internal and external stakeholder inclusiveness. The Group highly values the feedback from its stakeholders and takes initiative to build a trustful and supporting relationship with them through their preferred communication channels, which are listed in the table below.

Table 1 Stakeholders Expectations and Communication Channels

Stakeholders	Expectations and concerns	Communication channels
Government and regulatory authorities	– Compliance with laws and regulations – Business sustainability – Proper tax payment	– Supervision on complying with local laws and regulations – Routine reports and tax paid
Shareholders	– Return on investments – Corporate governance – Business compliance	– Regular reports and announcements – Regular general meetings – Official company website
Employees	– Employees' compensation and benefits – Career development – Healthy and safe working environment	– Performance reviews – Regular meetings and trainings – Emails, notice boards, hotline, caring activities with management
Customers	– High quality products and services – Protect customers' rights	– Face-to-face meetings and on-site visits – Customer service hotline and email

Stakeholders	Expectations and concerns	Communication channels
Suppliers	– Fair and open procurement – Win-win cooperation	– Suppliers' satisfactory assessment – Face-to-face meetings and on-site visits
Bank	– To repay loans on schedule, monitor operating conditions and risks and operate with honesty and credibility	– Work conferences – On-site visits, post-loan tracking and various business communication
Peer and Industry Associations	– Experience sharing – Cooperation – Fair competition	– Industry conference – Site visit – Website of the Company
Financial Institution	– Compliance with the law and regulations – Disclosure of information	– Consulting – Information disclosure – Annual reports, interim reports and announcements
Media	– Transparent information – Communication with media	– Website of the Company – Interviews – Media conference – Media gathering
General public	– Involvement in communities – Business compliance – Environmental protection awareness	– Media conferences and responses to enquiries – Public welfare activities – Regular reports and announcements – Face-to-face interview

Information and Feedback

The figures and data in this Section mainly derive from our various archived documents, records, statistics and files. For greenhouse gases ("GHG") emission data, different internal data were provided to professional testing institutions for computation, with the assistance from external institutions, we expect to prepare a more professional and accurate report. If you have any suggestions regarding the content of the Section, feel free to email 605ir@cfsh.com.hk to enable us to improve our overall disclosure performance and refine the quality of the Report.

IV. Environmental Sustainability

The Group is committed to the long-term sustainability of the environment and community in which it operates, stringently controls its emissions and consumption of resources, and complies with all relevant environmental laws and regulations in Hong Kong and the People's Republic of China ("PRC") in the daily operation. Although our business is not of a highly-polluted nature or it does a significant impact on the environment. However, we are still concern about whether our fund has been diverted to enterprises that cause serious pollution to the environment. The purpose is to prevent us from becoming an accomplice in damaging the environment.

We constantly review our operational practices to ensure that they are in line with the concept of sustainable corporate development. To achieve environmental goals, the Group has implemented the following measures:

- Comply with all applicable environmental laws and regulations;
- Identify, assess and mitigate all potential environmental impacts associated with the Group's activities; and
- Commit leadership and develop a strong culture of environmental stewardship within the entire workforce.

This section primarily discloses the Group's policies, practices, and quantitative data on emissions, use of resources, the environment and natural resources in FY2018.

A.1. Emissions

The Group adamantly complies with all relevant environmental laws in the operating regions, including but not limited to:

- Waste Disposal Ordinance (Chapter. 354 of the Hong Kong Law);
- Environmental Protection Law of the People's Republic of China（《中華人民共和國環境保護法》）;
- Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste（《中華人民共和國固體廢物污染環境防治法》）;
- Water Pollution Prevention and Control Law of the People's Republic of China（《中華人民共和國水污染防治法》）; and
- Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution （《中華人民共和國大氣污染防治法》）.

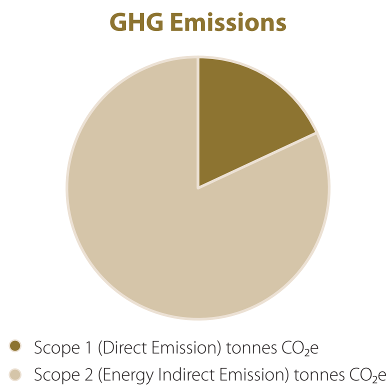
In FY2018, the Group found no disregard of any influential laws relevant to waste gas or greenhouse gas emissions, water or land discharging and hazardous or non-hazardous wastes. No record of the amount of non-hazardous waste was found in FY2018. The Group's total emissions are summarised in Table 2.

Table 2 The Group's Total Emissions by Category in FY2018

Emissions		Unit	Amount
Air emissions	SO_2	kg	0.1
	NO_x	kg	7.9
GHG emissions	Scope 1 (Direct Emission)	tonnes CO_2e	25.3
	Scope 2 (Energy Indirect Emission)	tonnes CO_2e	114.7
	Total (Scope 1 & 2)	tonnes CO_2e	139.9
Non-hazardous waste	Solid waste	kg	31,824.7

Air and Greenhouse Gas ("GHG") Emissions

The air emissions and GHG emissions of the Group are mainly generated from the daily use of company vehicles and use of electricity. As the air emission and GHG emission came form the Group closely related to the use of electricity and vehicle. We stringently implement electricity saving measures in operation and encourage employees to use public transportation.



Wastewater and Solid Waste

The wastewater generated from the Group is domestic wastewater, which is discharged directly to the wastewater treatment plant through pipes. As the wastewater is managed by the property management company in the building where the Group operates, no specific data of wastewater is provided.

The solid wastes generated by the Group are mainly office stationery papers, including A4/A3 papers, magazines, disposable stationeries and etc. To reduce the amount of solid wastes generated, the Group actively promote paper-saving measures in office, including use both sides of paper and paperless office. The recycled paper in FY2018 amounted to 12 kg.

A.2. Use of Resources

The use of natural resources has always been the key issue for the Group's environmental concern. The Group complies with the natural resource usage related laws, including but not limited to Energy Conservation Law of the People's Republic of China（《中華人民共和國節約能源法》）and Provisions on the Management of Water Conservation in Cities（《城市節約用水管理規定》）.

To effectively manage its resources consumption, the Group keeps improving its tracking of ESG related KPIs (Key Performance Indicators) and launches internal monitoring programme on the procurement and use of resources. In FY2018, the major resources consumed by the Group were electricity, water, paper and gasoline.

Table 3 The Group's Total Use of Resources by Category in FY2018

Use of Resources	Unit	Amount
Electricity	kWh	150,150.0
Gasoline	L	9,784.9
Water	tonnes	780.0
Paper	kg	31,830.7

Water

The total water consumption of the Group was 780.0 tonnes in FY2018, which mainly came from the daily usage in operation. In FY2018, the Group did not face any problems in sourcing water. To improve the utilization efficiency of water resources, the Group and all its employees have laid emphasis on water conservation and are dedicated to saving every drop of precious water resource by various efficacious ways, such as regular check on water taps and place banners of water-saving on eye-catching areas.

Electricity

The Group's use of electricity comes from the lighting, air-conditioners, computers and other electricity consuming equipment in the office, and the regular operations in the manufacturing factories. In FY2018, the total electricity consumption of the Group was 150,150.0 kWh.

To reduce the electricity consumption, the Group encourages the adoption of more environmentally friendly technologies in its operations. Meanwhile, to make sure that all subsidiaries and departments of the Group adhere to the electricity-saving principle, a detailed internal policy and guidelines to instruct all employees to change towards sustainability have been formulated. All subsidiaries of the Group must stringently comply with the Group's energy saving policy in FY2018.

During the year under review, many eco-friendly measures were conducted by the Group to manage its electricity consumption. To ensure the effective use of electricity, other electricity-saving measures implemented by the Group are detailed below:

- Switch off all room lights when not in use and after office hours;
- Post friendly reminder of eye-catching stickers to remind all staffs; and
- Set all computers/printers to stay in standby mode when it is not in use.

Energy

The Group consumes gasoline and diesel for vehicles, and steam for production. To reduce the amount of energy used in the operations, the Group has encouraged the efficient utilization of transportations such as using public transportation.

A.3. The Environment and Natural Resources

The Group only has minimum influence on the environment due to its business nature. As a company with a long-term vision to forge a sustainable and eco-friendly business model, the Group is currently working on the establishment of a sustainable development framework by building environmental awareness.

Adhering to the national development strategy “One Belt, One Road”, we have established “Guidelines on Establishing Green Finance System”(《關於構建綠色金融體系的指導意見》) to promote green investment. To build sustainable cities and communities, the Group has put tremendous effort into daily operations, including taking the environmental responsibility into investment. The Group provides tailored financing options for green finance related enterprises through our internal risk management system, in order to complement the national direction for promoting green finance development. Furthermore, we also have relevant auditing standards in place for our internal investment team and require staff to focus more on the sustainable development performance of investment targets while making investments, which mainly comprises:

(1) no investment in enterprises with serious environmental pollution and impact;

(2) no investment in enterprises with fall behind technology; and

(3) no investment in enterprises with safety hazards.

We believe that enterprises highlighting sustainable development will have relatively lower operational risks, in which implies lowering the risks of our investment portfolio and generate more stable return to the Group.

V. Social Sustainability

Employment and Labour Practices

B.1. Employment

The Group views talents as its most valuable assets and the key driving factor in ensuring the success and sustainable development of the Group. Upholding the concept of "paying respect to the dedicated, utilising the competent, fostering the aspiring and incentivising the innovative", the Group strives to provide a safe and sound working environment for employees and cultivating talents experienced in technology and management.

Table 4 The Group's Total no. of Employees by Gender and Age in FY2018

	Male	Female
Under 16	0	0
16-24	5	5
25-40	122	113
41-59	23	31
Above 60	1	0

During the reporting year, the total no. of employees of the Group amounts to 300 with a total turnover rate of 47%.

Law compliance

The Group's human resources policies fully align with the applicable employment laws and regulations in Hong Kong and the PRC, such as:

- Employment Ordinance (Chapter 57 of the Laws of Hong Kong);
- Labour Law of the People's Republic of China（《中華人民共和國勞動法》）;

- Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》);
- Company Law of the People's Republic of China (《中華人民共和國公司法》); and
- Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》).

To make sure that the relevant internal policies are fully in line with the latest laws and regulations, it is the Group's human resources department that reviews and updates corporate documents in talent management on a regular basis.

Recruitment and promotion

Talent acquisition is vital to the sustainable development of the Group's business. New placement or replacement of employees requested by Department Head and approved by the Head according to the demand and year budget. Then the HR Department will arrange for recruitment depending on the requirements and offer conditions etc.

To attract high-calibre candidates, the Group places recruitment advertisement online or seek headhunters for candidates. After reviewing resume online, the HR Department will arrange for a telephone or face-to-face interview with candidates. The Group believes that its continuous efforts will tremendously help attract the most suitable and outstanding personnel to join the Group.

The promotions of employees are seriously considered by the Group and based on personal capability, performance and contributions to the Group.

Compensation and dismissal

The Group offers fair compensation packages for employees referring to employees' personal capability and benchmarks. Internal promotion, salary increment, year-end bonus, on-the-job trainings and etc., are provided to motivate employees to perform better. By improving the remuneration system and career paths, the Group expects to establish a comprehensive incentive system based on physical, mental, emotional and growth motivations to carry forward the harmonious and stable employment relationship.

Meanwhile, any appointment, promotion or termination of the employment contract would be based on reasonable and lawful grounds along with internal policies. Dismissal is generally based on employees' performance. Verbal or written warning is issued to give a second chance to staffs for improvement. If failure, we shall consider to dismissing staff only when dismissal instruction is received by the department. The Group strictly prohibits any kind of unfair or unreasonable dismissals.

Working hours and rest period

The Group arranges reasonable working hours and rest periods for its employees according to local rules. We also strictly comply with national laws and regulations and provide employees with a reasonable rest period.

Equal-opportunity and anti-discrimination

The Group is committed to provide an equal working environment for employees. We ensure no sex discrimination while recruitment and allocation of work, and provide fair career development.

Other benefits and welfare

The Group provides additional benefits and welfare including monthly birthday celebration, staff birthday leave, medical scheme, and festival meals/gifts. The Group also provide a travelling allowance for employees for their rest period.

To facilitate the harmony in work place, we have rest areas in work place and held reading meetings to furnish employees' lives.

During FY2018, the Group was in full compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

B.2. Health and Safety

To provide and maintain good working conditions and a safe and healthy working environment for its employees, the Group has complied with various laws and regulations in operating areas.

Due to the nature of the business, the Group has a healthy and safe working environment. We strives to keep the corridor clean, classify the wastes, clean air-conditioning and carpet in a regular basis and attend to regular recycled classification; regular fire seminar and drills by management office etc.

Plants and fire equipment are also carefully managed to keep the health and safety in working areas. All furniture and fixtures are made of harm less materials and undergone pest test.

In FY2018, no work-related fatalities and no lost days due to work injury occurred in the Group's related activities. During the year under review, the Group was not in violation of any of the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group.

B.3. Development and Training

Training presents an opportunity to expand the knowledge base of all employees, which the Group finds quite useful for addressing employees' weakness, improving employees' performance, keeping the consistency between employees and corporate vision, and meeting employees' training expectations. Thus, the Group actively provide training opportunities for employees. The Group believes that professional trainings are a fundamental step to foster the understanding of its business philosophy among employees and the cornerstone to ensure the service quality.

The Group aims to foster a learning culture that could strengthen its employees' professional knowledge, so as to benefit the Group as employees are expected to achieve better working performance after receiving appropriate training.

During the year under review, the total training hours of the Group amounted to 563 hours, which were mainly categorised as general, managerial and professional programmes.

B.4. Labour Standards

The Group strictly abides by the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), Labour Law of the People's Republic of China (《中華人民共和國勞動法》), Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and other related labour laws and regulations in Hong Kong and the PRC to prohibit any child or forced labour employment.

All employees must conclude a labour contract with the company to determine the labour relationship. To combat illegal employment on child labour, underage workers and forced labour, and to ensure that applicants are lawfully employable, all employees are required by the Group's human resources staff to provide valid identification document prior to the confirmation of employment. The human resources department is responsible for monitoring and ensuring compliance with the latest and relevant laws and regulations that prohibit child labour and forced labour. The Group has a regular review on the human resources policies and the human resources department established a reporting mechanism to monitor and ensure the compliance of all relevant laws and regulations.

During FY2018, the Group was not in violation of any relevant laws and regulations, in relation to the prevention of child and forced labour that has a significant impact on the Group.

Operating Practices

B.5. Supply Chain Management

As a financial services provider, our Group mainly works with third party services providers which provide services such as information technology service, property management service, advertising service and legal and consulting service. We also work with suppliers that supply office equipment, printing and stationery. During the primary engagement process, we select more than one supplier for comparison purpose and to ensure fair selection. With the implementation of our "Environmental Procurement Policy", we strive to minimise our impacts on the environment by supporting and giving priority to purchase recycled and environmental-friendly products.

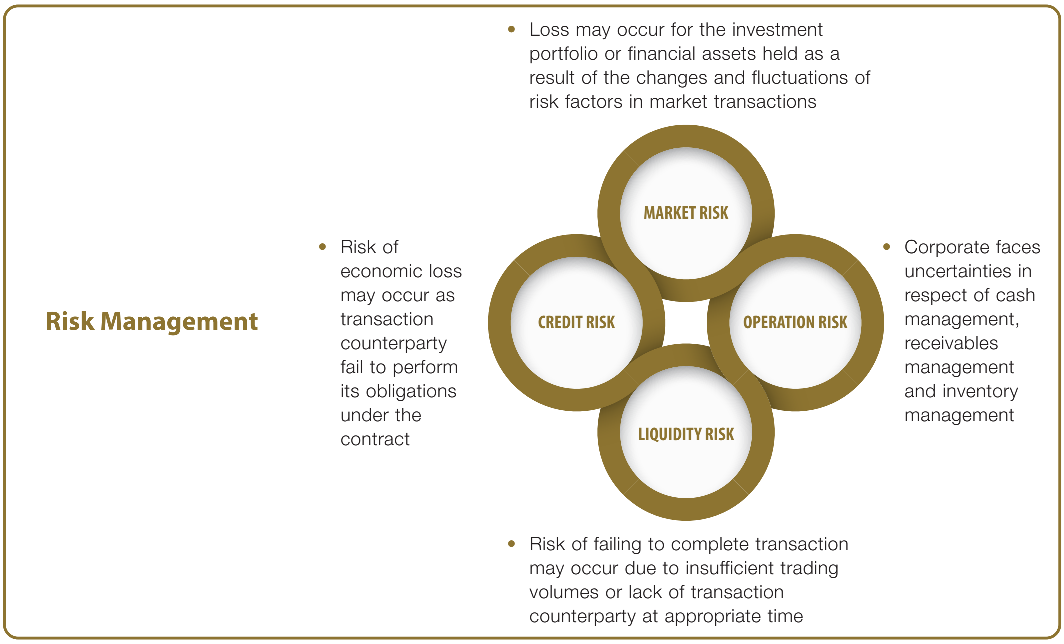
The Group keeps close contact with the services providers to makes sure that services providers strictly comply with relevant laws and regulations, thereby promoting a long-term cooperative relationship.

B.6. Product Responsibility

The Group is principally engaged in the provision of integrated short-term financing services, comprising short-term financing, loan guarantee services and related management and consultancy services.

The Group understands the importance of solid corporate governance and risk management are essential to our long-run development and sustainable development. Therefore, we keep on improving our corporate rules and regulations during the Reporting Period. At the same time, we monitor the overall risk management procedures to ensure making an appropriate decision in operations according to the established rules and procedures in order to safeguard the long-term interest of the Group as well as for our shareholders.

The Group has a professional risk assessment system in place. Our risk control team comprises of various professionals who are qualified certified public accountants (CPA), lawyers, certified public valuers and professionals who possess working qualifications in the financial institution. The Audit Committee, composing of independent non-executive directors, conduct periodic review of our risk management system and the effectiveness of relevant procedures. Our risk management system is monitored, assessed and managed mainly on the following aspects, including:



Corporate risks and controllability are analysed mainly based on human resources, operational mechanism and operational strategies. The loan financing applications under the Group need to go through stringent approval procedures including a background investigation, due diligence and loan approvals. We implement different approval standards according to industry category of applications to balance and assist quality enterprises as well as control the demand among potential risks after reviewing the aforementioned risk factors. After the loan is extended, The sales leader is the principal of post-loan management, who monitors the daily information with the assistance of risk management department, analyses overall operational performance and financial information regularly and pay on-site visit, so as to realize if there is any significant change or adverse information on the enterprise in time to ensure the healthy development of our financing business.

In order to protect the legitimate rights and interests of consumers and strengthen the supervision on the quality of products, the Group has complied with related laws and regulations on products safety and health. As customer privacy is vital to our business, customer information is strictly confidential and has limited access to.

To maintain a close relationship with customers, we held seasonal customer appreciation for frequent communication and service improvement.

We have applied a registered trademark for the company's brand, and a computer software copyright registration certificate for the company's business operation supporting system. When it comes to advertising, we strictly abide by the Advertising Law of the People's Republic of China, and relevant advertisements and publishing contracts are reviewed by the Legal Department before being released.

During the year under review, the Group was not in violation of any relevant laws and regulations regarding health and safety, advertising, labelling and privacy matters of its products that may have a significant impact on the Group.

B.7. Anti-corruption

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the local laws and regulations relating to anti-corruption and bribery, such as Law of the People's Republic of China on Anti-money Laundering (《中華人民共和國反洗錢法》),Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong), and the Prevention of Bribery Ordinance (Chapter. 201 of the Laws of Hong Kong).

To prevent any corruption during operation, the Group distributes some anti-corruption posters to staffs to enhance their awareness of anti-corruption.

The Group has no tolerance for any corruption and set whistle-blowing policy to report any corruption. Whistle-blowers can report verbally or in writing to the department or the senior management of the Group for any suspected misconduct with full details and supporting evidence. The management will conduct investigations against any suspicious or illegal behaviour to protect the Group's interests. The Group advocates a confidentiality mechanism to protect the whistle-blowers against unfair dismissal or victimisation through security regimes. Where criminality is suspected, a report is made to the relevant regulators or law enforcement authorities when the management considers necessary.

During the year under review, the Group was not in violation of any of the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

Community

B.8. Community Investment

The Group believes that the community is the foundation on which the company depends for survival and development. All business activities of the company will fully consider the interests of the community. The Group places great emphasis on encouraging employees to participate in community projects to gain a better understanding of the genuine needs of the local communities.

During the year under review, the Group participated and organized many charitable and voluntary activities, and has awarded "Caring Company" by the HKCSS for the period of 2018 – 2019.

The Group will continuously devote to community investment in the future to fulfill its social responsibilities.

The Board of Directors (the "Board") is pleased to report to the shareholders on the corporate governance of the Company for the year ended 31 December 2018.

Corporate Governance Practices

The Board is committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company and its subsidiaries (the "Group") to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as the basis of the Company's corporate governance practices.

The Board is of the view that throughout the year ended 31 December 2018, the Company has complied with the code provisions as set out in the CG Code, except for code provision A.1.1, A.2.1, A.4.1 and A.6.1 and details will be set out below.

Model Code for Securities Transactions

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Company Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Company Code throughout the year ended 31 December 2018.

The Company has also established written guidelines (the "Employees Written Guidelines") on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Board of Directors

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a director to perform his responsibilities to the Company, and whether the director is spending sufficient time performing them.

Board Composition

The Board currently comprises eleven directors, consisting of three executive directors, four non-executive directors and four independent non-executive directors, as follows:

Executive Directors

Mr. Luo Rui *(Chief Executive Officer)*
Madam Guan Xue Ling
Dr. Cheung Chai Hong

Non-executive Directors

Mr. Chan Yuk Ming *(Chairman of the Board, Chairman of the Nomination Committee)*
Mr. Cheung Siu Lam
Mr. Dong Yibing *(Member of the Remuneration Committee and Nomination Committee)*
Madam Huang Mei *(Member of Audit Committee)*

Independent Non-executive Directors

Mr. Chan Chun Keung *(Member of the Audit Committee, Remuneration Committee and Nomination Committee)*
Madam Zhan Lili *(Member of the Audit Committee, Remuneration Committee and Nomination Committee)*
Mr. Chan Wing Fai *(Chairman of the Audit Committee and Remuneration Committee, Member of Nomination Committee)*
Dr. Zhang Xiao Jun *(Member of the Audit Committee, Remuneration Committee and Nomination Committee)*

The biographical information of the directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 38 to 43 of the annual report for the year ended 31 December 2018.

The relationships between the directors are disclosed in the respective director's biography under the section "Biographical Details of Directors and Senior Management" on pages 38 to 43.

Chairman and Chief Executive Officer

The Chairman of the Board is Mr. Chan Yuk Ming, and the Chief Executive Officer is Mr. Luo Rui. With the support of the senior management, the Chairman is responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings, and that all key and appropriate issues are discussed by the Board in a timely manner. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

Code provision A.2.1 of the CG Code stipulates that the division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Board considers that the Chairman's responsibilities are to manage the Board whereas the Chief Executive Officer's responsibilities are to manage the Company's businesses. The responsibilities of the Chairman and the Chief Executive Officer respectively are clear and distinctive and hence written terms thereof are not necessary.

Independent Non-executive Directors

During the year ended 31 December 2018, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors are independent.

Appointment and Re-election of Directors

The Company's articles of association provides that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment.

Under the articles of association of the Company, at each annual general meeting, one-third of the directors for the time being, or if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every director shall be subject to retirement by rotation at least once every three years. The retiring directors shall be eligible for re-election.

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. One of the non-executive directors of the Company is not appointed for a specific term but is subject to retirement by rotation at least once every three years according to the articles of association of the Company.

Save for the exception above, all non-executive directors of the Company are appointed for a specific term of 1 year, subject to renewal after the expiry of the current term.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All directors, including non-executive directors and independent non-executive directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities in respect of any legal actions taken against directors arising out of corporate activities.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Code provision A.6.1 of the CG Code stipulates that every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on appointment. Subsequently he should receive any briefing and professional development necessary to ensure that he has a proper understanding of the issuer's operations and business and is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies.

There is currently no arrangement in place for providing professional briefings and training programmes to directors. Nevertheless, the directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. The Company would consider to engage external legal and other professional advisers for providing professional briefings and training programmes to directors whenever necessary.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 December 2018, a summary of training received by directors according to the records provided by the directors is as follows:

Directors	**Training on Corporate Governance, Regulatory Development and Other Relevant Topics**
Executive Directors	
Mr. Luo Rui *(Chief Executive Officer)*	✓
Madam Guan Xue Ling	✓
Dr. Cheung Chai Hong	✓
Non-executive Directors	
Mr. Chan Yuk Ming *(Chairman)*	✓
Mr. Cheung Siu Lam	✓
Mr. Zhou Jian[a]	✓
Madam Huang Mei	✓
Mr. Dong Yibing[b]	✓
Independent Non-executive Directors	
Mr. Chan Chun Keung	✓
Mr. Wang Jian Sheng[c]	✓
Mr. Chan Wing Fai	✓
Dr. Zhang Xiao Jun	✓
Madam Zhan Lili[d]	✓

a Mr. Zhou Jian resigned as a non-executive director of the Company on 6 April 2018.

b Mr. Dong Yibing was appointed as a non-executive director of the Company on 6 April 2018.

c Mr. Wang Jian Sheng retired as an independent non-executive director of the Company on 21 May 2018.

d Madam Zhan Lili was appointed as an independent non-executive director of the Company on 21 May 2018.

Board Committees

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees and posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held three meetings to review, in respect of the year ended 31 December 2018, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors for three times.

Remuneration Committee

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual directors and senior management, the remuneration policy and structure for all directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held one meeting to make recommendation to the Board on the remuneration packages of Madam Zhan Lili who was appointed as an independent non-executive director on 21 May 2018.

Nomination Committee

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors, and assessing the independence of independent non-executive directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications and experience necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee held one meeting to consider and recommend to the Board on the appointment of Madam Zhan Lili as an independent non-executive director of the Company.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year, the Board had reviewed the Company's corporate governance policies and practices, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Board Meetings and Directors' Attendance Records

Code provision A.1.1 of the CG Code stipulates that at least four regular Board meetings at approximately quarterly intervals with active participation of majority of directors, either in person or through other electronic means of communication.

The Company does not announce its quarterly results and hence not consider the holding of quarterly meetings as necessary. The Board held two regular board meetings during the year ended 31 December 2018 for approving the final results for the year ended 31 December 2017 and interim results for the period ended 30 June 2018 and transacting other business.

Attendance Records of Directors

The attendance record of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2018 is set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meetings
Luo Rui	3/5	–	–	–	0/1
Guan Xue Ling	3/5	–	–	–	0/1
Cheung Chai Hong	4/5	–	–	–	0/1
Chan Yuk Ming	5/5	–	–	1/1	1/1
Cheung Siu Lam	2/5	–	–	–	0/1
Zhou Jian[a]	0/3	–	–	–	–
Huang Mei	1/5	1/3	–	–	0/1
Dong Yibing[b]	0/2	–	1/1	1/1	0/1
Chan Chun Keung	3/5	1/3	1/1	1/1	0/1
Wang Jian Sheng[c]	0/3	0/1	–	–	–
Chan Wing Fai	5/5	3/3	1/1	1/1	1/1
Zhang Xiao Jun	3/5	2/3	0/1	0/1	0/1
Zhan Lili[d]	0/1	0/2	–	–	–

a Mr. Zhou Jian resigned as a non-executive director, a member of the Remuneration Committee and Nomination Committee of the Company on 6 April 2018.

b Mr. Dong Yibing was appointed as a non-executive director, a member of the Remuneration Committee and the Nomination Committee of the Company on 6 April 2018.

c Mr. Wang Jian Sheng retired as an independent non-executive director, a member of Audit Committee, Remuneration Committee and Nomination Committee on 21 May 2018.

d Madam Zhan Lili was appointed as an independent non-executive director, a member of Audit Committee, Remuneration Committee and Nomination Committee on 21 May 2018. Neither Remuneration Committee nor Nomination Committee meeting was held after her appointment.

Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions.

Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records, risk management control and ensuring the reliability of financial information used for business and publication. Qualified management of the Group maintains and monitors the risk management and internal control systems on an ongoing basis. A bottom-up approach was employed for identification, assessment and mitigation of risk at all business unit levels and across all functional areas.

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

The key elements of the risk management and internal control systems of the Company include the establishment of a register to keep track of and document identified risks, the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the ongoing testing of internal control procedures to ensure their effectiveness.

An ongoing risk assessment approach is adopted by the Company for identifying and assessing the key inherent risks that affect the achievement of its objectives. The judgement of the risk is mainly determined in accordance with the likelihood of occurrence and consequence of occurrence of the risk.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provides treatment plans, and monitors the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2018.

The Internal Audit Department is responsible for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2018, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure procedures which provide a general guide to the Company's directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

The Board and the management of the Company takes all reasonable measures from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited. In the event that there is evidence of any material violation of the procedure, the Board will decide, or designate appropriate persons to decide the course of actions for rectifying the problem and avoiding the likelihood of its recurrence.

Directors' Responsibility in Respect of the Financial Statements

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2018.

The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 57 to 63.

Auditors' Remuneration

During the year under review, the remuneration paid to the auditors of the Group, is set out below:

Service Category	Fees Paid/ Payable
Audit and other Services	HK$2,350,000

Shareholders' Rights

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening a General Meeting

General meetings may be convened by the Board on requisition of shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings or by such shareholder(s) who made the requisition (as the case may be) pursuant to Sections 566 and 568 respectively of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance").

Shareholders should follow the requirements and procedures as set out in the Companies Ordinance and where applicable, the Company's articles of association, for convening a general meeting.

Putting Forward Proposals at General Meetings

Pursuant to Section 615 of the Companies Ordinance, shareholders representing at least 2.5% of the total voting rights of all shareholders; or at least 50 shareholders (as the case may be) who have a right to vote at the relevant annual general meeting, may request to circulate a resolution to be moved at an annual general meeting.

Shareholders should follow the requirements and procedures as set out in the Companies Ordinance and where applicable, the Company's articles of association, for circulating a resolution for annual general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Suite 5606, 56/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
(For the attention of the Company Secretary)
Fax: (852) 2598 8305
Email: 0605IR@cfsh.com.hk

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Communication with Shareholders and Investors Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

During the year under review, the Company has not made any changes to its articles of association. An up to date version of the Company's articles of association is also available on the Company's website and the Stock Exchange's website.

On behalf of the Board
Chan Yuk Ming
Chairman

Industry Review

In 2018, to prevent the outbreak of systemic financial risks, the PRC government had strengthened its supervision on the financial industry with specific focus on the rectification of the P2P loan industry. At the same time, the regulatory authorities propelled small-loan companies and online lending institutions to fully access the credit checking system, and continued to accelerate the establishment of a market-oriented credit checking system. In addition, on the premise of maintaining a stable monetary policy, the central bank fine-tuned the direction of monetary easing policy and reduces the required reserve ratio (RRR) on four occasions in 2018. It increased the supply of medium– and long-term liquidity, alleviated the overly rapid decline in financing growth caused by policy tightening, and maintained the overall stability of the real estate market to a certain extent.

Currently, the principal business of the Group is loan services. With a more regulated industry environment, non-compliant institutions are being eradicated, in turn optimizing the competitive environment the Group operates in. On the other hand, a stable real estate market will benefit our Group, as the loan-to-value ratio can be maintained within a safe range. As a result, in 2018, the regulatory and monetary policies were favorable to the Group's principal business.

Business Review

Our Group is one of the leading integrated financial services providers in Mainland China and Hong Kong. We mainly engage in the provision of one-stop financing services to small and medium enterprises, micro-enterprises and individuals.

In 2018, the loan business segment of the Group continued to maintain stable growth, achieving improvement in income structure in a risk-controlled manner. Among the projects that were acquired, the operating conditions of the loan assets of HK Credit Gain has shown significant improvement. Also, average loan yield increased by 200 basis points when compared with the beginning of the year. In addition, Chengdu Vision Credit also performed well with a significant increase in profit, the loan balance doubled when compared with the end of last year, and the non-performing rate of new loans remained at below 1%. The Group achieved remarkable results in integrating the businesses it acquired and had successfully turned around the suboptimal operation situations of HK Credit Gain and Chengdu Vision Credit prior to their acquisitions, demonstrating its excellent operation and management capabilities. As of the end of the report period, the Group had already established stable businesses in Beijing, Hong Kong and Chengdu, and planned to expand to other key cities.

In addition, as the Hong Kong market is known for its efficiency, the Group believes a seamless online loan product has enormous growth potential. Thus, the Group has established a cooperation with Enova Decisions to offer innovative online loan service. Enova Decisions, a part of NYSE-listed Enova International (NYSE: ENVA), is responsible for providing the decision-making model based on intelligent analysis, while the Group will utilize its experience in Hong Kong credit market in this cooperation. The cooperation will reform the existing traditional personal unsecured loan products, optimize the application, approval, fund transfer and other processes, so as to improve business efficiency and credit risk management abilities through a scientific and technological approach. This venture carries the objective of expanding asset size and achieving economies of scale for the Group.

Future Prospects

In 2019, the Group has introduced Enova to complete the revolutionization of traditional financial products and services, as well as optimization of its original risk management model to improve business efficiency. At the same time, the Group will continue to push forward the acquisitions of existing projects, with the aim to complete the venture into asset management and other segments as soon as possible, thereby achieving synergy with our wealth management business. In addition, the Group will also continue to look for consolidation opportunities to gradually achieve economies of scale, increase leverage accordingly and in turn, improve return on equity.

The management remains optimistic on the Group's long-term prospects. With the target of building an all-round financial service provider, the Group will continue to seek acquisitions of strategic significance, in order to offer more diversified financial products. In addition, the Group will continue to seek cooperation with other financial institutions and seize market opportunities to launch structured products with loans as underlying assets, so as to speed up the asset turnover of the Group and create the maximum value for our shareholders.

Financial Review

For the year ended 31 December 2018 (the "Reporting Period"), the Group reported a revenue of approximately HK$823,013,000, representing an increase of 12.3% from HK$732,705,000 as recorded in 2017. The growth in revenue was mainly attributable to an increase in interest and financing consultancy services income. Profit attributable to equity shareholders for the year ended 31 December 2018 was approximately HK$270,427,000, down 5.7% as compared to the corresponding figure last year. The loans receivable as at 31 December 2018 was about HK$4,605,029,000, down 1.5% as compared to the corresponding period last year.

Interest, guarantee and financing consultancy services income

Interest, guarantee and financing consultancy services income including interest income and services income for pawn loans, micro-lending and money lending amounted to approximately HK$363,844,000, interest and services income for other loans receivable amounted to approximately HK$458,995,000, financial guarantees amounted to approximately HK$174,000.

Interest and handling expenses

Interest and handling expenses represent finance costs for the Reporting Period. The amount was approximately HK$164,391,000, representing an increase of 57.6% compared to the corresponding figure in 2017.

General and administrative expenses

General and administrative expenses for the Reporting Period were approximately HK$242,555,000, up 36.2% as compared to the corresponding figure last year. The increase in general and administrative expenses was mainly due to increase in staff costs, legal and professional fee, intermediary handling charges and rental expenses.

Profit for the year

The profit for the year attributable to equity shareholders for the Company was approximately HK$270,427,000, representing a decrease of 5.7% as compared to approximately HK$286,675,000 for the corresponding period last year. The decrease was mainly attributable to increase in interest and handling expenses and operating expenses.

Financial Resources and Capital Structure

The assets of the Group were mainly comprised of loans receivable of approximately HK$4,605,029,000, accounting for 74.5% of the total assets of the Group as at 31 December 2018. Other major non-current assets include goodwill of approximately HK$603,707,000, deposits of approximately HK$165,908,000, intangible assets of approximately HK$19,371,000, other financial assets of approximately HK$90,844,000, deferred tax assets of approximately HK$10,304,000 and interests in associates of approximately HK$17,925,000.

Current assets mainly comprised of accounts receivable of approximately HK$3,471,000, interests receivable of approximately HK$24,535,000, other receivables, deposits and prepayments of approximately HK$30,154,000, amount due from an associate of approximately HK$15,810,000, pledged bank and security deposits paid of approximately HK$29,211,000 and cash and cash equivalents of approximately HK$540,184,000.

Current liabilities mainly comprised of borrowings and other payables of approximately HK$1,251,183,000, bank loans of approximately HK$132,478,000, security deposits received of approximately HK$107,433,000, unsecured bonds of approximately HK$56,443,000, accruals and other deposit received of approximately HK$75,929,000, amount due to an associate of approximately HK$2,970,000, income received in advance of approximately HK$18,038,000 and tax payable of about HK$101,288,000.

Non-current liabilities includes borrowing and other payables of approximately HK$271,231,000, unsecured bonds of approximately HK$245,579,000 and deferred tax liabilities of about HK$26,342,000.

Employee and Remuneration Policies

As at 31 December 2018, the Group had approximately 300 employees in the PRC and Hong Kong. Competitive remuneration packages and performance-based bonuses are structured to commensurate with individual responsibilities, qualifications, experience and performance. The Group also set up a share option scheme for the purpose of providing incentives to eligible grantees. Total staff costs for the Reporting Period were about HK$87,804,000.

In order to recognize and reward the contribution of certain eligible participants to the growth and development of the Group, the Company adopted a share award plan (the "Share Award Plan") on 14 January 2019. As of the date of this announcement, no awards have been granted or agreed to be granted under the Share Award Plan.

Liquidity and Gearing Ratio

The Group maintains a healthy liquidity position. As at 31 December 2018, the current ratio of the Group was 2.66 times. The Group monitors capital on the basis of the gearing ratio, which is calculated as total borrowings (including current and non-current borrowings, bank loans, unsecured bonds and security deposits received) less cash and cash equivalents and pledged bank and security deposits paid divided by total equity. As at 31 December 2018, the gearing ratio was about 38.4%.

Fair Value Estimation

The carrying amounts less impairment provision of the financial assets and the carrying amounts of the financial liabilities are assumed to approximate their fair values.

Contingent Liabilities

The directors consider that the Group had no material contingent liabilities.

Executive Directors

Mr. Luo Rui, aged 51, is the chief executive officer of the Group who joined the Group in June 2011. He is responsible for the overall business development and daily operation of the Group. Mr. Luo graduated with a Bachelor and Master's Degree in Building Construction of Xi'an University of Architecture and Technology*（西安建築科技大學）. Mr. Luo has over 21 years of experience and a proven track record in commercial real estate investment and financing, assets acquisition, project development, market development and corporate management. Mr. Luo has been the chief architect and deputy general manager of a property developer in Hainan and the deputy general manager of a property management company in Beijing. Mr. Luo has extensive networks with senior management of property developers, major commercial banks and local authorities in Beijing. He is currently a councilor of the Beijing Guarantee Association*（北京市擔保協會）, the Beijing Association of Small and Medium Enterprises*（北京市中小企業協會）, the Beijing Association of Pawn Business*（北京市典當協會）and the Beijing Microcredit Association*（北京市小額貸款協會）.

Mr. Luo does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Madam Guan Xue Ling, aged 45, is the chief operating officer of the Group. Madam Guan has over 12 years of strategic decision making and practical experiences in listed companies auditing, corporate merger and acquisition, equity acquisition, transfer as well as project investment and financing.

Madam Guan joined the Group in June 2011, mainly responsible for risk management, accounting affairs and treasury management of the Group.

Madam Guan successively held the posts of quality control manager, auditing manager, assessment manager, chief auditor and head of the auditing department in domestic accounting firms, large state-owned enterprises, large private companies and foreign-invested companies. She is familiar with accounting and valuation standards. During her years with accounting firms, she had participated in the auditing work of a number of large state-owned enterprises, foreign-invested enterprises and private enterprises, such as China Resources Land, Sinobo Group and Suning Corporation. She also participated in various initial public offerings audit and internal audit, such as BBMG Corporation, Enlight Media and Ningxia Yellow River Rural Commercial Bank. She had led and participated in various auditing projects spanning across the real estate, manufacturing, media, retail, logistic and finance sectors and has extensive experiences in financial auditing and internal auditing.

Madam Guan graduated from Capital University of Economics and Business with a Postgraduate Degree in Business Administration. She is also a certified public accountant, a qualified asset appraiser in the People's Republic of China (the "PRC") and a party member of China Democratic National Construction Association.

Madam Guan does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Dr. Cheung Chai Hong, aged 33, is the executive Vice President of the Group. He joined the Group in May 2014, Dr. Cheung is responsible for the daily operations in Hong Kong and heads the investor relations team of the Group.

* *For identification purposes only*

Prior to joining us, he has been the managing director of POC Holdings (HK) Limited and the chairman and leading founder of The Wine Company Limited, a fine wine retail and trading company. Dr. Cheung previously worked in PAG Capital, an Asia-focused asset management company which has an asset under management size over US$16 billion. Prior to joining PAG Capital, he also worked in Barclays Capital and focused on equity research on the retail and FMCG sector. Dr. Cheung Chai Hong holds a Bachelor Degree in Business Studies from University of Warwick, a Master Degree in Analysis, Design and Management of Information Systems from London School of Economics and Political Science and a PhD Degree in International Economic Law from China University of Political Science and Law.

Dr. Cheung Chai Hong is the son of Mr. Cheung Siu Lam, a non-executive director and controlling shareholder of the Company and Madam Lo Wan, a substantial shareholder of the Company. Dr. Cheung is the nephew of Dr. Zhang Xiao Jun, an independent non-executive director of the Company. Save as disclosed above, Dr. Cheung does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Non-Executive Directors

Mr. Chan Yuk Ming, aged 59, joined the Group in 1985 and was the non-executive director of the Company and the vice-chairman of the Group until 30 September 2015. Mr. Chan rejoined the Group as non-executive director and chairman of the board on 30 September 2016 and was appointed as the chairman of the Nomination Committee of the Company on 13 July 2017. Mr. Chan graduated from the Hangzhou Institute of Business, following which he worked in the accounting department of the Ministry of Commerce.

Mr. Chan does not have any relationship with any directors or senior management or substantial shareholders or controlling shareholders of the Company.

Mr. Cheung Siu Lam, aged 59, is a co-founder of the Group. Before establishing the Group, Mr. Cheung worked for Beijing Machinery Import & Export Company for many years. Mr. Cheung has extensive experience in trading, retailing, food processing and property management in the PRC.

Mr. Cheung Siu Lam is the spouse of Madam Lo Wan, a substantial shareholder of the Company and the father of Dr. Cheung Chai Hong, the executive director of the Company and the executive Vice President of the Group. Mr. Cheung is also the cousin of Dr. Zhang Xiao Jun, an independent non-executive director of the Company. Save as disclosed above, Mr. Cheung does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Mr. Dong Yibing, aged 64, joined the Group in April 2018 and is a member of Remuneration Committee and the Nomination Committee of the Company. He has extensive and in-depth experience in compliance and law practices. He holds a Doctorate Degree in Law from Washington University in St. Louis.

Mr. Dong is currently the general counsel and Chief Compliance Officer of China United SME Guarantee Corporation ("Sinoguarantee"). Before joining Sinoguarantee, he was the Head of Legal Affairs Department of New China Trust Co. Ltd from 2012 to 2013. From 2010 to 2012, he worked as an Attorney in JingWei Law Firm. Mr. Dong also served as the Vice President of China Region of AIA from 2007 to 2010.

Mr. Dong does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Madam Huang Mei, aged 50, joined the Group in September 2015 and is a member of the Audit Committee of the Company. She has rich experience in financial management and investment business. She is the chief financial officer of China United SME Guarantee Corporation. From 2000 to 2012, Madam Huang was the financial controller of Shell China Exploration Co., Ltd.*(殼牌中國勘探有限公司), economic analyst of Shell International Co., Ltd.*(殼牌國際有限公司), financial controller of Jiangsu Sinopec and Shell Petroleum Marketing Co., Ltd.*(江蘇中石化殼牌石油銷售有限公司)and internal audit director of Shell (China) Ltd..

From 1998 to 2000, Madam Huang was the accounting manager of Beijing Rhone-Poulenc Pharmaceutical Co., Ltd.*(北京羅納普朗克製藥有限公司). She was the treasurer of Novartis China Headquarters*(諾華中國總部)from 1997 to 1998 and manager of the Investment Department of Brilliance (China) Holding Limited*(華晨(中國)控股有限公司)from 1992 to 1997.

Madam Huang is a fellow member of The Association of Chartered Certified Accountants in England, obtained an EMBA degree from Guanghua School of Management of Peking University, and a graduate student of a master's degree from the Graduate School of the People's Bank of China.

Madam Huang does not have any relationship with any directors or senior management or substantial shareholders or controlling shareholders of the Company.

Independent Non-Executive Directors

Mr. Chan Chun Keung, aged 68, joined the Group in November 2000. Mr. Chan has extensive experience in trading and investment in the PRC and is currently the vice-chairman of the Fukien Chamber of Commerce in Hong Kong and a committee member of the Foreign Investment Enterprises Association in the PRC. Mr. Chan is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. Chan does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Mr. Chan Wing Fai, aged 41, has over 15 years' rich experience in auditing and accounting. Since 2014, he has been director of Chan Wing Fai CPA. He is currently a senior accountant of China Environmental Technology Holdings Limited (Stock code: 646) and an independent non-executive director of Golden Faith Group Holdings Limited (Stock code: 2863), both Companies are listed in The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). From September 2014 to June 2015, Mr. Chan was the company secretary of Jin Bao Bao Holdings Limited (Stock code: 1239), a company listed in the Stock Exchange. Joined the Group in May 2016, Mr. Chan is the chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company.

* *For identification only*

Mr. Chan holds a Bachelor Degree of Business Administration (Hons) in Accounting from Lingnan University. Currently, he is a practising member of The Hong Kong Institute of Certified Public Accountants, the Certified Tax Adviser and member of The Taxation Institute of Hong Kong and fellow member of The Association of Chartered Certified Accountants.

Mr. Chan does not have any relationship with any directors or senior management or substantial shareholders or controlling shareholders of the Company.

Dr. Zhang Xiao Jun, aged 50, joined the Group in January 2017. Dr. Zhang holds a Bachelor Degree in Finance from Renmin University, a Master Degree in Economics from University of Maryland and Doctorate Degree in Accounting from Columbia University. He is currently the chaired professor in accounting at the Hass School of Business, University of California Berkeley. He has over 18 years' experience in accounting education. His research have been published in top Finance and Accounting journals. His coauthored text book on financial accounting statement analysis is used by top business schools worldwide. Joined the Group in January 2017, Dr. Zhang is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Dr. Zhang is the cousin of Mr. Cheung Siu Lam, a non-executive director and controlling shareholder of the Company, and uncle of Dr. Cheung Chai Hong, an executive director of the Company. Thus, Dr. Zhang cannot meet the independence guideline as set out in Rule 3.13(6) of Listing Rules. The Company has assessed the independence of Dr. Zhang as an independent non-executive director and has demonstrated to the satisfaction of The Stock Exchange of Hong Kong Limited that Dr. Zhang is independent on the following grounds:

- Dr. Zhang does not hold any share of the Company. He had not received an interest in securities of the Company as a gift, or by means of other financial assistance from the Company or their core connected persons of the Company. Dr. Zhang was not a director, partner or principal of a professional adviser which currently provides or has provided services within one year immediately prior to the date of his proposed appointment, or is an employee of such professional adviser who is or has been involved in providing such services during the same period, to:

  (a) the Company, or any of their respective subsidiaries or core connected persons; or

  (b) the controlling shareholder Mr. Cheung Siu Lam, or chief executive officer or a director of the Company within one year immediately prior to the date of the proposed appointment.

- Dr. Zhang does not have a material interest in any principal business activities of or is involved in any material business dealings with the Company, or their respective subsidiaries or with any core connected persons of the Company.

- Dr. Zhang is not financially dependent on the Company, its holding companies or any of their respective subsidiaries or core connected persons of the Company. He is not on the board specifically to protect the interests of an entity whose interests are not the same as those of shareholders as a whole. In addition, for the past two years immediately prior to the date of his appointment and currently, he is not an executive or director of the Company, of its holding companies or of any of their respective subsidiaries or of any core connected persons of the Company. Dr. Zhang does not have any business and/or financial relationship/connections with Mr. Cheung Siu Lam. Save for Dr. Zhang being a cousin of Mr. Cheung Siu Lam and uncle of Dr. Cheung Chai Hong, the Board is not aware of any circumstance that would raise question on Dr. Zhang's independence.

Save as disclosed in this above, Dr. Zhang does not have any relationships with any other directors, senior management, substantial or controlling shareholders of the Company.

Madam Zhan Lili, aged 46, joined the Group in May 2018. She is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Madam Zhan completed her studies in business administration at the Faculty of Business Administration of Capital University of Economics and Business in 2003. Madam Zhan was an assistant to the General Manager of Tomson (Shanghai) Company Limited from 2000 to 2001. She worked in the human resource department of the Beijing branch of Industrial Bank Co., Ltd. from 2003 to 2007 and was a president assistant of Beijing Hai Dian Science & Technology Development Co., Ltd., a company engaged in electronics and information technology, environmental protection materials, property development and e-business, from 2007 to 2015. From 2008 to 2017, she worked as an independent non-executive director of Bloomage BioTechnology Cooperation Limited (a company was withdrawn from listing in the Stock Exchange in 2017) and Hiersun Industrial Co., Ltd.

Madam Zhan does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Senior Management

Mr. Lu Wei Jun, aged 46, is the Vice President of the Group. Mr. Lu has approximately 21 years of working experience in banks and non-bank financial institutions and has over 10 years of practical experience in loan guarantee industry. Mr. Lu is responsible for the Group's loan guarantee business in Beijing. Mr. Lu graduated with a Bachelor Degree in Law of Minzu University of China. Mr. Lu joined the Group in 2012.

Mr. Chung Chin Keung, aged 51, is the company secretary and financial controller of the Group. He joined the Group in October, 2004. Mr. Chung holds a Bachelor Degree of Business Administration from the Hong Kong Baptist University and a Master Degree in Business Administration from Manchester Business School. He has more than 25 years of experience in finance, accounting and management. Before joining the Group, Mr. Chung worked for various listed companies in Hong Kong and overseas and was a company secretary for a listed company in Hong Kong. Mr. Chung is a fellow member of The Association of Chartered Certified Accountants, a fellow member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Institute of Chartered Accountants in England and Wales and a member of The Taxation Institute of Hong Kong. Mr. Chung is responsible for daily operations and financial operations in Hong Kong.

Ms. Tsui Yan Tung, aged 33, is the investment director of the Company. Ms. Tsui joined the Group in August 2016 and she is responsible for the Company's capital market activities and investor relations. Prior to joining the company, Ms. Tsui was a Vice President at LST Partners, a Hong Kong-based hedge fund. She was responsible for investment analysis and risk management. Previously, she worked at China Construction Bank International (CCBI) Securities for over 5 years as Institutional Sales and Research Analyst.

Ms. Tsui is a Chartered Financial Analyst (CFA). She holds a BBA in Global Business and Finance from the Hong Kong University of Science and Technology.

Mr. Yuk Kai Yao, aged 39, joined the Group in January 2016. He is currently the Sales Director of Hong Kong money lender business, overseeing the Group's Hong Kong sales teams and working closely with the Board of Directors with regards sales strategies and business development activities. Prior to that, Mr. Yuk was the Vice President of Hao Tian Development Group Ltd (Stock code: 474). During his tenor with Hao Tian Development Group Ltd from January 2013 to December 2015, he was responsible for driving the sales activities of money lender business as well as fund raising and treasury matters. During September 2007 to March 2012, Mr. Yuk worked in the Global Banking team of HSBC and was last promoted to Senior Vice President. During July 2004 to March 2007, he worked in Shanghai Commercial Bank and was last promoted to Assistant Relationship Manager.

He is an independent non-executive director of Grand Talents Group Holdings Limited (Stock Code: 08516), this company is listed in the Stock Exchange.

Mr. Yuk graduated from The University of Hong Kong with a Bachelor Degree of Economics and Finance.

REPORT OF THE DIRECTORS

The directors present herewith their report and the audited financial statements of the Company and the Group for the year ended 31 December 2018 (the "Reporting Period") .

Principal Activities and Business Review

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries, are set out in note 12 to the financial statements respectively.

Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance (Cap 622 of the laws of Hong Kong), including a description of the principal risks and uncertainties faced by the Group and an indication of likely future development in the Group's business, can be found in the Chairman's Statement set out on page 4 and Management Discussion and Analysis set out on page 33 to 37 of this annual report. This discussion forms part of this director's report.

Principal Risks and Uncertainties

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

The Group adopts a comprehensive risk management framework. Risk management policies and procedures are regularly reviewed and updated to react to changes in market conditions and the Group's business strategy.

Market Risk

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Credit risk is the risk of losses arising from clients or counterparties failing to make payments as contracted. Further discussion on financial risk management is outlined in Note 43 to the consolidated financial statements.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels.

Operational risk is mitigated and controlled through establishing robust internal controls, setting out clear lines of responsibility, proper segregation of duties and effective internal reporting and contingency planning. It is our corporate culture that the business and operating line management are fully aware of, and responsible for, managing the operational risks of their business units on a day-to-day basis.

Compliance with the Relevant Laws and Regulations

During the year under review, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

Segment Information

An analysis of the Group's segment revenue, results, assets and liabilities for the year ended 31 December 2018 is set out in note 3 to the financial statements.

Results and Dividends

The Group's profit for the Reporting Period and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 64 to 219. The directors recommend the payment of a final dividend of HK0.3 cents per ordinary share for the year ended 31 December 2018 (2017: HK0.7 cents per ordinary share).

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 35 to the financial statements.

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group are set out in note 11 to the financial statements.

Share Capital and Share Options

Details of movements in share capital and share options of the Company during the year, together with the reasons therefore, are set out in notes 34 and 37 to the financial statements, respectively.

Distributable Reserves

Profit for the year attributable to equity shareholders of the Company of HK$12,067,000 (2017: HK$383,915,000) has been transferred to reserves. As at 31 December 2018, the Company's reserve available for distribution to shareholders amounted to approximately HK$303,681,000 (2017: HK$378,385,000) in accordance with the provisions of Part 6 of the Hong Kong Companies Ordinance.

Bank Borrowings and Other Borrowings

Details of bank borrowings and other borrowings of the Company and its subsidiaries as at 31 December 2018 are set out in note 24 and 25 to the financial statements.

Remuneration Policy

The remuneration of employees (including Directors and senior management of the Group) is determined with reference to their qualification, expertise and experience in the industry, competence, duties and responsibilities within the Group, the performance and profitability of the Group as well as the market benchmark and the prevailing market conditions. Employees shall also be eligible to receive a discretionary year-end incentive bonus, which shall be determined by the Group at its absolute discretion taking into account, inter alia, the Group's operating performance, market conditions in which the Group operates and the individual's performance, payable at such time as the Group may consider appropriate, and discretionary share options.

Summary Financial Information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five years, as extracted from the audited financial statements in this report, is set out on page 220. This summary does not form part of the consolidated financial statements in this annual report.

Major Customers

The Group is principally engaged in provision of short term financing services. The five largest customers of the Group accounted for less than 30% of the Group's revenue during the Reporting Period.

As far as the directors are aware, neither the directors, their associates nor any shareholder of the Company (which, to the best of knowledge of the directors, owns more than 5% of the Company's share capital) had any beneficial interest in these major customers.

Directors

The directors who held office during the year and up to the date of this report were:

Executive Directors

Luo Rui *(Chief Executive Officer)*
Guan Xue Ling
Cheung Chai Hong

Non-executive Directors

Chan Yuk Ming *(Chairman)*
Cheung Siu Lam
Huang Mei
Zhou Jian (resigned on 6 April 2018)
Dong Yibing (appointed on 6 April 2018)

Independent Non-executive Directors

Chan Chun Keung
Chan Wing Fai
Zhang Xiao Jun
Wang Jian Sheng (retired on 21 May 2018)
Zhan Lili (appointed on 21 May 2018)

According to Article 105(A) of the Company's Articles of Association, Mr. Luo Rui, Mr. Cheung Siu Lam, Mr. Chan Yuk Ming and Mr. Chan Wing Fai shall retire by rotation at the annual general meeting and are eligible to offer themselves for re-election at the annual general meeting. Mr. Luo Rui, Mr. Cheung Siu Lam, Mr. Chan Yuk Ming and Mr. Chan Wing Fai shall offer themselves for re-election at the annual general meeting. According to Article 96 of the Company's Articles of Association, Madam Zhan Lili shall retire at the annual general meeting and shall offer herself for re-election at the annual general meeting. The directors of the Company, including the independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Articles of Association and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' Service Contracts

Independent non-executive directors, namely Mr. Chan Chun Keung entered into service contracts with the Company for a term of one year commencing on 9 September 2004. Mr. Chan Wing Fai has entered into a service contract with the Company for one year commencing on 27 May 2016. Dr. Zhang Xiao Jun has entered into a service contract with the Company for one year commencing on 5 January 2017. Madam Zhan Lili has entered into a service contract with the Company for one year commencing on 21 May 2018. All of them are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Articles of Association of the Company.

Either party may terminate the contract by giving not less than two months' notice in writing or payment of remuneration in lieu of such notice or the unexpired part of such period. Their remuneration is determined by the board of directors on the anniversary of the dates of their appointments.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Directors' Interests in Contracts

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

Indemnity of Directors

A permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) for the benefit of the Directors is currently in force and was in force throughout the year ended 31 December 2018.

Directors' Interests in Share Capital

As at 31 December 2018, the interests and short positions of the directors in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Companies (the "Model Code"), were as follows:

Long Positions in Shares and Underlying Shares of the Company

Name of Director	Capacity	Number of Ordinary Shares held	Underlying Shares Interested (Note 1)	Aggregate Long Position in Shares and Underlying Shares to Issued Share Capital (Note 4)
Cheung Siu Lam	Beneficial owner of 1,720,044,240 ordinary shares and 1,000,000 underlying shares, family interest of 506,842,000 ordinary shares and 1,000,000 underlying shares (Note 2) and interest in controlled corporation of 86,400,000 ordinary shares (Note 3)	2,313,286,240	2,000,000	53.93%
Luo Rui	Beneficial owner	3,390,000	20,000,000	0.54%
Guan Xue Ling	Beneficial owner	–	2,000,000	0.05%
Cheung Chai Hong	Beneficial owner	200,000	–	0.005%
Chan Yuk Ming	Beneficial owner	20,000,000	2,000,000	0.51%

Notes:

1. The number of shares represents the shares in which the directors are deemed to be interested as a result of holding share options.

2. By virtue of the SFO, Cheung Siu Lam is deemed to be interested in 506,842,000 ordinary shares and 1,000,000 underlying shares held by his spouse, Lo Wan.

3. Arbalice Holdings Limited is beneficially owned as to 60% by Cheung Siu Lam and 40% by his spouse, Lo Wan. By virtue of the SFO, Cheung Siu Lam and Lo Wan are deemed to be interested in 86,400,000 shares held by Arbalice Holdings Limited.

4. The percentage is calculated based on the total number of issued shares as at 31 December 2018.

Directors' Rights to Acquire Shares

Save as disclosed under the headings "Directors' Interests in Share Capital" above and "Share Option Scheme" and "Share Award Scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Interests in Substantial Shareholders

As at 31 December 2018, the following company and person (other than a director of the Company) were interested in 5% or more of the issued share capital of the Company according to the register kept by the Company under Section 336 of Part XV of the SFO:

Long Positions in Shares and Underlying Shares of the Company

Name	Capacity	Number of Ordinary Shares held	Underlying Shares Interested (Note 1)	Aggregate Long Position in Shares and Underlying Shares to Issued Share Capital (Note 5)
Lo Wan	Beneficial owner of 506,842,000 ordinary shares and 1,000,000 underlying shares, family interest of 1,720,044,240 ordinary shares and 1,000,000 underlying shares (Note 2) and interest in controlled corporation of 86,400,000 ordinary shares (Note 3)	2,313,286,240	2,000,000	53.93%
China United SME Guarantee Corporation	Beneficial owner of 643,000,000 ordinary shares	643,000,000	–	14.98%
Fosun International Holdings Ltd.	Interest in controlled corporation (Note 4)	371,962,000	–	8.66%
Fosun International Limited	Interest in controlled corporation (Note 4)	371,962,000	–	8.66%
Guo Guangchang	Interest in controlled corporation (Note 4)	371,962,000	–	8.66%
Fosun Hani Securities Limited	Beneficial owner of 85,338,000 ordinary shares and a security interest in 185,000,000 shares (Note 4)	270,338,000	–	6.30%

Notes:

1. The number of shares represents the shares in which the substantial shareholder is deemed to be interested as a result of holding share options.

2. By virtue of the SFO, Lo Wan, being spouse of Cheung Siu Lam, is deemed to be interested in 1,720,044,240 ordinary shares and 1,000,000 underlying shares held by Cheung Siu Lam.

3. Arbalice Holdings Limited is beneficially owned as to 60% by Cheung Siu Lam and 40% by his spouse, Lo Wan. By virtue of the SFO, Cheung Siu Lam and Lo Wan are deemed to be interested in 86,400,000 shares held by Arbalice Holdings Limited.

4. Guo Guangchang held interests in a total of 371,962,000 shares in the Company through Fosun Hani Securities Limited and Peak Reinsurance Company Limited. Fosun Hani Securities Limited is a wholly-owned subsidiary of Novel Growth Limited, which is in turn wholly owned by Fosun Financial Holdings Limited. Peak Reinsurance Company Limited is a wholly-owned subsidiary of Peak Reinsurance Holdings Limited, which is in turn owned as to 86.93% by Spinel Investment Limited, which is in turn wholly owned by Fosun Financial Holdings Limited. Fosun Financial Holdings Limited is wholly owned by Fosun International Limited, which is in turn owned as to 71.65% by Fosun Holdings Limited, which is in turn wholly owned by Fosun International Holdings Ltd. Fosun International Holdings Ltd is owned as to 64.45% by Guo Guangchang.

5. The percentage is calculated based on the total number of issued shares as at 31 December 2018.

Save as disclosed above, no persons, other than a director whose interests are set out above, had registered an interest or a short position in the shares and underlying shares or debentures of the Company that was required to be recorded under Section 336 of Part XV of the SFO.

Share Option Scheme

The Company adopted a share option scheme on 7 June 2004 (the "2004 Scheme") which was terminated on 6 June 2014. The Company adopted a new share option scheme (the "2014 Scheme") at the Company's annual general meeting held on 20 May 2014. Unless otherwise cancelled or amended, the 2014 Scheme will remain in force for 10 years from that date.

A summary of the 2014 Scheme of the Company is as follows:

1.	Purpose	To provide incentives and rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest (the "Invested Entity").
2.	Participants	(i) any employee (whether full-time or part-time), executive directors, non-executive directors and independent non-executive directors of the Company, any of its subsidiaries or any Invested Entity; (ii) any supplier of goods or services to any member of the Group or any Invested Entity, any customer of the Group or any Invested Entity; any person or entity that provides technical, financial and legal support to the Group or any Invested Entity; and (iii) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.
3.	Total number of securities available for issue under the 2014 Scheme and the percentage of the issued share capital that it represents as at the date of the annual report	342,908,633 ordinary shares and 8.06% of the existing issued share capital.
4.	Maximum entitlement of each participant	Where any grant or further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such grant or further grant representing in aggregate over 1% of the total number of shares in issue, such grant or further grant must be separately approved by the shareholders in a general meeting. Where any grant or further grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the relevant class of shares in issue; and

(b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000,

such grant or further grant of options must be approved by the shareholders in a general meeting.

5.	Period within which the securities must be taken up under an option	An option may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall end in any event not later than 10 years from the date of offer of the grant of options subject to the provisions for early termination set out in the 2014 Scheme.
6.	Minimum period, if any, for which an option must be held before it can be exercised	There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.
7.	Amount, if any, payable on application or acceptance of the option and the period within which such payments or calls must or may be made or loans for such purposes must be repaid	The offer of a grant of share options may be accepted within 28 days from the date of the offer with a consideration of HK$1.00 being payable by the grantee.
8.	Basis of determining the exercise price	Determined by the directors but shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of grant of options, which must be a trading day; and (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant of options.
9.	The remaining life of the 2014 Scheme	The 2014 Scheme remains in force until 19 May 2024.

During the year under review, no share options were granted under the 2014 Scheme.

Subsequent to the termination of the 2004 Scheme, no further option can be granted thereunder but in all other respects, the provisions of the 2004 Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

The following share options were outstanding under the 2004 Scheme and the 2014 Scheme for the Reporting Period:

Director	Date of offer	Exercise price	Outstanding at 1.1.2018	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Outstanding at 31.12.2018	Exercise period	Closing price of the securities immediately before the date on which the options were offered	Fair value of each option at the date of grant
		HK$							HK$	HK$
Cheung Siu Lam	22.10.10	0.359	1,000,000	–	–	–	1,000,000	22.10.10 – 21.10.20	0.360	0.216
Chan Yuk Ming	22.10.10	0.359	2,000,000	–	–	–	2,000,000	22.10.10 – 21.10.20	0.360	0.216
Luo Rui	11.04.14	0.660	20,000,000	–	–	–	20,000,000	11.04.14 – 10.04.24	0.630	0.4624
Guan Xue Ling	22.10.10	0.359	2,000,000	–	–	–	2,000,000	22.10.10 – 21.10.20	0.360	0.216
Employees in aggregate	22.10.10	0.359	1,000,000	–	–	–	1,000,000	22.10.10 – 21.10.20	0.360	0.216
Other eligible grantees	11.04.14	0.660	10,000,000	–	–	10,000,000	–	11.04.14 – 10.04.18	0.630	0.1998
	11.04.14	0.660	30,000,000	–	–	–	30,000,000	11.04.14 – 10.04.24	0.630	0.4623
	26.08.15	0.546	55,000,000	–	–	–	55,000,000	26.08.15 – 25.08.25	0.490	0.289

Share Award Scheme

On 14 January 2019 (the "Adoption Date"), the Company adopted the share award scheme (the "Share Award Scheme") in which any employees, directors, consultants or advisors of any member of the Group (the "Grantee") will be entitled to participate.

The purposes of the Share Award Scheme are to recognize the contributions by certain Grantees and to give incentives thereto in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

The Share Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules.

The Share Award Scheme will remain in force for a period of 10 years commencing on its Adoption Date.

The maximum number of awarded shares throughout the duration of the Share Award Scheme is 429,280,734 Shares, being 10% of the issued shares of the Company as at the Adoption Date. The maximum number of shares which may be awarded to a selected Grantee under the Share Award Scheme during any 12-month period is 42,928,073 shares, being 1% of the issued shares of the Company as at the Adoption Date. Details of the Share Award Scheme are set out in the announcement of the Company dated 14 January 2019.

Up to the date of this report, no awards have been granted or agreed to be granted under Share Award Scheme.

Purchase, Sale or Redemption of the Company's Listed Securities

During the Reporting Period, the Company had bought back on the Stock Exchange a total of 55,444,000 shares. A total of 18,776,000 shares have been cancelled during the Reporting Period and 36,668,000 shares were cancelled in January 2019.

Details of the buy-back of the shares of the Company are as follows:

Month of Buy-back	Number of Shares Bought Back	Highest Price Per Share (HK$)	Lowest Price Per Share (HK$)	Aggregate Purchase Price (HK$)
April	10,254,000	0.6600	0.6400	6,608,800
May	1,326,000	0.6700	0.6700	888,420
August	140,000	0.5600	0.5600	78,400
September	2,214,000	0.5700	0.5400	1,237,240
October	3,810,000	0.5500	0.4800	1,956,554
November	11,238,000	0.5000	0.4800	5,589,210
December	26,462,000	0.6300	0.4850	14,665,930

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the Reporting Period.

Retirement Schemes

The Group also operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance, and participates in various defined contribution retirement plans organised by the relevant authorities for its employees in the PRC.

Corporate Governance

Details of the corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the knowledge of the directors, the directors confirm that the Company has maintained the amount of public float as required under the Listing Rules during the Reporting Period.

Auditor

The financial statements have been audited by Crowe (HK) CPA Limited, Certified Public Accountants. A resolution for their re-appointment as the Company's auditor for the ensuing year is to be proposed at the forthcoming annual general meeting of the Company.

On behalf of the board

Chan Yuk Ming
Chairman

Hong Kong, 28 March 2019

國富浩華(香港)會計師事務所有限公司
Crowe (HK) CPA Limited
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHINA FINANCIAL SERVICES HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of China Financial Services Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 64 to 219, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

Recoverability of loans receivable

Refer to notes 18, 42(b)(ii) and 43(a)(i) to the consolidated financial statements and the accounting policy notes 2(l)(i) and 2(m) on pages 90 to 97 and page 102, respectively.

The key audit matter	How the matter was addressed in our audit
The Group has significant loans receivable balances as at year end. Given the size of the balances and the risk that some of the loans receivable may not be recoverable, judgement is required to evaluate whether any allowance should be made to reflect the risk. The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment loss on loans receivable by replacing HKAS 39 incurred loss approach with a forward-looking expected credit loss ("ECL") approach. The measurement of ECL requires the application of significant judgement and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models, such as the expected future cash flows and forward-looking macroeconomic factors. Due to the significance of loans receivable (representing 74% of total assets) and the corresponding uncertainty inherent in such estimates, we considered this as a key audit matter.	Our audit procedures to assess the recoverability of loans receivable included the following: – Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key financial reporting internal controls relating to credit control, debt collection and the assessment of impairment of loans receivable; – Assessing whether terms in the loans receivable ageing report were classified within the appropriate ageing bracket by comparing a sample of individual items with underlying loan agreements; – Obtaining an understanding of the basis of management's judgements about the recoverability of all overdue balances and evaluating, on a sample basis, whether management had performed credit assessments of the related debtors by examining underlying documentation, which included evidence of the debtors' financial condition, correspondence with the debtors, the debtors' adherence to agreed repayment schedules, the ageing of overdue balances, historical repayments schedules and repayments after the end of the reporting period;

Recoverability of loans receivable *(Continued)*

The key audit matter *(Continued)*	How the matter was addressed in our audit *(Continued)*
	– Assessing the reasonableness of the Group's ECL models, including the model input, model design, model performance for significant portfolios; – Assessing the reasonableness of the Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment; – Challenging whether historical experience is representative of current circumstances and of the recent losses incurred in the portfolios and assessing the forward-looking adjustments; and – Reviewing the Group's assumptions on the expected future cash flows, including the value of realisable collateral based on available market information, for a sample of exposures that was subject to an individual impairment assessment.

Impairment assessment of goodwill

Refer to notes 13 and 42(b)(i) to the consolidated financial statements and the accounting policy note 2(l)(iii) on pages 100 to 101.

The key audit matter	How the matter was addressed in our audit
Management performs impairment testing annually for the cash generating units (the "CGU") to which the goodwill was allocated. The calculation of the CGU's recoverable amount is complex and involves significant management's judgement and estimation, such as the forecasted cash flows, budgeted margin, revenue growth rate and discount rate, which are sensitive to expected future market conditions and the CGU's actual performance. We focused on this area due to the size of goodwill balance and because management's assessment of the 'value in use' of the Group's CGUs involves significant judgement about future results of the business and the discount rate applied to future cash flow forecast.	Our audit procedures were designed to challenge the management's impairment assessment included: – Comparing the Group's financial forecast for the current year made as of 31 December 2017 to actual results of the current year to assess the quality of management's forecasting process; – Reconciling the cash flow forecasts to management's approved budgets and assessing the reasonableness of these budgets by comparing historical information and business plan; – Benchmarking the revenue growth rate adopted by the Group to the revenue growth rates adopted by other market players; – Evaluating and discussing discount rate and budgeted margins used in the calculations by comparing with the industry or market data; – Testing the mathematical accuracy of the underlying value-in-use calculations; and – Evaluating the sensitivity analysis performed by management around the key assumptions applied to ascertain the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired.

Information other than the consolidated financial statements and auditor's report thereon

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

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

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

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

Responsibilities of the 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 HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement director on the audit resulting in this independent auditor's report is Poon Cheuk Ngai.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 28 March 2019

Poon Cheuk Ngai
Practising Certificate Number P06711

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Interest, guarantee and financing consultancy services income	3	**823,013**	732,705
Interest and handling expenses	3	**(164,391)**	(104,337)
Net interest income and service income	3	**658,622**	628,368
Education consultancy service income	3	**6,369**	2,458
Other income, net	4	**16,180**	50,976
General and administrative expenses		**(242,555)**	(178,065)
Share of losses of associates		**(4,306)**	(3)
Profit before taxation	5	**434,310**	503,734
Income tax	6(a)	**(135,754)**	(193,193)
Profit for the year		**298,556**	310,541
Attributable to:			
Equity shareholders of the Company		**270,427**	286,675
Non-controlling interests		**28,129**	23,866
Profit for the year		**298,556**	310,541
Earnings per share	10	**HK cents**	HK cents
– Basic		**6.29**	7.09
– Diluted		**6.28**	7.05

The notes on pages 71 to 219 form an integral part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 35(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Profit for the year		**298,556**	310,541
Other comprehensive (loss)/income for the year, net of nil income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation into presentation currency		**(164,507)**	218,075
Other financial assets: net movement in the fair value reserve		**–**	80
Net loss on debt securities at fair valve through other comprehensive income (recycling)		**(9,173)**	–
Other comprehensive (loss)/income for the year, net of nil income tax	9	**(173,680)**	218,155
Total comprehensive income for the year		**124,876**	528,696
Attributable to:			
Equity shareholders of the Company		**105,707**	494,374
Non-controlling interests		**19,169**	34,322
Total comprehensive income for the year		**124,876**	528,696

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	11	**11,564**	6,569
Goodwill	13	**603,707**	635,477
Intangible assets	14	**19,371**	19,371
Interests in associates	15	**17,925**	3,706
Other financial assets	16	**90,844**	99,041
Loans receivable	18	**620,488**	458,614
Deposits	21	**165,908**	70,000
Deferred tax assets	31	**10,304**	1,964
		1,540,111	1,294,742
Current assets			
Contingent consideration receivables	17	**15,238**	1,270
Loans receivable	18	**3,984,541**	4,216,901
Accounts receivable	19	**3,471**	5,605
Interests receivable	20	**24,535**	17,989
Other receivables, deposits and prepayments	21	**30,154**	80,969
Amount due from an associate	29	**15,810**	–
Tax recoverable	6(c)	**157**	–
Pledged bank and security deposits paid	22	**29,211**	18,974
Time deposits	23	**–**	72,370
Cash and cash equivalents	23	**540,184**	662,740
		4,643,301	5,076,818
Current liabilities			
Borrowings and other payables	24	**1,251,183**	1,244,853
Bank loans	25	**132,478**	213,556
Security deposits received	26	**107,433**	104,311
Accruals and other deposit received	27	**75,929**	32,293
Liabilities arising from loan guarantee contracts	28	**429**	134
Amount due to an associate	29	**2,970**	3,125
Financial derivatives	30	**–**	304
Senior bonds	32	**–**	365,099
Unsecured bonds	33	**56,443**	57,012
Income received in advance		**18,038**	13,444
Tax payable	6(c)	**101,288**	144,510
		1,746,191	2,178,641
Net current assets		**2,897,110**	2,898,177
Total assets less current liabilities		**4,437,221**	4,192,919

	Note	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Borrowings and other payables	24	**271,231**	–
Unsecured bonds	33	**245,579**	273,642
Deferred tax liabilities	31	**26,342**	20,665
		543,152	294,307
NET ASSETS		**3,894,069**	3,898,612
EQUITY			
Share capital	34	**2,080,113**	2,080,113
Reserves	35	**1,629,890**	1,632,365
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**3,710,003**	3,712,478
Non-controlling interests		**184,066**	186,134
TOTAL EQUITY		**3,894,069**	3,898,612

The consolidated financial statements on pages 64 to 219 were approved and authorised for issue by the board of directors on 28 March 2019 and were signed on its behalf by:

Chan Yuk Ming *Director*	**Cheung Chai Hong** *Director*

The notes on pages 71 to 219 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

		Attributable to equity shareholders of the Company								
	Note	Share capital HK$'000	Share-based compensation reserve HK$'000	Exchange fluctuation reserve HK$'000	Fair value reserve (recycling) HK$'000	Statutory surplus reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2017		1,760,956	41,567	(320,627)	2,293	36,427	1,473,407	2,994,023	128,684	3,122,707
Changes in equity in 2017:										
Profit for the year		–	–	–	–	–	286,675	286,675	23,866	310,541
Other comprehensive income	9	–	–	207,619	80	–	–	207,699	10,456	218,155
Total comprehensive income		–	–	207,619	80	–	286,675	494,374	34,322	528,696
Equity settled share-based transactions		–	4,170	–	–	–	–	4,170	–	4,170
Shares issued under share option scheme		11,425	(3,762)	–	–	–	–	7,663	–	7,663
Shares issued under subscription agreements, placing and subscription agreement and investor subscription agreement	34	246,409	–	–	–	–	–	246,409	–	246,409
Shares issued upon acquisition of subsidiaries	34(c)	61,323	–	–	–	–	–	61,323	–	61,323
Lapse of share options	37	–	(937)	–	–	–	937	–	–	–
Non-controlling interest arising from acquisition of subsidiaries	40	–	–	–	–	–	–	–	35,353	35,353
Dividends paid		–	–	–	–	–	(95,484)	(95,484)	–	(95,484)
Dividends paid to non-controlling shareholder of a subsidiary		–	–	–	–	–	–	–	(12,225)	(12,225)
Transfer to reserve		–	–	–	–	93,564	(93,564)	–	–	–
Balance at 31 December 2017 and 1 January 2018		2,080,113	41,038	(113,008)	2,373	129,991	1,571,971	3,712,478	186,134	3,898,612
Impact on initial application of HKFRS 9		–	–	–	(4,701)	–	(500)	(5,201)	(587)	(5,788)
Adjusted balance at 1 January 2018		2,080,113	41,038	(113,008)	(2,328)	129,991	1,571,471	3,707,277	185,547	3,892,824
Changes in equity in 2018:										
Profit for the year		–	–	–	–	–	270,427	270,427	28,129	298,556
Other comprehensive loss	9	–	–	(155,547)	(9,173)	–	–	(164,720)	(8,960)	(173,680)
Total comprehensive income		–	–	(155,547)	(9,173)	–	270,427	105,707	19,169	124,876
Equity settled share-based transactions		–	1,174	–	–	–	–	1,174	–	1,174
Lapse of share options	37	–	(1,996)	–	–	–	1,996	–	–	–
Dividends paid		–	–	–	–	–	(73,099)	(73,099)	–	(73,099)
Dividends paid to non-controlling shareholder of a subsidiary		–	–	–	–	–	–	–	(20,650)	(20,650)
Repurchase of own shares	34(h)	–	–	–	–	–	(31,056)	(31,056)	–	(31,056)
Transfer to reserve		–	–	–	–	28,569	(28,569)	–	–	–
Balance at 31 December 2018		2,080,113	40,216	(268,555)	(11,501)	158,560	1,711,170	3,710,003	184,066	3,894,069

The notes on pages 71 to 219 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Operating activities			
Profit before taxation		**434,310**	503,734
Adjustments for			
Depreciation of property, plant and equipment	5(b)	**3,636**	3,065
Reversal of impairment loss for loans receivable	18(c)	**–**	(213)
Gain on disposal of debt securities	4	**–**	(3,773)
Gain on disposal of other financial assets		**(549)**	–
Loss on disposal of property, plant and equipment		**135**	1
Impairment loss for loans receivable	18(c)	**17,158**	29,244
Bank interest income	4	**(2,516)**	(2,476)
Interest and handling expenses	3	**164,391**	104,337
Dividend income from other financial assets	4	**(301)**	(1,290)
Share of losses of associates	15	**4,306**	3
Equity-settled share-based payment expenses	5(b)	**1,174**	4,170
Fair value change of financial derivatives	4	**–**	(728)
Fair value change of contingent consideration receivables	5(b)	**(10,444)**	2,096
Fair value change of other financial assets	4	**(3,804)**	–
Gain on disposal of financial derivatives	4	**(304)**	–
Gain on bargain purchase		**–**	(18,313)
Other interest income from debt securities	4	**(3,104)**	(1,754)
		604,088	618,103
Changes in working capital			
Increase in loans receivable		**(137,373)**	(797,190)
Decrease in financial assets at FVTPL		**–**	17,817
Decrease in accounts receivable		**1,894**	7,179
Increase in interests receivable		**(6,969)**	(6,729)
Decrease/(increase) in other receivables, deposits and prepayments		**46,097**	(26,970)
Increase in other payables		**231,831**	–
Increase in security deposits received		**7,856**	94,723
Increase/(decrease) in accruals and other deposit received		**45,669**	(10,418)
Increase/(decrease) in income received in advance		**5,124**	(4,751)
Increase in liabilities arising from loan guarantee contracts		**312**	138
Cash generated from/(used in) operations		**798,529**	(108,098)
Taxation paid			
– PRC Enterprise Income Tax	6(c)	**(166,835)**	(142,564)
– Hong Kong Profits Tax	6(c)	**–**	(241)
Taxation refunded			
– PRC Enterprise Income Tax	6(c)	**138**	–
– Hong Kong Profits Tax	6(c)	**–**	101
Net cash generated from/(used in) operating activities		**631,832**	(250,802)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Investing activities			
Purchase of property, plant and equipment	11	**(9,011)**	(4,459)
Purchase of other financial assets		**(15,667)**	(135,148)
Proceeds from sale of other financial assets		**23,154**	66,219
Acquisition of associates		**(22,220)**	–
Acquisition of subsidiaries		**–**	(62,950)
Acquisition of intangible assets		**–**	(19,371)
Advance to an associate		**(15,810)**	–
Payment of deposit for acquisition of subsidiaries		**–**	(70,000)
Withdrawal of pledged bank and security deposits		**17,977**	33,473
Placement of pledged bank and security deposits		**(28,250)**	(48,016)
Withdrawal of time deposits		**71,472**	–
Bank interest received	4	**2,516**	2,476
Dividend received from other financial assets	4	**301**	1,290
Deposit paid for acquisition of additional interest in a subsidiary		**(115,908)**	–
Net cash used in investing activities		**(91,446)**	(236,486)
Financing activities			
Payment for repurchase of own shares		**(31,056)**	–
Proceeds from new bank loans		**195,776**	198,728
Repayment of bank loans		**(272,663)**	(69,364)
Repayment of senior bonds		**(378,682)**	–
Proceeds from new borrowings		**1,542,377**	2,486,169
Repayment of borrowings		**(1,409,397)**	(1,893,472)
Proceeds from the issue of unsecured bonds		**15,420**	64,133
Redemption of unsecured bonds		**(58,000)**	(3,900)
Repayment to an associate		**(12)**	(23)
Proceeds from shares issued under subscription agreement		**–**	246,409
Proceeds from exercise of share option		**–**	7,663
Other interest paid		**(165,117)**	(66,213)
Other finance costs paid		**(3,442)**	(3,493)
Dividends paid to equity shareholders of the Company		**(73,099)**	(95,484)
Dividends paid to non-controlling shareholders		**(20,650)**	(12,225)
Net cash (used in)/generated from financing activities		**(658,545)**	858,928
(Decrease)/increase in cash and cash equivalents		**(118,159)**	371,640
Effect of foreign exchange rate changes		**(4,397)**	17,809
Cash and cash equivalents at beginning of the year		**662,740**	273,291
Cash and cash equivalents at end of the year	23	**540,184**	662,740

The notes on pages 71 to 219 form an integral part of these financial statements.

1. Corporate Information

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office and the principal place of business are Suite 5606, 56th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 12 to the financial statements.

2. Significant Accounting Policies

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Significant accounting policies adopted by the Company, its subsidiaries and consolidated structured entities (together referred to as the "Group") are set out below.

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

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company, its subsidiaries and consolidated structured entities and the Group's interest in an associate.

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

– financial instruments classified as financial assets measured at FVOCI, financial assets carried at FVPL (including contingent consideration receivable) (see note 2(k)); and

– financial derivatives (see note 2(h)).

2. Significant Accounting Policies *(Continued)*

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

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

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

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 42.

c) *Changes in accounting policies*

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

(i) HKFRS 9, *Financial instruments*

(ii) HKFRS 15, *Revenue from contracts with customers*

(iii) HK(IFRIC) Int-22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses. Details of the changes in accounting policies are discussed in subsection (a) of this note for HKFRS 9.

2. Significant Accounting Policies *(Continued)*

c) *Changes in accounting policies (Continued)*

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9:

	At 31 December 2017 HK$'000	Impact on initial application of HKFRS 9 HK$'000	At 1 January 2018 HK$'000
Other financial assets			
– available-for-sale investments	99,041	(99,041)	–
– financial assets measured at FVOCI	–	52,270	52,270
– financial assets carried at FVPL	–	52,338	52,338
Loans receivable – non-current portion	458,614	(1,307)	457,307
Deferred tax asset	1,964	7,481	9,445
Total non-current assets	1,294,742	11,741	1,306,483
Cash and cash equivalents	662,740	–	662,740
Contingent consideration receivable	1,270	–	1,270
Loans receivables – current portion	4,216,901	(17,529)	4,199,372
Accounts receivable	5,605	–	5,605
Interests receivable	17,989	–	17,989
Total current assets	5,076,818	(17,529)	5,059,289
Financial derivatives	304	–	304
Tax payable	144,510	–	144,510
Total current liabilities	2,178,641	–	2,178,641
Net current assets	2,898,177	(17,529)	2,880,648
Total assets less current liabilities	4,192,919	(5,788)	4,187,131
Deferred tax liabilities	20,665	–	20,665
Total non-current liabilities	294,307	–	294,307
Net assets	3,898,612	(5,788)	3,892,824
Retained earnings	1,571,971	(500)	1,571,471
Fair value reserve (recycling)	2,373	(4,701)	(2,328)
Total equity attributable to equity shareholders of the Company	3,712,478	(5,201)	3,707,277
Non-controlling interests	186,134	(587)	185,547
Total equity	3,898,612	(5,788)	3,892,824

Further details of these changes are set out in sub-section (a) of this note.

2. Significant Accounting Policies *(Continued)*

c) *Changes in accounting policies (Continued)*

a) *HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation*

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings, fair value reserve, non-controlling interests and the related tax impact at 1 January 2018.

	HK$'000
Retained earnings	
Recognition relating to financial assets recorded as cost now measured at FVPL	5,567
Recognition of additional expected credit losses on financial assets measured at amortised cost	(18,836)
Portion relating to non-controlling interests	587
Transfer from fair value reserve relating to financial assets now measured at FVPL	4,701
Related tax	7,481
Net decrease in retained earnings at 1 January 2018	(500)
Fair value reserve (recycling)	
Transfer to retained earnings related to financial assets now measured at FVPL and net decrease in fair valve reserve (recycling) at 1 January 2018	(4,701)
Non-controlling interests	
Recognition of additional expected credit losses on financial assets measured at amortised cost and decrease in non-controlling interests at 1 January 2018	(587)

2. Significant Accounting Policies *(Continued)*

c) *Changes in accounting policies (Continued)*

a) *HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)*

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale investments and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

2. Significant Accounting Policies *(Continued)*

c) *Changes in accounting policies (Continued)*

a) *HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)*

(i) Classification of financial assets and financial liabilities (Continued)

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017 HK$'000	Reclassification HK$'000	Remeasurement HK$'000	HKFRS 9 carrying amount at 1 January 2018 HK$'000
Financial assets carried at amortised cost				
Loans receivable – non-current portion	458,614	–	(1,307)	457,307
Loans receivable – current portion	4,216,901	–	(17,529)	4,199,372
	4,675,515	–	(18,836)	4,656,679
Financial assets measured at FVOCI (recycling)				
Debt securities (note (i))	–	52,270	–	52,270
Financial assets carried at FVPL				
Equity securities listed in Hong Kong (note (ii))	–	11,860	–	11,860
Unlisted investment funds in the PRC (note (iii))	–	29,908	–	29,908
Unlisted investments (note (iii))				
– golf club membership	–	1,903	5,567	7,470
– marina club membership	–	3,100	–	3,100
	–	46,771	5,567	52,338
Financial assets classified as available-for-sale under HKAS 39 (notes (i), (ii), (iii))	99,041	(99,041)	–	–

2. Significant Accounting Policies *(Continued)*

c) Changes in accounting policies (Continued)

a) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

(i) Classification of financial assets and financial liabilities (Continued)

Notes:

(i) Under HKAS 39, debt securities were classified as avaliable-for-sale financial assets. They are classified as at FVOCI (recycling) under HKFRS 9.

(ii) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. However, the Group does not elect the option for the designation and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss.

(iii) Under HKAS 39, unlisted investment funds and unlisted investments were classified as available-for-sale financial assets. They are classified as at FVPL under HKFRS 9.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes 2(k) and 2(l)(i).

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts (see note 2(l)(ii)). The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

2. Significant Accounting Policies *(Continued)*

c) *Changes in accounting policies (Continued)*

a) *HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)*

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, loans receivable, accounts receivable, interests receivable, other receivables, pledged bank and security deposits paid and time deposits;

– debt securities measured at FVOCI (recycling); and

– financial guarantee contracts issued (see note 2(l)(ii)).

For further details on the Group's accounting policy for accounting for credit losses, see notes 2(l)(i) and (ii).

2. Significant Accounting Policies *(Continued)*

c) *Changes in accounting policies (Continued)*

a) *HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)*

(ii) Credit losses (Continued)

The following table reconciles the closing allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	HK$'000
Loss allowance at 31 December 2017 under HKAS 39	38,079
Additional credit loss recognised at 1 January 2018 on:	
– Loans receivable – non-current portion	1,307
– Loans receivable – current portion	17,529
Loss allowance at 1 January 2018 under HKFRS 9	56,915

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  - the determination of the business model within which a financial asset is held;

2. Significant Accounting Policies *(Continued)*

c) *Changes in accounting policies (Continued)*

a) *HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)*

(iii) *Transition (Continued)*

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

b) *HKFRS 15, Revenue from contracts with customers*

The directors are of the opinion that the adoption of HKFRS 15 does not have any material impact on the financial position and the financial result of the Group.

c) *HK(IFRIC) Int-22, Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) Int-22 does not have any material impact on the financial position and the financial result of the Group.

2. Significant Accounting Policies *(Continued)*

d) Subsidiaries and non-controlling interests

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(o) or (p) depending on the nature of the liability.

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

2. Significant Accounting Policies *(Continued)*

d) *Subsidiaries and non-controlling interests (Continued)*

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(k)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(l)(iii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

e) *Associates*

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(l)(iii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

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

2. Significant Accounting Policies *(Continued)*

e) Associates (Continued)

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

If an investment in an associate becomes an investment in a joint venture, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(k)).

In the Company's statement of financial position, investment in an associate is stated at cost less impairment losses (see note 2(l)(iii)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

f) Business combinations and goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

2. Significant Accounting Policies *(Continued)*

f) *Business combinations and goodwill (Continued)*

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

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

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

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

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

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

2. Significant Accounting Policies *(Continued)*

g) *Intangible assets*

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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

h) *Financial derivatives*

Financial derivatives are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

2. Significant Accounting Policies *(Continued)*

i) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(l)(iii)).

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

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

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

–	Leasehold improvements	3 years or over the remaining term of the lease, if shorter
–	Furniture and equipment	3 to 5 years
–	Motor vehicles	3 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

2. Significant Accounting Policies *(Continued)*

j) *Leased assets*

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) *Classification of assets leased to the Group*

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

ii) *Operating lease charges*

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

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

2. Significant Accounting Policies *(Continued)*

k) *Other investments in debt and equity securities*

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 43(f). These investments are subsequently accounted for as follows, depending on their classification.

(A) *Policy applicable from 1 January 2018*

Investments other than equity investments

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

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

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

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

2. Significant Accounting Policies *(Continued)*

k) *Other investments in debt and equity securities (Continued)*

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

Equity investments

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

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

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost (for impairment see note 2(l)(i) – policy applicable prior to 1 January 2018).

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments and interest income from debt securities calculated using the effective interest method were recognised in profit or loss in accordance with the policies set out in note 2(t). Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired (see note 2(l)(i) – policy applicable prior to 1 January 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

2. Significant Accounting Policies *(Continued)*

l) *Credit losses and impairment of assets*

(i) *Credit losses from financial instruments*

(A) *Policy applicable from 1 January 2018*

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, loans receivable, accounts receivable, other receivables, amount due from an associate, pledged bank and security deposits paid and time deposits); and

– debt securities measured at FVOCI (recycling).

Financial assets measured at fair value, including contingent consideration receivables, and financial assets carried at FVPL (including equity securities, unlisted investment funds and unlisted investments), are not subject to the ECL assessment.

Measurement of ECLs

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

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

2. Significant Accounting Policies *(Continued)*

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

(i) *Credit losses from financial instruments (Continued)*

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

Measurement of ECLs *(Continued)*

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

– fixed-rate financial assets: effective interest rate determined at initial recognition or an approximation thereof; and

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

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

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

ECLs are measured on either of the following bases:

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

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

2. Significant Accounting Policies *(Continued)*

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

(i) *Credit losses from financial instruments (Continued)*

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

Measurement of ECLs *(Continued)*

The Group applies a simplified approach to measure ECL on other receivables; and a general approach to measure ECL on loans receivable and advances to customers, accounts receivable, interest receivable and other financial assets accounted for at FVOCI as well as loan commitment.

Under the simplified approach, the Group measures the loss based on lifetime ECL. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition:

Stage 1: 12-months ECL

For exposure where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Lifetime ECL – not credit-impaired

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

Stage 3: Lifetime ECL – credit-impaired

Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit-impaired, a lifetime ECL is recognised and interest income is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

Significant increases in credit risk

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

2. Significant Accounting Policies *(Continued)*

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

(i) *Credit losses from financial instruments (Continued)*

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

Significant increases in credit risk *(Continued)*

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

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

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

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

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

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

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

2. Significant Accounting Policies *(Continued)*

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

(i) *Credit losses from financial instruments (Continued)*

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

Significant increases in credit risk *(Continued)*

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

Basis of calculation of interest income

Interest income recognised in accordance with note 2(t) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

2. Significant Accounting Policies *(Continued)*

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

(i) *Credit losses from financial instruments (Continued)*

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

Write-off policy

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

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

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. loans receivable, accounts receivable, interests receivable, other receivables and available-for-sale investments). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– significant financial difficulties of the debtor;

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

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

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

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

2. Significant Accounting Policies *(Continued)*

l) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

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

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

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

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

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

2. Significant Accounting Policies *(Continued)*

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

(i) *Credit losses from financial instruments (Continued)*

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

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

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

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

  Impairment losses recognised in profit or loss in respect of available-for-sale debt securities were reversed if the subsequent increase in fair value could be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances were recognised in profit or loss.

2. Significant Accounting Policies *(Continued)*

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

(ii) *Credit losses from financial guarantee issued*

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

Financial guarantees issued are initially recognised as deferred income within "liabilities arising from loan guarantee contracts" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued (see note 2(t)).

(A) Policy applicable from 1 January 2018

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "liabilities arising from loan guarantee contracts" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

2. Significant Accounting Policies *(Continued)*

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

(ii) *Credit losses from financial guarantee issued (Continued)*

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

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(l)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

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

Prior to 1 January 2018, a provision would be recognised if and when it became probable that (i) the holder of the guarantee would call upon the Group under the guarantee and (ii) the amount of the claim on the Group was expected to exceed the amount carried in “liabilities arising from loan guarantee contracts” in respect of the guarantee.

2. Significant Accounting Policies *(Continued)*

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

(iii) *Impairment of other non-current assets*

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

– property, plant and equipment;

– interests in associates;

– intangible assets;

– goodwill; and

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

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2. Significant Accounting Policies *(Continued)*

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

(iii) *Impairment of other non-current assets (Continued)*

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

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

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

(iv) *Interim financial reporting and impairment*

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2. Significant Accounting Policies *(Continued)*

m) Loans receivable, accounts receivable and other receivables

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

Receivables that are held for collection of contractual cash flows where those case flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at amortised cost and are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(l)(i)).

n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(l)(i).

o) Accounts and other payables

Accounts and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(l)(ii), accounts and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

2. Significant Accounting Policies *(Continued)*

q) *Employee benefits and share-based payment arrangements*

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

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans, and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) *Termination benefits*

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

iii) *Share-based payments to employees*

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

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

iv) *Share-based payments to consultants*

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

2. Significant Accounting Policies *(Continued)*

r) *Provisions and contingent liabilities*

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the 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 of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

s) *Income tax*

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

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

2. Significant Accounting Policies *(Continued)*

s) *Income tax (Continued)*

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

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

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

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

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2. Significant Accounting Policies *(Continued)*

s) *Income tax (Continued)*

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

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

t) *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

i) *Revenue from short-term financing services*

- Interest income from a financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.
- Loan guarantee service income, consists of guarantee fee and related service income and is recognised in profit or loss on a straight-line basis over the guarantee period.
- Financing consulting service income is recognised when the services are rendered.

2. Significant Accounting Policies *(Continued)*

t) *Revenue recognition (Continued)*

ii) *Dividends*

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

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

iii) *Education consultancy service income*

Revenue from such services are recognised when related services are rendered.

iv) *Other interest income*

Other interest income is recognised as it accrues using the effective interest method.

v) *Service income*

Revenue arising from the provision of the services is recognised when the relevant services are rendered.

vi) *Government grants*

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

vii) *Income from financial guarantee issued*

Income from financial guarantee issued is recognised over the term of the guarantees (see note 2(l)(ii)).

2. Significant Accounting Policies *(Continued)*

u) *Translation of foreign currencies*

i) *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 Hong Kong dollars, which is the Company's functional and presentation currency.

ii) *Transactions and balances*

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

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

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange fluctuation reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of foreign operation.

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

In the case of a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2. Significant Accounting Policies *(Continued)*

v) *Borrowing costs*

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

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

w) *Related parties*

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

   i) has control or joint control over the Group;

   ii) has significant influence over the Group; or

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

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

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

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

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

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

2. Significant Accounting Policies *(Continued)*

w) *Related parties (Continued)*

b) *(Continued)*

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

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

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

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

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

x) *Segment reporting*

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

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

y) *Acquisition that is not constituting a business*

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

3. Revenue and Segment Reporting

a) *Revenue*

The amount of each significant category of revenue during the year is as follows:

	2018 HK$'000	2017 HK$'000
Interest, guarantee and financing consultancy services income		
Pawn loans, loans receivable from micro-lending and money-lending	**363,844**	284,397
Other loans receivable	**458,995**	448,197
Financial guarantees	**174**	111
	823,013	732,705
Interest and handling expenses arising from:		
Bank loans	**(11,910)**	(5,840)
Borrowings and other payables	**(114,426)**	(39,749)
Senior bonds	**(5,535)**	(29,381)
Unsecured bonds	**(29,078)**	(25,874)
Other finance costs	**(3,442)**	(3,493)
	(164,391)	(104,337)
Net interest income and service income	**658,622**	628,368
Income arising from:		
Education consultancy service	**6,369**	2,458

For the year ended 31 December 2018, the total amount of interest income on financial assets not at fair value through profit or loss, including bank and other interest income from debt securities (note 4), was HK$828,459,000 (2017: HK$736,824,000).

3. Revenue and Segment Reporting *(Continued)*

b) *Segmental Information*

(i) *Operating segment information*

For the years ended 31 December 2018 and 2017, the directors of the Company have determined that the Group has only one reportable segment as the Group is principally engaged in providing financing service which is the basis to allocate resources and assess performance of the Group.

(ii) *Geographical information*

Revenue from external customers

	2018	2017
	HK$'000	HK$'000
Hong Kong	**79,498**	35,502
The PRC	**743,515**	697,203
United Kingdom	**6,369**	2,458
	829,382	735,163

The geographic location of revenue from external customers is based on the location at which the services were rendered.

Non-current assets

	2018	2017
	HK$'000	HK$'000
Hong Kong	**82,699**	40,984
The PRC	**710,941**	676,358
United Kingdom	**24,835**	17,781
	818,475	735,123

The above table sets out the information about the geographical location of the Group's property, plant and equipment, goodwill, intangible assets, interests in associates and deposits ("Specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets, goodwill and deposits and the location of operation, in the case of interests in associates.

(iii) *Information about major customers*

For the year ended 31 December 2018, there was no customer (2017: nil) who individually contributed over 10% of the Group's revenue.

4. Other Income, Net

	2018 HK$'000	2017 HK$'000
Bank interest income	**2,516**	2,476
Other interest income from debt securities	**3,104**	1,754
Dividend income from other financial assets	**301**	1,290
Interest income from financial assets at FVTPL	**–**	498
Income from government subsidies	**1,325**	19,280
Other financial assets: reclassified from equity		
– Gain on disposal (note 9)	**–**	3,773
Gain/(loss) on fair value change of financial assets at FVTPL		
– Gain/(loss) on disposal	**549**	(18)
– Change on fair value of financial assets at FVTPL	**3,804**	–
	4,353	(18)
Gain on fair value change of financial derivatives in respect of decumulator contracts		
– Gain on disposal	**304**	–
– Change on fair value	**–**	728
	304	728
Gain on fair value change of contingent consideration receivables (note (i))	**10,444**	–
Exchange loss, net	**(14,881)**	(5,961)
Gain on bargain purchase (note 40(a))	**–**	18,313
Others (note (ii))	**8,714**	8,843
	16,180	50,976

Notes:

(i) Loss on fair value change of contingent consideration receivable of HK$2,096,000 was included in "General and administrative expenses" on the consolidated statement of profit or loss for the year ended 31 December 2017.

(ii) For the year ended 31 December 2017, the Group received consultancy fee income of approximately HK$3,026,000, which was included in other income, from 北京萬方鑫業投資咨詢有限公司, of which a director of the Company was the legal representative and executive director. The directors of the Company were of the opinion that such transaction was conducted on mutually agreed terms in the ordinary course of business.

5. Profit Before Taxation

The Group's profit before taxation is arrived at after charging/(crediting):

		2018 HK$'000	2017 HK$'000
(a)	**Staff costs (including directors' emoluments):**		
	Salaries, allowances and other benefits	**80,884**	46,980
	Equity-settled share-based payment expenses	**–**	385
	Contributions to defined contribution retirement plans	**6,920**	4,720
		87,804	52,085
(b)	**Other items:**		
	Depreciation	**3,636**	3,065
	Operating lease charges in respect of properties (see notes (ii) and (iii) below)	**16,253**	12,262
	Auditors' remuneration	**2,350**	2,050
	Impairment losses recognised – loans receivable (note 18(c))	**17,158**	29,244
	Reversal of impairment losses – loans receivable (note 18(c))	**–**	(213)
	Equity-settled share-based payment expenses (see note (i) below)	**1,174**	4,170
	Fair value change of contingent consideration receivables (note 17)	**(10,444)**	2,096

Notes:

(i) For the year ended 31 December 2017, equity-settled share-based payment expenses included HK$385,000 relating to staff costs which amount was also included in the total amount disclosed in note 5(a) for staff costs.

(ii) For the year ended 31 December 2018, the Group paid operating lease charges (in respect of properties) of approximately HK$1,519,000 (2017: HK$1,486,000), HK$322,000 (2017: HK$2,537,000) and HK$2,042,000 (2017: nil) to 北京元長厚茶葉有限公司, 北京東皇物業管理有限公司 and 北京萬方後海前企業經營管理有限公司, respectively, of which a director of the Company is their legal representatives. The directors of the Company are of the opinion that such transactions were conducted on mutually agreed terms in the ordinary course of business.

(iii) During the year ended 31 December 2018, the Group paid operating lease charges (in respect of director's quarter) of approximately HK$1,800,000 (2017: HK$1,800,000) to Anton (H.K.) Limited, in which a director of the Company and his wife have controlling interests. The directors of the Company are of the opinion that such transaction was conducted on mutually agreed terms in the ordinary course of business. Such amount was included in the total amount disclosed in note 5(a) for staff costs. In addition, as at 31 December 2018, rental deposit of HK$300,000 (2017: HK$300,000), which was related to this director's quarter, was included in "Other receivables, deposits and prepayments" in the consolidated statement of financial position.

6. Income Tax

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

	2018 HK$'000	2017 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	–	1
Under-provision in respect of prior years	1,183	1,059
Current tax – PRC Enterprise Income Tax		
Provision for the year	123,315	147,247
(Over)/under-provision in respect of prior years	(25)	2,557
Withholding tax on dividends		
Provision for the year	4,130	28,878
Deferred tax		
Origination and reversal of temporary differences (note 31(a))	7,151	13,451
	135,754	193,193

(i) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operates.

(ii) The provision for the Hong Kong Profits Tax of the subsidiaries established in Hong Kong and the Company were calculated at 16.5% of the estimated taxable profit for the year ended 31 December 2017.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The two-tiered profits tax rates regime is applied from the year of assessment 2018/19.

(iii) Pursuant to the rules and regulations of the British Virgin Islands ("BVI") and Cayman Islands, the Group is not subject to any income tax in the BVI and Cayman Islands.

(iv) The provision for the PRC Enterprise Income Tax of the subsidiaries established in the PRC is calculated at 25% (2017: 25%) of the estimated taxable profits for the year.

6. Income Tax *(Continued)*

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

(v) Pursuant the Enterprise Income Tax Law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC enterprise.

Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future in respect of profits generated since 1 January 2008.

b) *Reconciliation between tax expense charged to profit or loss and accounting profit at the applicable tax rates:*

	2018 HK$'000	2017 HK$'000
Profit before taxation	**434,310**	503,734
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**115,328**	132,741
Tax effect of non-taxable income	**(16,959)**	(2,280)
Tax effect of non-deductible expenses	**15,690**	13,057
Tax effect of temporary differences not recognised	**(1,981)**	(1,225)
Tax effect of tax losses not recognised	**11,250**	5,458
Tax effect of utilisation of unused tax losses previously not recognised	**(12)**	(836)
(Over)/under-provision of PRC Enterprise Income Tax in prior years	**(25)**	2,557
Under-provision of HK Profits Tax in prior years	**1,183**	1,059
Tax effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**11,281**	44,951
Others	**(1)**	(2,289)
Actual tax expense	**135,754**	193,193

6. Income Tax *(Continued)*

c) Current taxation in the consolidated statement of financial position represents:

	2018 HK$'000	2017 HK$'000
At 1 January	**(144,510)**	(112,344)
Provision for the year:		
– PRC Enterprise Income Tax	**(123,315)**	(147,247)
– Hong Kong Profits Tax	**–**	(1)
– Withholding tax on dividends	**(4,130)**	(28,878)
Over/(under)-provision in respect of prior years:		
– PRC Enterprise Income Tax	**25**	(2,557)
– Hong Kong Profits Tax	**(1,183)**	(1,059)
Taxation paid:		
– PRC Enterprise Income Tax	**166,835**	142,564
– Hong Kong Profits Tax	**–**	241
Taxation refunded:		
– PRC Enterprise Income Tax	**(138)**	–
– Hong Kong Profits Tax	**–**	(101)
Exchange adjustment	**5,285**	4,872
At 31 December	**(101,131)**	(144,510)
Analysed for reporting purpose as:		
Tax recoverable	**157**	–
Tax payable	**(101,288)**	(144,510)
	(101,131)	(144,510)

7. Directors' And Chief Executive's Emoluments

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

	Year ended 31 December 2018					
	Fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Sub-Total	Share-based payments (note vii)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors						
Luo Rui *(Chief executive officer)*	240	1,205	148	1,593	–	1,593
Guan Xue Ling	240	879	148	1,267	–	1,267
Cheung Chai Hong	–	950	18	968	–	968
Non-executive directors						
Cheung Siu Lam	–	2,835	18	2,853	–	2,853
Chan Yuk Ming *(Chairman)*	–	1,016	18	1,034	–	1,034
Zhou Jian (note i)	34	–	–	34	–	34
Huang Mei	120	–	–	120	–	120
Dong Yibing (note ii)	88	–	–	88	–	88
Independent non-executive directors						
Chan Wing Fai	120	–	–	120	–	120
Wang Jian Sheng (note iii)	47	–	–	47	–	47
Chan Chun Keung	120	–	–	120	–	120
Zhang Xiao Jun (note vi)	120	–	–	120	–	120
Zhan Lili (note iv)	74	–	–	74	–	74
	1,203	6,885	350	8,438	–	8,438

7. Directors' And Chief Executive's Emoluments *(Continued)*

	Year ended 31 December 2017					
	Fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Sub-Total	Share-based payments (note vii)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors						
Luo Rui *(Chief executive officer)*	240	1,179	132	1,551	385	1,936
Guan Xue Ling	240	860	132	1,232	–	1,232
Cheung Chai Hong	140	1,345	8	1,493	–	1,493
Non-executive directors						
Cheung Siu Lam	–	2,835	18	2,853	–	2,853
Chan Yuk Ming *(Chairman)*	–	1,016	18	1,034	–	1,034
Zhou Jian (note i)	56	–	–	56	–	56
Zhang Xiao Bin (note v)	64	268	–	332	–	332
Huang Mei	120	–	–	120	–	120
Independent non-executive directors						
Chan Wing Fai	120	–	–	120	–	120
Wang Jian Sheng (note iii)	120	–	–	120	–	120
Chan Chun Keung	120	–	–	120	–	120
Zhang Xiao Jun (note vi)	119	–	–	119	–	119
	1,339	7,503	308	9,150	385	9,535

Notes:

(i) Mr Zhou Jian was appointed as non-executive director on 13 July 2017 and resigned as non-executive director on 6 April 2018. For the year ended 31 December 2017, the amount represented his emoluments from the date of appointment. For the year ended 31 December 2018, the amount represented his emoluments from 1 January 2018 to the date of resignation.

(ii) Mr Dong Yibing was appointed as non-executive director on 6 April 2018. The amount for the relevant year represent his emoluments from the date of appointment.

(iii) Mr Wang Jian Sheng retired as independent non-executive directors on 21 May 2018. The amount for the relevant year represent his emoluments from 1 January 2018 to the date of retirement.

(iv) Madam Zhan Lili was appointed as non-executive director on 21 May 2018. The amount for the relevant year represent her emoluments from the date of appointment.

(v) Mr Zhang Xiao Bin resigned as non-executive director on 13 July 2017. The amount for the relevant year represented his emoluments from 1 January 2017 to the date of resignation.

(vi) Mr Zhang Xiao Jun was appointed as independent non-executive director on 5 January 2017. The amount for the relevant year represented his emoluments from the date of appointment.

7. Directors' And Chief Executive's Emoluments *(Continued)*

Notes: *(Continued)*

(vii) These represents the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policy for share-based payments transactions as set out in note 2(q)(iii).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share Option Scheme" in the directors' report and note 37.

During the years ended 31 December 2018 and 2017, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director has waived or agreed to waive any emoluments during the years ended 31 December 2018 and 2017.

8. Individuals with Highest Emoluments

Of the five individuals with the highest emoluments, three (2017: four) are directors of the Company whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2017: one) individual is as follows:

	2018	2017
	HK$'000	HK$'000
Salaries, allowances and other benefits	**3,042**	2,416
Retirement scheme contributions	**36**	18
	3,078	2,434

The emoluments of the two (2017: one) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2018	2017
HK$Nil up to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**–**	1

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

9. Other Comprehensive (Loss)/Income

Components of other comprehensive (loss)/income, including re-classification adjustments, are as follows:

	Note	2018 HK$'000	2017 HK$'000
Exchange differences on translation into presentation currency		**(164,507)**	218,075
Financial assets measured at FVOCI/ other financial assets:			
Changes in fair value recognised during the year		–	3,853
Reclassification adjustments for amounts transferred to profit or loss:			
– gain on disposal	4	–	(3,773)
Net loss on debt securities at fair value through other comprehensive income (recycling)		**(9,173)**	–
Net movement in fair value reserve during the year recognised in other comprehensive income		**(9,173)**	80
		(173,680)	218,155

10. Earnings Per Share

a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$270,427,000 (2017: HK$286,675,000) and the weighted average number of ordinary shares in issue during the year, calculated as follows:

10. Earnings Per Share *(Continued)*

a) *Basic earnings per share (Continued)*

Weighted average number of ordinary shares (basic)

	2018 Number of shares	2017 Number of shares
Issued ordinary shares at 1 January	**4,311,583,347**	3,840,056,336
Effect of shares repurchased	**(12,081,140)**	–
Effect of share options exercised	**–**	5,345,205
Effect of shares issued under subscription agreements, placing and subscription agreement and investor subscription agreement	**–**	172,030,137
Effect of consideration issue	**–**	28,085,001
Weighted average number of ordinary shares at 31 December	**4,299,502,207**	4,045,516,679

b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$270,427,000 (2017: HK$286,675,000) and the weighted average number of ordinary shares calculated as follows:

Weighted average number of ordinary shares (diluted)

	2018 Number of shares	2017 Number of shares
Weighted average number of ordinary shares (basic) at 31 December	**4,299,502,207**	4,045,516,679
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**8,723,100**	21,114,608
Weighted average number of ordinary shares (diluted) at 31 December	**4,308,225,307**	4,066,631,287

11. Property, Plant and Equipment

	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture and equipment HK$'000	Total HK$'000
Cost				
At 1/1/2017	8,012	8,424	5,366	21,802
Additions	2,427	–	2,032	4,459
Additions through acquisitions of subsidiaries (note 40(a))	135	–	276	411
Disposals	–	–	(31)	(31)
Exchange adjustment	621	263	314	1,198
At 31/12/2017 and 1/1/2018	11,195	8,687	7,957	27,839
Additions	4,489	1,504	3,018	9,011
Disposals	(134)	(1,108)	(226)	(1,468)
Exchange adjustment	(532)	(190)	(320)	(1,042)
At 31/12/2018	**15,018**	**8,893**	**10,429**	**34,340**
Accumulated depreciation and impairment				
At 1/1/2017	7,142	7,304	2,842	17,288
Charge for the year	846	720	1,499	3,065
Written back on disposals	–	–	(30)	(30)
Exchange adjustment	518	246	183	947
At 31/12/2017 and 1/1/2018	8,506	8,270	4,494	21,270
Charge for the year	1,651	459	1,526	3,636
Written back on disposals	–	(1,108)	(225)	(1,333)
Exchange adjustment	(430)	(189)	(178)	(797)
At 31/12/2018	**9,727**	**7,432**	**5,617**	**22,776**
Carrying amounts				
At 31/12/2018	**5,291**	**1,461**	**4,812**	**11,564**
At 31/12/2017	2,689	417	3,463	6,569

12. Investments in Subsidiaries and Structured Entities

(a) *Subsidiaries*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group:

Name	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
K.P.B. Group Holdings Limited	BVI/Hong Kong	Ordinary US$12	100%	–	Investment holding
K.P.B. Trading Limited	BVI/Hong Kong	Ordinary US$4	–	100%	Investment holding
K.P.B. – T.C. Holdings Limited	BVI/Hong Kong	Ordinary US$1	–	100%	Investment holding
K.P.B. Asset Holdings Limited	BVI/Hong Kong	Ordinary US$6	–	100%	Investment holding
K.P.B. Marketing Limited	BVI/Hong Kong	Ordinary US$2	–	100%	Investment holding
K.P.I. Convenience Retail Company Limited	BVI/Hong Kong	Ordinary US$76,563	–	100%	Investment holding
K.P. Financial Group Limited	BVI/Hong Kong	Ordinary US$1	–	100%	Investment holding
Charter Merit Limited	Hong Kong	2 ordinary shares	–	100%	Holding of a club membership
Charter Paradise Limited	Hong Kong	2 ordinary shares	–	100%	Holding of a club membership
K.P.A. Company Limited	Hong Kong	2 ordinary shares and 2 non-voting deferred shares	–	100%	Dormant
K.P.I. Development Limited	Hong Kong	2 ordinary shares and 10,000 non-voting deferred shares	–	100%	Securities trading
K.P.I. Industries Limited	Hong Kong	2 ordinary shares and 2 non-voting deferred shares	–	100%	Holding of club memberships
K.P.I. International Trading Company Limited	Hong Kong	2 ordinary shares and 2 non-voting deferred shares	–	100%	Securities trading
KP Property Agents Company Limited	Hong Kong	2 ordinary shares	–	100%	Property Agent

12. Investments in Subsidiaries and Structured Entities *(Continued)*

(a) *Subsidiaries (Continued)*

Name	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
KP Financial Holdings Limited	Hong Kong	1 ordinary share	–	100%	Investment holding
QL Credit Gain Finance Company Limited	Hong Kong	1 ordinary share	–	100%	Money lending
KP Credit Gain Finance Company Limited	Hong Kong	1 ordinary share	–	100%	Money lending
Qian Long Assets Management Company Limited	Hong Kong	5,000,000 ordinary shares	–	100%	Assets management services
Golden Bauhinia Investment Holdings Co., Ltd	Hong Kong	1,000,000 ordinary shares	–	100%	Investment holding
北京華夏興業融資擔保有限公司 (note a)	The PRC	Registered capital RMB300,000,000	100%	–	Provision of loan guarantee services and financing consultancy services
北京中嘉利通商貿有限公司 (note b)	The PRC	Registered capital RMB30,000,000	–	100%	Investment holding
北京中港佳鄰商業有限公司 (note c)	The PRC	Registered capital US$13,000,000	–	100%	Provision of financing consultancy services
北京中金投財務諮詢有限公司 (note d)	The PRC	Registered capital US$300,000	–	100%	Provision of financing consultancy services
北京中金港資產管理有限公司 (note e)	The PRC	Registered capital RMB200,000,000	–	100%	Provision of financing consultancy services
北京中金投典當行有限公司 (note f)	The PRC	Registered capital RMB200,000,000	–	100%	Money lending
北京惠豐融金小額貸款有限公司 (note g)	The PRC	Registered capital RMB50,000,000	–	70%	Micro-lending
北京中金城開小額貸款有限公司 (note h)	The PRC	Registered capital RMB400,000,000	80%	–	Micro-lending
上海安金金融信息服務有限公司 (note i)	The PRC	Registered capital RMB500,000	–	100%	Provision of financing consultancy services
北京融信嘉資產管理有限公司 (note j)	The PRC	Registered capital RMB100,000,000	–	100%	Provision of financing consultancy services

12. Investments in Subsidiaries and Structured Entities *(Continued)*

(a) *Subsidiaries (Continued)*

Name	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ registered share capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
北京中金投商業經紀有限公司 (note k)	The PRC	Registered capital RMB500,000	–	100%	Provision of rental services
北京朗明格諮詢有限公司 (note l)	The PRC	Registered capital RMB27,500,000	–	100%	Provision of financing consultancy services
Qian Long Capital	Cayman Islands/ Hong Kong	Ordinary US$1	–	100%	Investment manager
中金恒豐(北京)科技服務有限公司 (note m)	The PRC	Registered capital RMB10,000,000	–	70%	Micro-lending
成都市武侯惠信小額貸款有限責任公司 (note n)	The PRC	Registered capital RMB300,000,000	–	90%	Micro-lending
Noble Lion Education Company Limited	Hong Kong	1 ordinary share	100%	–	Provision of education services
Brick Lane Education Company Limited	Hong Kong	10 ordinary shares	–	60%	Provision of education services
Access Global Education Enterprise Limited	Hong Kong	1,000 ordinary shares	–	60%	Provision of education services
Access (UK) Education Limited	United Kingdom	100 ordinary shares	–	60%	Provision of education services
Brilliant Star Capital (Cayman) Limited	Cayman Islands/ Hong Kong	Ordinary HK$0.1	–	100%	Investment holding
Brilliant Star Capital (BVI) Limited	BVI/Hong Kong	Ordinary US$1	–	100%	Investment holding
Brilliant Star Capital Limited	Hong Kong	350,000,000 ordinary shares	–	100%	Investment holding
北京啟航惠智供應鏈管理有限公司 (note o)	The PRC	Registered capital RMB10,000,000	–	70%	Not yet commenced business
北京啟航暢聯科技有限公司 (note p)	The PRC	Registered capital RMB1,000,000	–	100%	Not yet commenced business
天津金悦海資產管理投資有限公司 (note q)	The PRC	Registered capital RMB5,000,000	–	100%	Not yet commenced business
北京誠通萬鈞諮詢有限公司 (note r)	The PRC	Registered capital RMB20,000,000	–	100%	Not yet commenced business
北京領路達航咨詢有限公司 (note s)	The PRC	Registered capital RMB5,000,000	–	100%	Not yet commenced business
嘉禧投資基金管理(北京)有限公司 (note t)	The PRC	Registered capital RMB10,000,000	–	100%	Not yet commenced business
北京中金融華商業保理有限公司 (note u)	The PRC	Registered capital RMB50,000,000	–	100%	Provision of factoring service

12. Investments in Subsidiaries and Structured Entities *(Continued)*

(a) Subsidiaries (Continued)

Notes:

a) 北京華夏興業融資擔保有限公司 is a wholly-foreign-owned enterprise established in the PRC to operate for 20 years up to June 2031.

b) 北京中嘉利通商貿有限公司 is a wholly-foreign-owned enterprise established in the PRC to operate for 15 years up to March 2023.

c) 北京中港佳鄰商業有限公司 is a wholly-foreign-owned enterprise established in the PRC to operate for 20 years up to March 2028.

d) 北京中金投財務諮詢有限公司 is a wholly-foreign-owned enterprise established in the PRC to operate for 20 years up to December 2030.

e) 北京中金港資產管理有限公司(“中金港” or “Zhongjingang”) is a limited liability company established in the PRC.

f) 北京中金投典當行有限公司(“典當行”) is a limited liability company established in the PRC.

g) 北京惠豐融金小額貸款有限公司(“惠豐小貸”) is a limited liability company established in the PRC.

h) 北京中金城開小額貸款有限公司 is a sino-foreign enterprise established in the PRC.

i) 上海安金金融信息服務有限公司 is a limited liability company established in the PRC.

j) 北京融信嘉資產管理有限公司(“融信嘉” or “Rongxinjia”) is a limited liability company established in the PRC.

k) 北京中金投商業經紀有限公司 is a limited liability company established in the PRC.

l) 北京朗明格諮詢有限公司 is a limited liability company established in the PRC.

m) 中金恒豐(北京)科技服務有限公司 is a limited liability company established in the PRC.

n) 成都市武侯惠信小額貸款有限責任公司 is a limited liability company established in the PRC.

o) 北京啟航惠智供應鏈管理有限公司 is a limited liability company established in the PRC.

p) 北京啟航暢聯科技有限公司 is a limited liability company established in the PRC.

q) 天津金悦海資產管理投資有限公司 is a limited liability company established in the PRC.

r) 北京誠通萬鈞諮詢有限公司 is a limited liability company established in the PRC.

s) 北京領路達航咨詢有限公司 is a limited liability company established in the PRC.

t) 嘉禧投資基金管理(北京)有限公司 is a limited liability company established in the PRC.

u) 北京中金融華商業保理有限公司 is a limited liability company established in the PRC.

12. Investments in Subsidiaries and Structured Entities *(Continued)*

(a) *Subsidiaries (Continued)*

The following table lists out the information relating to the subsidiaries of the Group which has material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	北京惠豐融金小額貸款有限公司		中金恒豐(北京)科技服務有限公司 (Note)		成都市武侯惠信小額貸款有限責任公司		北京中金城開小額貸款有限公司	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
NCI percentage	**30%**	30%	**30%**	30%	**10%**	10%	**20%**	20%
Current assets	**103,137**	105,336	**831,183**	690,015	**256,642**	292,910	**750,179**	799,855
Non-current assets	**9,061**	–	**11**	–	**139,702**	80,669	**25,390**	473
Current liabilities	**(3,123)**	(2,248)	**(788,905)**	(677,603)	**(29,909)**	(11,714)	**(266,301)**	(226,032)
Non-current liabilities	**–**	–	**–**	–	**–**	–	**–**	–
Net assets	**109,075**	103,088	**42,289**	12,412	**366,435**	361,865	**509,268**	574,296
Carrying amount of NCI	**32,723**	30,926	**12,687**	3,724	**36,644**	36,187	**101,854**	114,859
Revenue	**16,742**	14,407	**85,645**	19,017	**56,130**	4,261	**138,132**	126,034
Profit for the year	**11,104**	9,695	**31,520**	13,055	**21,823**	2,238	**61,734**	82,047
Total comprehensive income	**5,987**	16,129	**29,877**	13,448	**4,570**	8,758	**38,227**	120,750
Profit allocated to NCI	**3,331**	2,909	**9,456**	3,917	**2,182**	224	**12,347**	16,409
Dividend paid to NCI	**–**	–	**–**	–	**–**	–	**20,651**	11,920
Cash flows from operating activities	**(21,979)**	30,597	**(41,882)**	(252,747)	**(66,900)**	(86,762)	**204,332**	(113,276)
Cash flows from investing activities	**(1,449)**	**–**	**(523)**	(28)	**2,113**	(69)	**450**	(1,374)
Cash flows from financing activities	**–**	**–**	**40,216**	256,701	**–**	–	**(174,142)**	77,988

Note: Ms. Guan Xue Ling, an executive director of the Company, is the managing partner and a shareholder of the NCI of 中金恒豐(北京)科技服務有限公司.

12. Investments in Subsidiaries and Structured Entities *(Continued)*

(b) Structured entities

The Group had consolidated certain structured entities including the investment fund (the "Fund") and the trust (the "Trust"). To determine whether control exists, the Group uses the following judgements:

(1) For the Trust, to which the Group provides financial guarantees, the Group has an obligation to fund the losses beyond its investments, if any, in accordance with the guarantee agreements. The Group concludes that its exposure to variability of returns is of such significance that these structured entities shall be consolidated.

(2) For the Fund, the directors of the Company consider that the Group has a control over the Fund since

(1) the Group involves as investment manager;

(2) the Group is acting as a principal in the Fund;

(3) no substantial removal rights held by other parties may remove the Group as an investment manager; and

(4) the investment interests held together with its remuneration from servicing and managing the Fund creates significant exposure to the variability of returns in the Fund.

Details of the Group's significant consolidated structured entities are as follows:

Name of structured entity	Size of trust plan/ fund as at 31 December 2018 HK$'000	Proportion of interests held by the Group as at 31 December 2018	2017	Principal activities
中誠信託滙融集合資金信託計劃 (the "Trust")	288,975	**25%**	0%	Provision of financing consultancy services
Kronos Fund SPC (the "Fund")	70,968	**66.3%**	81.6%	Fund investment

12. Investments in Subsidiaries and Structured Entities *(Continued)*

(b) Structured entities (Continued)

The following table lists out the information relating to the Trust. The summarised financial information presented below represents the amounts before any inter-company elimination.

	The Trust 2018 HK$'000
Current assets	**292,104**
Current liabilities	**(292,411)**
Net liabilities	**(307)**
Revenue	**4,438**
Loss for the year	**(318)**
Total comprehensive loss	**(307)**
Cash flows from operating activities	**8,226**
Cash flows from investing activities	**–**
Cash flows from financing activities	**–**

The financial impact of the Fund on the Group's financial position as at 31 December 2018 and 2017, and results and cash flows for the years ended 31 December 2018 and 2017, though consolidated, are not significant and therefore not disclosed separately.

Interests in all consolidated structured entities indirectly held by the Company amounted to HK$122,244,000 and HK$50,000,000 at 31 December 2018 and 2017 respectively.

Interests held by other interest holders are presented as changes in net assets attributable to other holders of consolidated structured entities in the consolidated statement of profit or loss and included in other payables in the consolidated statement of financial position as set out in notes 24(d) and 24(g).

13. Goodwill

	HK$'000
Cost and carrying amount	
At 1 January 2017	577,230
Arising on acquisition of subsidiaries (note 40(b))	17,781
Exchange adjustment	40,466
At 31 December 2017 and 1 January 2018	635,477
Exchange adjustment	(31,770)
At 31 December 2018	603,707

Goodwill has been allocated for impairment testing purposes to the following CGUs.

– Financing business in Beijing, PRC ("Division A")

– Education business in United Kingdom ("Division B")

The carrying amounts of goodwill as at 31 December 2018 and 2017 allocated to these units are as below:

	2018 HK$'000	2017 HK$'000
Division A	**585,926**	617,696
Division B	**17,781**	17,781
	603,707	635,477

13. Goodwill *(Continued)*

Division A

The recoverable amount of the CGU is determined based on the value in use calculations, which are based on a business valuation report on the CGU prepared by an independent qualified professional valuer, Peak Vision Appraisals Limited (2017: Peak Vision Appraisals Limited). These calculations use cash flow projections based on financial budgets approved by management covering a three-year period (2016: three-year period). Cash flows beyond the three-year period (2017: three-year period) are extrapolated using an estimated growth rate stated below which is by reference to the forecasts based on the funds available for the Group's loan financing business and does not exceed the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using the discount rate stated below. The discount rates used are pre-tax and reflect specific risks relating to the relevant cash-generating unit.

Key assumptions used for the value-in-use calculations are as follows:

	2018	2017
Growth rate	**3%**	3%
Gross margin	**81%**	85%
Discount rate	**14.58%**	15.29%

Management determined the budgeted gross margin based on past performance and its expectation for market development.

The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

For the year ended 31 December 2018, no impairment loss on goodwill (2017: nil) relating to Division A was recognised.

13. Goodwill *(Continued)*

Division B

The recoverable amount of the CGU is determined based on the value in use calculations, which are based on a business valuation report on the CGU prepared by an independent qualified professional valuer, Peak Vision Appraisals Limited (2017: Peak Vision Appraisals Limited). These calculations use cash flow projections based on financial budgets approved by management covering a five-year period (2017: five-year period). Cash flows beyond the five-year period are extrapolated using an estimated growth rate stated below which is by reference to the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using the discount rate stated below. The discount rates used are pre-tax and reflect specific risks relating to the relevant cash-generating unit.

Key assumptions used for the value-in-use calculations are as follows:

	2018	2017
Growth rate	**2%**	2%
Earnings before interest and tax ("EBIT") margin	**51%**	58%
Discount rate	**16.67%**	14.67%

Management determined the budgeted EBIT margin based on past performance and its expectation for market development.

The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

For the year ended 31 December 2018, no impairment loss on goodwill (2017: nil) relating to Division B was recognised.

14. Intangible Assets

	Tradenames
	HK$'000
Cost	
At 1 January 2017	–
Addition (Note 40(c))	19,371
At 31 December 2017, 1 January 2018 and 31 December 2018	19,371
Carrying amount	
At 31 December 2018	19,371
At 31 December 2017	19,371

The recoverable amount of the tradenames is determined based on value in use calculations by reference to the valuation report issued by an independent qualified professional valuer, Peak Vision Appraisals Limited (2017: Peak Vision Appraisals Limited).

The tradenames have been considered to have indefinite lives because they are expected to contribute to the net cash flows of the Group indefinitely, and are not amortised.

15. Interests in Associates

The following list contains the particulars of associates, which are unlisted corporate entities whose quoted market price are not available.

Name of associate	Place of incorporation/ registration and operations	Particulars of issued and paid-up capital/ registered share capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Principal activity
北京中匯豐源融資租賃有限公司 (「中匯豐源」) (note (i))	The PRC	Registered capital USD10,000,000	25%	25%	Not yet commenced operation
KGH Holdings Limited ("KGH") (note (ii))	Republic of Seychelles	100 ordinary shares	40%	–	Investment holding
Thetford Grammar School Limited ("Thetford Grammar School") (note (ii))	United Kingdom	4,760,480 ordinary shares	40%	–	Provision of education services

Notes:

(i) 中匯豐源 is established in the PRC in the form of sino-foreign equity enterprise.

The Company shall contribute an amount of US$2,500,000 as its capital contribution, representing 25% equity interest in the associate. As at 31 December 2018 and 2017, the Company had contributed US$500,000 (equivalent to approximately HK$3,900,000). The Company has an obligation to settle the remaining amount of US$2,000,000 (equivalent to approximately HK$15,600,000).

(ii) During the year ended 31 December 2018, the Group acquired 40% equity interest in KGH from the independent third parties for a consideration of British Pound ("GBP") 2,200,000 (approximately HK$22,220,000). KGH held 100% equity interest in Thetford Grammar School. KGH and Thetford Grammar School are collectively referred as the "KGH Group".

All of the above associate are accounted for using the equity method in the consolidated financial statements.

15. Interests in Associates *(Continued)*

a) *Summarised financial information of 中匯豐源*

Financial information about the Group's interest in 中匯豐源, that is not material, is disclosed below:

	中匯豐源 2018 HK$'000	2017 HK$'000
Carrying amount of the associate in the consolidated financial statements	**3,533**	3,706
Amounts of the Group's share of this associate's loss for the year	**(3)**	(3)
Other comprehensive (loss)/income for the year	**(170)**	242
Total comprehensive (loss)/income for the year	**(173)**	239

b) *Summarised financial information of KGH Group*

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

	KGH Group 2018 HK$'000
Non-current assets	**35,023**
Current assets	**6,785**
Non-current liabilities	**–**
Current liabilities	**23,463**
Equity	**18,345**
Revenue	**26,822**
Loss for the year	**(10,759)**
Other comprehensive loss for the year	**–**
Total comprehensive loss for the year	**(10,759)**

15. Interests in Associates *(Continued)*

c) Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	KGH Group 2018 HK$'000
Net assets of the associate	18,345
Group's effective interest	40%
Group's share of net assets of the associate	7,338
Goodwill (note)	7,054
Carrying amount in the consolidated financial statements	14,392

Note: The recoverable amount of the CGU is determined based on the value in use calculations, which are based on a business valuation report on the CGU prepared by an independent qualified professional valuer, Peak Vision Appraisals Limited.

Based on the valuation, no impairment loss on goodwill relating to KGH Group was recognised during the year ended 31 December 2018.

16. Other financial assets

	31 December 2018 HK$'000	1 January 2018 HK$'000	31 December 2017 HK$'000
Financial assets measured at FVOCI			
– Debt securities listed in Hong Kong	**43,098**	52,270	–
Financial assets carried at FVPL			
– Equity securities listed in Hong Kong	**4,742**	11,860	–
– Unlisted investment funds in the PRC	**31,567**	29,908	–
– Unlisted investments:			
– Golf club membership	**7,646**	7,470	–
– Marina club membership	**3,791**	3,100	–
	47,746	52,338	–
Available-for-sale investments			
– Equity securities listed in Hong Kong	**–**	–	11,860
– Unlisted investment funds in the PRC	**–**	–	29,908
– Unlisted investments:			
– Golf club membership	**–**	–	1,903
– Marina club membership	**–**	–	3,100
– Debt securities listed in Hong Kong	**–**	–	52,270
	–	–	99,041
Total	**90,844**	104,608	99,041

17. Contingent Consideration Receivables

Contingent consideration receivables represented the profit guarantee arising from (i) the acquisition of Access Global Education Enterprise Limited and its subsidiary (collectively referred as the "Access Global Group") during the year ended 31 December 2017; and (ii) the acquisition of KGH Group during the year ended 31 December 2018. The contingent consideration receivables are measured at fair value at the end of the reporting period. The movement of the fair value of contingent consideration receivables is as follows:

	HK$'000
At fair value	
At 1 January 2017	–
Arising from acquisition of subsidiaries (Notes 17(i) & 40(b))	3,366
Fair value change	(2,096)
At 31 December 2017 and 1 January 2018	1,270
Arising from acquisition of associates (Note 17(ii))	3,524
Fair value change	10,444
At 31 December 2018	15,238

(i) Acquisition of Access Global Group

Pursuant to the sale and purchase agreement, the profit guarantee amount of each anniversary date for the period from 1 July 2017 to 30 June 2020 is not less than GBP350,000, GBP450,000 and GBP500,000, respectively.

(ii) Acquisition of KGH Group

Pursuant to the sale and purchase agreement, the profit guarantee amount of each anniversary date for the period from 1 September 2018 to 31 August 2020 is at least breakeven for each reporting period.

The fair value of the contingent consideration receivables as at 31 December 2018 and 2017 is based on the valuation performed by Peak Vision Appraisals Limited, an independent professional valuer not connected with the Group.

18. Loans Receivable

	31 December 2018 HK$'000	31 December 2017 HK$'000
Pawn loans receivable	**321,525**	372,925
Loans receivable arising from:		
– Micro-lending	**1,124,664**	1,028,787
– Money-lending	**589,054**	712,383
Other loans receivable	**2,642,681**	2,599,499
	4,677,924	4,713,594
Less: Allowances for doubtful debts	**(72,895)**	(38,079)
	4,605,029	4,675,515
Amounts due within one year included under current assets	**3,984,541**	4,216,901
Amounts due after one year included under non-current assets	**620,488**	458,614
	4,605,029	4,675,515

Notes:

i) Approximately HK$4,050,283,000 (net of allowances for doubtful debts) (2017: HK$3,976,001,000 (net of allowance for doubtful debts)) of the Group's loans receivable were arising from the PRC and are denominated in Renminbi ("RMB"). The loans receivable in the PRC carry interest plus service charge at a monthly effective rate of 0.24% to 4.29% (2017: 0.24% to 4.29%), and the loans receivable in Hong Kong carry interest at a monthly effective rate of 0.31% to 4.98% (2017: 0.18% to 4.46%). As at 31 December 2018 and 2017, in the opinion of the Company's directors, the Group held collateral with value not less than the carrying amount of the secured loans receivable.

ii) A typical loan generally has a term of 25 days to 30 years (2017: 1 days to 30 years).

18. Loans Receivable *(Continued)*

a) *Maturity profile*

As at the end of the reporting period, the maturity profile of loans receivable, based on maturity date, is as follows:

	2018					2017				
	Pawn loans receivable HK$'000	Loans receivable arising from micro-lending HK$'000	Loans receivable arising from money-lending HK$'000	Other loans receivable HK$'000	Total HK$'000	Pawn loans receivable HK$'000	Loans receivable arising from micro-lending HK$'000	Loans receivable arising from money-lending HK$'000	Other loans receivable HK$'000	Total HK$'000
Due within 1 month or on demand	51,359	66,211	21,014	423,849	562,433	34,193	18,855	124,579	471,125	648,752
Due after 1 month but within 3 months	40,744	219,851	11,684	221,250	493,529	66,036	176,275	8,431	347,405	598,147
Due after 3 months but within 6 months	60,306	273,862	25,532	535,710	895,410	40,255	294,459	78,798	617,232	1,030,744
Due after 6 months but within 12 months	169,116	415,960	50,118	1,461,872	2,097,066	232,441	460,418	120,296	1,163,737	1,976,892
Due after 12 months	–	148,780	480,706	–	629,486	–	78,780	380,279	–	459,059
Allowances for doubtful debts	(2,107)	(8,096)	(45,212)	(17,480)	(72,895)	(3,729)	(10,371)	(23,979)	–	(38,079)
	319,418	1,116,568	543,842	2,625,201	4,605,029	369,196	1,018,416	688,404	2,599,499	4,675,515

Details on the Group's credit policy are set out in note 43(a).

b) *Analysed by credit quality*

	2018				
	Pawn loans receivable HK$'000	Loans receivable arising from micro-lending HK$'000	Loans receivable arising from money-lending HK$'000	Other loans receivable HK$'000	Total HK$'000
Loans receivable that are credit impaired					
– Not past due	321,525	1,114,636	452,199	2,642,681	4,531,041
– Less than 1 month past due	–	4,110	59,262	–	63,372
– 1 to 3 months past due	–	243	3,823	–	4,066
– Over 3 months past due	–	5,675	73,770	–	79,445
Allowance for doubtful debts	(2,107)	(8,096)	(45,212)	(17,480)	(72,895)
	319,418	1,116,568	543,842	2,625,201	4,605,029

18. Loans Receivable *(Continued)*

b) *Analysed by credit quality (Continued)*

	2017				
	Pawn loans receivable HK$'000	Loans receivable arising from micro-lending HK$'000	Loans receivable arising from money-lending HK$'000	Other loans receivable HK$'000	Total HK$'000
Loans receivable that are not impaired					
– Neither past due nor impaired	–	–	655,013	2,599,499	3,254,512
– Less than 1 month past due	–	–	6,342	–	6,342
– 1 to 3 months past due	–	–	4,629	–	4,629
– Over 3 months past due	–	–	22,420	–	22,420
	–	–	688,404	2,599,499	3,287,903
Loans receivable that are impaired collectively and individually					
– Not past due	372,925	1,027,260	–	–	1,400,185
– Less than 1 month past due	–	164	–	–	164
– 1 to 3 months past due	–	202	–	–	202
– Over 3 months past due	–	1,161	23,979	–	25,140
– Allowances for doubtful debts	(3,729)	(10,371)	(23,979)	–	(38,079)
	369,196	1,018,416	–	–	1,387,612
Total	369,196	1,018,416	688,404	2,599,499	4,675,515

Loans receivable that were neither past due nor impaired relate to recognised and creditworthy borrowers for whom there was no recent history of default.

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

18. Loans Receivable *(Continued)*

c) Expected credit loss of loans receivable

(i) Expected credit loss in respect of loans receivable are recorded using an allowance account unless the Group is satisfied that there is no realistic prospect of recovery, in which case the expected credit loss is written off against loans receivable directly (see note 2(l)(i)).

Reconciliation of changes in gross carrying amount and allowances for loans receivable

The table below provides a reconciliation of the Group's gross carrying amount and allowances for loans receivable for the year ended 31 December 2018.

The transfers of financial instruments represents the impact of stage transfers upon the gross carrying amount and associated allowance for ECL. The net remeasurement of ECL arising from stage transfers represents the increase in ECL due to these transfers.

Reconciliation of gross exposure and allowances for loans receivable

	Non credit – impaired				Credit – impaired		Total	
	Stage 1		Stage 2		Stage 3			
	Gross exposure HK$'000	Allowance for ECL HK$'000	Gross exposure HK$'000	Allowance for ECL HK$'000	Gross exposure HK$'000	Allowance for ECL HK$'000	Gross exposure HK$'000	Allowance for ECL HK$'000
As at 31 December 2017 (reported)								(38,079)
Impact of adopting HKFRS 9								(18,836)
Restated opening balance under HKFRS 9 at 1 January 2018	4,654,697	(30,459)	6,743	(233)	52,154	(26,223)	4,713,594	(56,915)
Transfers of financial instruments:								
– transfers to Stage 2	(21,515)	227	21,515	(227)	–	–	–	–
– transfers to Stage 3	(30,507)	295	(270)	2	30,777	(297)	–	–
Net remeasurement of ECL arising from transfer of stage	–	–	–	(489)	–	(9,619)	–	(10,108)
Net new and further lending/(repayment)	99,550	(1,726)	39,761	(1,515)	(1,938)	167	137,373	(3,074)
Changes to risk parameters (model inputs)	–	(3,340)	–	(145)	–	(491)	–	(3,976)
Foreign exchange and others	(171,184)	900	(311)	141	(1,548)	137	(173,043)	1,178
At 31 December 2018	**4,531,041**	**(34,103)**	**67,438**	**(2,466)**	**79,445**	**(36,326)**	**4,677,924**	**(72,895)**

	Total HK$'000
Change in ECL in statement of profit or loss:	
Charge for the year	(15,980)
Foreign exchange and others	(1,178)
Total ECL charge for the year	(17,158)

Definitions of Stage 1, Stage 2 and Stage 3 are detailed in note 43(a)(i).

18. Loans Receivable *(Continued)*

c) *Expected credit loss of loans receivable (Continued)*

(i) *(Continued)*

The movements in allowances for doubtful debts for the year ended 31 December 2017 is as follows:

	2017		
	Collectively assessed HK$'000	Individually assessed HK$'000	Total HK$'000
At 1 January	8,920	–	8,920
Impairment loss recognised	3,787	25,457	29,244
Reversal of impairment losses	(213)	–	(213)
Uncollectible amounts written off	–	(713)	(713)
Exchange adjustment	712	129	841
At 31 December	13,206	24,873	38,079

At 31 December 2017, loans receivable of HK$24,873,000 were individually determined to be impaired. The individually impaired receivables related to customers that refused to pay and the Group has taken legal actions against them, and management assessed that the recoverability is doubtful. Consequently, specific allowances for doubtful debts of HK$25,457,000 were recognised in profit or loss and an amount of HK$713,000 was written off as uncollectible.

19. Accounts Receivable

	2018 HK$'000	2017 HK$'000
Accounts receivable	**3,471**	5,605

All of the Group's accounts receivable were arising from the PRC and are denominated in RMB and are expected to be recovered within one year.

i) *Ageing analysis*

As at the end of the reporting period, the ageing analysis of accounts receivable, based on the revenue recognition date, is as follows:

	2018 HK$'000	2017 HK$'000
Within 1 month	**2,177**	4,662
1 to 3 months	**1,000**	891
3 to 6 months	**294**	52
	3,471	5,605

Accounts receivable are due within 30 days from the date of billing. Further details on the Group's credit policy are set out in the note 43(a)(iii).

19. Accounts Receivable *(Continued)*

ii) Accounts receivable that are not credit impaired

	2018 **HK$'000**	2017 HK$'000
Neither past due nor credit impaired	**2,177**	4,662
Less than 1 month past due	**636**	605
1 to 3 months past due	**637**	338
4 to 6 months past due	**21**	–
	3,471	5,605

Accounts receivable that were neither past due nor credit impaired relate to a number of customers for whom there was no recent history of default.

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

20. Interests Receivable

	2018 **HK$'000**	2017 HK$'000
Interests receivable	**24,535**	17,989

Approximately HK$10,107,000 (2017: HK$9,362,000) of the Group's interests receivable were arising from the PRC and are denominated in RMB. All of the interests receivable are expected to be recovered within one year.

20. Interests Receivable *(Continued)*

i) Ageing analysis

As at the end of the reporting period, the ageing analysis of interests receivable, based on the revenue recognition date, is as follows:

	2018 HK$'000	2017 HK$'000
Within 1 month	**12,464**	11,294
1 to 3 months	**2,936**	2,327
3 to 6 months	**292**	1,223
Over 6 months	**8,843**	3,145
	24,535	17,989

Interests receivable are due within 30 days from the date of billing (or on maturity date of loans receivable according to the relevant loan agreements).

ii) Interests receivable that are not credit impaired

	2018 HK$'000	2017 HK$'000
Neither past due nor credit impaired	**10,422**	10,541
Less than 1 month past due	**4,209**	1,958
1 to 3 months past due	**907**	1,188
4 to 6 months past due	**154**	1,157
Over 6 months past due	**8,843**	3,145
	24,535	17,989

Interests receivable that were neither past due nor credit impaired relate to a number of customers for whom there was no recent history of default.

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

21. Other Receivables, Deposits and Prepayments

	2018 HK$'000	2017 HK$'000
Non-current		
Deposits (note a)	**165,908**	70,000
Current		
Other receivables	**17,472**	45,016
Amounts due from related parties (note 41(c)(i))	**–**	359
Amounts due from non-controlling interests (note b)	**–**	7,377
	17,472	52,752
Prepayments	**8,270**	22,522
Utility and sundry deposits (note c)	**4,412**	5,695
	30,154	80,969

Notes:

a) As at 31 December 2018, the amounts of HK$50,000,000 and HK$115,908,000 represent the deposit for the acquisitions of certain companies which are engaged in money lending business in the PRC, and the deposit paid to a non-controlling interest of a subsidiary for acquiring 20% equity interest of that subsidiary, respectively. The transactions are subject to the approval of relevant PRC government authorities.

As at 31 December 2017, the amount represents the deposits for the acquisitions of certain companies which are engaged in money lending business in the PRC and engaged in properties holding and provision of services in Hong Kong.

b) The maximum outstanding balance due from non-controlling interests during the year was HK$7,377,000 (2017: HK$7,377,000).

c) The amount of utility and sundry deposits expected to be recovered or recognised as expense after more than one year is HK$1,551,000 (2017: HK$2,958,000). Except for the non-current deposits, all of the other receivables, deposits and prepayments are expected to be recovered or recognised as expense within one year.

22. Pleged Bank and Security Deposits Paid

a) As at 31 December 2018, deposits of approximately HK$28,460,000 (2017: HK$18,190,000) were pledged to banks to secure bank loans and banking facilities granted to the Company and the Group. The interest rates on the deposits are ranging from 0.3% to Hong Kong Interbank Offered Rate ("HIBOR") +4.00% (2017: HIBOR+2.75% to HIBOR+4.00%) per annum.

b) Security deposits of RMB658,000 (equivalent to approximately HK$751,000) (2017: RMB655,000 (equivalent to approximately HK$784,000)) are placed by the Group with the financial institutions according to the requirements of the financial institutions for credit guarantees that the Group provides to third parties for their borrowings from the financial institutions.

c) All of the security deposits paid as at 31 December 2018 and 2017 are expected to be recovered within one year.

23. Cash and Cash Equivalents and Time Deposits

	2018 HK$'000	2017 HK$'000
Cash and cash equivalents in the consolidated statements of financial position and cash flows:		
Cash at financial institutions and on hand	509,966	662,740
Time deposits with original maturity		
– Within one month	30,218	–
	540,184	662,740
Time deposits with original maturity		
– Over three months	–	72,370

Notes:

a) Deposits with financial institutions carry interest at market rates ranging from 0.01% to 2.3% (2017: 0.01% to 1.65%) per annum.

b) Cash at financial institutions as at 31 December 2018 include HK$363,523,000 (2017: HK$383,874,000) placed with financial institutions in the PRC, the remittance of which are subject to relevant rules and regulations of foreign exchange control promulgated by the government of the PRC.

23. Cash and Cash Equivalents and Time Deposits *(Continued)*

Reconciliation of liabilities arising from financing activities

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

	Borrowings HK$'000	Bank loans HK$'000	Senior bonds HK$'000	Unsecured bonds HK$'000	Amount due to an associate HK$'000	Financial derivatives HK$'000	Total HK$'000
At 1 January 2018	1,237,157	213,556	365,099	330,654	3,125	304	2,149,895
Changes from financing cash flows:							
Proceeds from new borrowings	1,542,377	–	–	–	–	–	1,542,377
Repayment of short-term borrowings	(1,409,397)	–	–	–	–	–	(1,409,397)
Proceeds from new bank loans	–	195,776	–	–	–	–	195,776
Repayment of bank loans	–	(272,663)	–	–	–	–	(272,663)
Repayment of senior bonds	–	–	(378,682)	–	–	–	(378,682)
Proceeds from the issue of unsecured bonds	–	–	–	15,420	–	–	15,420
Repayment to an associate	–	–	–	–	(12)	–	(12)
Bank loans interest and other interests paid	(132,542)	(11,910)	(5,535)	(15,130)	–	–	(165,117)
Redemption of unsecured bonds	–	–	–	(58,000)	–	–	(58,000)
Total changes from financing cash flows	438	(88,797)	(384,217)	(57,710)	(12)	–	(530,298)
Exchange adjustments	(41,518)	(4,191)	13,583	–	(143)	–	(32,269)
Other changes:							
Interest expenses	108,227	11,910	5,535	29,078	–	–	154,750
Gain on disposal of financial derivatives	–	–	–	–	–	(304)	(304)
Non-cash transaction (note 46)	(20,000)	–	–	–	–	–	(20,000)
At 31 December 2018	1,284,304	132,478	–	302,022	2,970	–	1,721,774

23. Cash and Cash Equivalents and Time Deposits *(Continued)*

Reconciliation of liabilities arising from financing activities (Continued)

	Borrowings and other payables HK$'000	Bank loans HK$'000	Senior bonds HK$'000	Unsecured bonds HK$'000	Amount due to an associate HK$'000	Financial derivatives HK$'000	Total HK$'000
At 1 January 2017	580,191	77,076	334,187	263,966	2,942	1,032	1,259,394
Changes from financing cash flows:							
Proceeds from new short-term borrowings and other payables	2,486,169	–	–	–	–	–	2,486,169
Repayment of short-term borrowings and other payables	(1,893,472)	–	–	–	–	–	(1,893,472)
Proceeds from new bank loans	–	198,728	–	–	–	–	198,728
Repayment of bank loans	–	(69,364)	–	–	–	–	(69,364)
Proceeds from new unsecured bonds	–	–	–	64,133	–	–	64,133
Repayment to an associate	–	–	–	–	(23)	–	(23)
Bank loans interest and other interests paid	(18,820)	(5,840)	(22,134)	(19,419)	–	–	(66,213)
Redemption of unsecured bonds	–	–	–	(3,900)	–	–	(3,900)
Total changes from financing cash flows	573,877	123,524	(22,134)	40,814	(23)	–	716,058
Exchange adjustments	51,036	7,116	23,665	–	206	–	82,023
Changes in fair value							
Gain on fair value change of financial derivatives	–	–	–	–	–	(728)	(728)
Other changes:							
Interest expenses	39,749	5,840	29,381	25,874	–	–	100,844
At 31 December 2017	1,244,853	213,556	365,099	330,654	3,125	304	2,157,591

24. Borrowings and Other Payables

	Note	2018 HK$'000	2017 HK$'000
Current:			
Borrowings under contractual agreements with:			
– Platform A	24(a)	**1,601**	1,678
– Platform B	24(b)	**829,522**	790,521
– Platform C	24(c)	**–**	196,455
Borrowings from employees	24(e)	**30,645**	11,764
Borrowings from shareholders	41(c)(ii)	**60,797**	146,108
Borrowings from related companies	24(f)	**90,508**	90,631
		1,013,073	1,237,157
Payable to interest holders of consolidated structured entity – investment fund	24(g)	**20,967**	7,696
Payable to interest holders of consolidated structured entity – trust	24(d)	**217,143**	–
		238,110	7,696
		1,251,183	1,244,853
Non-current:			
Note payable	24(h)	**271,231**	–

Notes:

a) In 2014, Zhongjingang and Rongxinjia, both of which are subsidiaries of the Company, separately entered into a strategic cooperation agreement with an independent third party, which would establish and operate online lending platform ("Platform A"), in the launch of internet finance so as to invite investors to invest in the loans receivable of the Group. In this regard, the Group shall assign all its rights and benefits in the invested receivables to the investors and shall guarantee the due recoverability of such receivables. At the expiry of the investment period, the Group shall repay all the proceeds received to the investors. As at 31 December 2018, the borrowings under this platform amounted to approximately HK$1,601,000 (2017: HK$1,678,000), which bore a finance cost measured at an annualised rate of 9% (2017: 9%) and were secured by certain of loans receivable of approximately HK$1,598,000 (2017: HK$1,675,000).

The amount of finance costs incurred during the year amounting to HK$66,000 (2017: HK$65,000) is included in interest and handling expenses (note 3(a)).

24. Borrowings and Other Payables *(Continued)*

Notes: *(Continued)*

b) During the year ended 31 December 2017, the Group entered into a strategic cooperation agreement with another independent third party, which would establish and operate an integrated finance information service platform ("Platform B"), in the launch of internet finance so as to provide investors to invest in the loans receivable of the Group. In this regard, the Group shall assign all its rights and benefits in the invested receivables to the investors and shall guarantee the due recoverability of such receivables. At the expiry of the investment period, the Group shall repay all the proceeds received to the investors. As at 31 December 2018, the borrowings under this platform amounted to approximately HK$829,522,000 (2017: HK$790,521,000), which bore a finance cost measured at an annualised rate of 9.1% (2017: 8% to 9.1%) and were secured by certain of loans receivable of approximately HK$826,295,000 (2017: HK$547,906,000).

The amount of finance costs incurred during the year amounting to HK$65,771,000 (2017: HK$6,333,000) is included in interest and handling expenses (note 3(a)).

c) During the year ended 31 December 2016, Zhongjingang and Rongxinjia entered into a strategic cooperation agreement with another independent third party, which would establish and operate an integrated finance information service platform ("Platform C"), in the launch of internet finance so as to provide investors to invest in the loans receivable of the Group. In this regards, the Group shall assign all its right and benefits in the invested receivables to the investors and shall guarantee the due recoverability of such receivables. At the expiry of the investment period, the Group shall repay all the proceeds received to the investors. As at 31 December 2017, the borrowings under this platform amounted to approximately HK$196,455,000, which bore a finance cost measured at an annualised rate of 8% to 9% and were secured by certain of loans receivable of approximately HK$207,003,000. During the year ended 31 December 2018, the borrowings under this platform bore a finance cost measured at annualised rate of 9% and were fully repaid by the end of the reporting period.

The amount of finance costs incurred during the year amounting to HK$11,635,000 (2017: HK$16,449,000) is included in interest and handling expense (note 3(a)) .

24. Borrowings and Other Payables *(Continued)*

Notes: *(Continued)*

d) The amount represents third party interests in a consolidated structured entity, which consists of third-party unit/shareholders' interests in consolidated structured entity which are reflected as a liability since they can be redeemed for cash. The realisation of net assets attributable to third-party unit/shareholders' interests in consolidated structured entity cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated structured entity that are subject to the actions of third-party unit holders.

The amount of finance costs incurred during the year amounting to HK$5,138,000 (2017: nil) is included in interest and handling expenses (note 3(a)).

e) During the years ended 31 December 2018 and 2017, the Group borrowed funds from its employees (together with their relatives or friends, the "Employees") based in Hong Kong for the development of its money lending business. As at 31 December 2018, the borrowings from the Employees amounted to approximately HK$30,645,000 (2017: HK$11,764,000), which bore a finance cost measured at an annualised rate of 5.5% to 7.5% (2017: 5.5% to 7.5%), were repayable within one year and not secured by any assets or guarantees.

The amount of finance costs incurred during the year amounting to HK$1,641,000 (2017: HK$225,000) is included in interest and handling expenses (note 3(a)).

f) During the years ended 31 December 2018 and 2017, the Group borrowed funds from Geston Limited and South Asian Power Investment Limited, related parties of the Group. Cheung Siu Lam, a director of the Company, controls those companies. As at 31 December 2018, the borrowings from the related parties amounted to approximately HK$90,508,000 (2017: HK$30,000,000) and HK$Nil (2017: HK$60,631,000) respectively, which bore a finance cost measured at annualised rate of 4.8% (2017: 4.8%), were repayable within one year and not secured by any assets or guarantees.

The amount of finance costs incurred during the year amounted to HK$5,083,000 (2017: HK$631,000) is included in interest and handling expenses (note 3(a)).

24. Borrowings and Other Payables *(Continued)*

Notes: *(Continued)*

g) The amount represents third party interests in a consolidated structured entity, which consists of third-party unit/shareholders' interests in consolidated structured entity which are reflected as a liability since they can be redeemed for cash. The realisation of net assets attributable to third-party unit/shareholders' interests in consolidated structured entity cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment fund that are subject to the actions of third-party unit holders.

   The amount of finance costs incurred during the year amounting to HK$1,222,000 (2017: HK$1,089,000) is included in interest and handling expenses (note 3(a)).

h) In February 2018, the Company issued note payable with principal amount of HK$270,000,000. The note bears interest at 8% per annum and was secured by equity interest of Brilliant Star Capital (Cayman) Limited, a wholly-owned subsidiary of the Group, and personal guarantee given by Mr. Cheung Siu Lam and Ms. Lo Wan. Mr. Cheung Siu Lam and Ms. Lo Wan should deposit at least 930,000,000 shares of the Company into a specific account with the safe keeping agent. The note is repayable in February 2020.

   Relationship of Mr. Cheung Siu Lam and Ms. Lo Wan to the Group are detailed in note 41(c)(iii).

i) The borrowings of approximately HK$507,294,000 (2017: HK$988,654,000) were arising from the PRC and are denominated in RMB.

j) All borrowings are carried at amortised cost.

25. Bank Loans

At the end of the reporting period, the bank loans of the Group were repayable as follows:

	2018 HK$'000	2017 HK$'000
Within 1 year or on demand	**132,478**	213,556

At the end of the reporting period, the bank loans were secured as follows:

	Note	2018 HK$'000	2017 HK$'000
Bank loans			
– secured by the Group's loans receivable	(i)	**30,000**	30,000
– secured by an independent third party's guarantee	(ii)	**68,478**	143,556
– secured by the Company's corporate guarantee	(iii)	**20,000**	20,000
– secured by the subsidiary's corporate guarantee and pledged deposit	(iv)	**14,000**	20,000
		132,478	213,556

The ranges of effective interest rates on the Group's bank loans are as follows:

	2018 %	2017 %
Effective interest rates:		
Bank loans	**2.75%-6.53% per annum**	4.79%-5.29% per annum

Notes:

i) As at 31 December 2018, a bank loan of HK$30,000,000 (2017: HK$30,000,000) were secured by loans receivable of HK$100,600,000 (2017: HK$120,424,000), security deposit of HK$1,381,000 (2017: HK$214,000) and corporate guarantee (2017: corporate guarantee) provided by the Company.

ii) As at 31 December 2018, the bank loans of approximately HK$68,478,000 (2017: HK$143,556,000) were secured by a guarantee provided by a guarantor, an independent third party. The Company, Guan Xue Ling, a director of the Company, Lu Wei Jun, a senior management of the Group, and certain subsidiaries provided counter-guarantee to the guarantor. In addition, approximately HK$137,469,000 (2017: HK$200,911,000) loans receivable and 30% (2017: 60%) of equity interest in 北京中金城開小額貸款有限公司, a subsidiary of the Company, were pledged to the guarantor.

iii) As at 31 December 2018, a bank loan of HK$20,000,000 (2017: HK$20,000,000) was secured by corporate guarantee provided by the Company.

25. Bank Loans *(Continued)*

Notes: *(Continued)*

iv) As at 31 December 2018, a bank loan of HK$14,000,000 (2017: HK$20,000,000) was secured by corporate guarantee provided by a subsidiary and the pledged bank deposit of HK$27,079,000 (2017: HK$17,976,000).

v) The bank loans of approximately HK$68,478,000 (2017: HK$143,556,000) were obtained in the PRC and denominated in RMB.

vi) All of the bank loans are carried at amortised cost.

vii) All of the bank loans are repayable on demand clause according to the banking facilities.

viii) All of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the bank loans would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 43(b). As at 31 December 2018, none of the covenants relating to the bank loans had been breached (2017: Nil).

26. Security Deposits Received

Security deposits received refer to deposits received from customers as collateral for loan facilities granted by the Group. These deposits, which are denominated in RMB and HKD, are interest-free, and will be returned to customers after the relevant loan agreements expire.

27. Accruals and Other Deposits Received

	2018	2017
	HK$'000	HK$'000
Accrued salaries, wages and other benefits	**12,848**	2,130
Accrued expenses	**19,008**	4,228
Dividend payable	**737**	731
VAT and other tax payables	**22,122**	18,748
Others	**21,214**	6,456
	75,929	32,293

All of the accruals and other deposit received are expected to be settled or recognised as income within one year or are repayable on demand.

28. Liabilities Arising from Loan Guarantee Contracts

	2018 HK$'000	2017 HK$'000
Provision for guarantee losses	**429**	134

Movement analysis of provision for guarantee losses

	Undue liability provision (note i) HK$'000	Guarantee compensation provision (note ii) HK$'000	Total HK$'000
At 1 January 2017	–	–	–
Charged to profit or loss for the year	50	84	134
Exchange adjustment	–	–	–
At 31 December 2017 and 1 January 2018	50	84	134
Charged to profit or loss for the year	43	269	312
Exchange adjustment	(4)	(13)	(17)
At 31 December 2018	89	340	429

Notes:

i) Pursuant to Article 31 of Tentative Measures for the Administration of Financing Guarantee Companies, a financial guarantee company shall provide 50% of its guarantee income in the year it derived, as undue liability provision (“未到期責任準備金”).

ii) Pursuant to Article 31 of Tentative Measures for the Administration of Financing Guarantee Companies, a financial guarantee company shall provide no less than 1% of the year-end balance of the guarantee liability in the year it arose as guarantee compensation provision (“擔保賠償準備金”).

29. Amount Due from/(to) An Associate

The maximum outstanding balance of amount due from an associate during the year was HK$15,810,000 (2017: nil).

The amounts are unsecured, interest free and repayable on demand.

30. Financial Derivatives

As at 31 December 2017, the Group has an outstanding equity decumulator contract with maturity date on 3 July 2018.

Based on the decumulator contract, the Group has an obligation to sell a specified number of the equity security ("Equity Security") every day up to the maturity date at the strike price if the stock price is lower than the predetermined forward price, and sell twice the specified number of the Equity Security every day up to the maturity date if such stock price is higher than the predetermined forward price. The counterparty financial institution can terminate the contract when the market price of the underlying equity securities is lower than a knock-out price set out in the relevant contract. The Group has sufficient number of Equity Securities to fulfil these decumulator contracts.

The Group relies on the valuation provided by an independent professional valuer, Peak Vision Appraisals Limited, to determine the fair value of the derivative financial instruments which is based on Monte Carlo Simulation model. The key inputs applied to the valuation are time to maturity, knock-out probability, expected volatility, spot price of the underlying asset, risk free rate and the expected return rate. The fair value of the derivative financial instrument for the contract as at 31 December 2017 is approximately HK$304,000, which was recognised in the consolidated statement of financial position.

As at 31 December 2017, the contract was secured by legal charges over certain of available-for-sale investments of HK$5,288,000 (as included in "Other financial assets: avalilable-for-sale investments" (note 16)).

As at 31 December 2018, the Group does not have any outstanding equity decumulator contract.

31. Deferred Taxation

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

Deferred tax arising from:	Expected credit losses on loans receivable HK$'000	Accrued expenses HK$'000	Withholding tax HK$'000	Total HK$'000
At 1 January 2017	–	–	3,769	3,769
(Credited)/charged to profit or loss (note 6(a))	–	(2,622)	16,073	13,451
Exchange adjustment	–	658	823	1,481
At 31 December 2017 and 1 January 2018	–	(1,964)	20,665	18,701
Impact of adopting of HKFRS 9	(7,481)	–	–	(7,481)
Restated opening balance upon adoption of HKFRS 9 as at 1 January 2018	(7,481)	(1,964)	20,665	11,220
(Credited)/charged to profit or loss (note 6(a))	(3,131)	1,939	8,343	7,151
Exchange adjustment	308	25	(2,666)	(2,333)
At 31 December 2018	(10,304)	–	26,342	16,038

The analysis of deferred tax assets is as follows:

	2018 HK$'000	2017 HK$'000
Deferred tax assets:		
– Deferred tax asset to be recovered within 12 months	**10,304**	1,964

b) Deferred tax assets not recognised

Deferred tax assets in respect of the unused tax losses carried forward are to be recognised to the extent that it is probable that future taxable profits against which the unused tax losses can be utilised will be available in the relevant tax jurisdiction and entity.

The Group has not recognised deferred tax assets in respect of the cumulative tax losses of HK$318,814,000 (2017: HK$250,702,000) for its Hong Kong incorporated subsidiaries due to the unpredictability of future profit streams. The tax losses do not expire under current tax legislation.

31. Deferred Taxation *(Continued)*

c) *Deferred tax liabilities not recognised*

At 31 December 2018, the aggregate amount of temporary differences associated with undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised was HK$957,240,000 (2017: HK$523,877,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

32. Senior Bonds

On 5 March 2015, a subsidiary of the Company issued the 3-year senior guaranteed bonds ("Senior Bonds") at 99.33% in an aggregate nominal value of RMB300,000,000 which will mature on 5 March 2018. The bonds carry interest at the coupon rate of 6.5% per annum. The interest is payable semi-annually in arrears on 5 March and 5 September each year.

The Senior Bonds are unconditionally and irrevocably guaranteed, jointly and severally, by the Company and Sinoguarantee.

Below collaterals were provided to Sinoguarantee:

– Mr. Cheung Siu Lam, the Company's controlling shareholder, has entered into a share charge in favour of Sinoguarantee, pursuant to which Mr. Cheung Siu Lam has pledged 750 million shares he owns in the Company to Sinoguarantee;

– the Group has entered into a share charge in favour of Sinoguarantee, pursuant to which it has pledged all of its shareholdings in Zhongjingang, a wholly-owned subsidiary of the Company, to Sinoguarantee; and

– Zhongjingang, Rongxinjia, 惠豐小貸 and 典當行, all of which are subsidiaries of the Company, have each entered into an agreement to pledge certain receivables to Sinoguarantee of approximately HK$538,335,000 as at 31 December 2017.

The directors of the Company considered that no derivatives were embedded in the Senior Bonds and it is appropriate to use amortised cost to record the Senior Bonds in the consolidated statement of financial position. The Senior Bonds are settled on 5 March 2018.

33. Unsecured Bonds

The Company issued unlisted and unsecured bonds. The details of the due date and coupon rate per annum are shown as below table. All of unsecured bonds are carried at amortised cost. The unsecured bonds are subject to the fulfillment of covenants relating to certain financial ratios, as are commonly found in leading arrangements. If the Group were to breach the covenants, unsecured bonds would become payable on demand. The Group regularly monitors it compliance with these covenants. At 31 December 2018 and 2017, none of the covenants relating to the unsecured bonds had been breached.

	Coupon rate per annum	2018 HK$'000	2017 HK$'000
Current liabilities			
Unsecured bonds of HK$58,000,000 due 2018 (issued in 2015)	5.50%	–	57,012
Unsecured bonds of HK$55,000,000 due 2019 (issued in 2017) ("Bond A") – current portion	6.00%	54,883	–
Unsecured bonds of HK$1,560,000 due 2019 (issued in 2018)	4.50%	1,560	–
		56,443	57,012
Non-current liabilities			
Unsecured bonds of HK$220,000,000 due 2022 (issued in 2015)	7.00%	194,489	190,879
Unsecured bonds of HK$10,000,000 due 2022 (issued in 2016)	5.00%	9,189	9,010
Unsecured bonds of HK$10,000,000 due 2024 (issued in 2016)	6.00%	9,024	8,873
Bond A – non-current portion	6.00%	–	54,727
Unsecured bonds of HK$11,413,000 due 2021 (issued in 2017)	4.00%	10,482	10,153
Unsecured bonds of HK$14,145,800 due 2024 (issued in 2018)	5.00%	12,395	–
Unsecured bonds of HK$10,000,000 due 2025 (issued in 2018)	4.50%	10,000	–
		245,579	273,642
		302,022	330,654

34. Share Capital

a) *Issued share capital*

	Note	No. of shares	HK$'000
Ordinary shares, issued and fully paid:			
At 1 January 2017		3,840,056,336	1,760,956
Shares issued under the share option scheme	34(b)	16,000,000	11,425
Shares issued under acquisition agreement	34(c)	91,527,011	61,323
Shares issued under subscription agreement dated 17 May 2017	34(d)	243,000,000	164,983
Shares issued under the placing and subscription agreement dated 3 July 2017	34(e)	57,000,000	38,206
Shares issued the investor subscription agreement dated 3 July 2017	34(f)	41,000,000	27,670
Shares issued under subscription agreement dated 17 July 2017	34(g)	23,000,000	15,550
At 31 December 2017 and 1 January 2018		4,311,583,347	2,080,113
Shares repurchased and cancelled	34(h)	(18,776,000)	–
Shares repurchased but not yet cancelled	34(h)	–	–
At 31 December 2018		4,292,807,347	2,080,113

In accordance with section 135 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

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

34. Share Capital *(Continued)*

b) *Shares issued under share option scheme*

During the year ended 31 December 2017, options were exercised to subscribe for 16,000,000 ordinary shares in the Company at a total consideration of HK$7,663,000, all of which was credited to share capital. HK$3,762,000 was transferred from the share-based compensation reserve to share capital account in accordance with note 2(p)(iii).

c) *Shares issued under acquisition agreement*

On 11 September 2017, the Company allotted and issued 91,527,011 shares to the vendor. The details are set out in note 40(a).

d) *Shares issued under subscription agreement dated 17 May 2017*

On 17 May 2017, the Company entered into a subscription agreement with Sinoguarantee whereby the Company allotted and issued 243,000,000 new shares at a subscription price of HK$0.68 per subscription share to Sinoguarantee. The proceeds from subscription agreement was HK$165,240,000 and the expenses in relation to subscription agreement was HK$257,000, resulting in a net increase in share capital of HK$164,983,000.

e) *Shares issued under the placing and subscription agreement dated 3 July 2017*

On 3 July 2017, the Company entered into the placing and subscription agreement with independent third parties whereby Cheung Siu Lam placed 57,000,000 shares to those independent third parties at a subscription price of HK$0.68 per subscription share and the Company allotted and issued 57,000,000 new shares at a subscription price of HK$0.68 per subscription share to independent third parties. The proceeds from the placing and subscription agreement was HK$38,760,000 and the expenses in relation to subscription agreement was HK$554,000, resulting in a net increase in share capital of HK$38,206,000.

f) *Shares issued under the investor subscription agreement dated 3 July 2017*

On 3 July 2017, the Company entered into the investor subscription agreement with an independent third party whereby the Company allotted and issued 41,000,000 new shares at a subscription price of HK$0.68 per subscription share to the independent third party. The proceeds from subscription agreement was HK$27,880,000 and the expenses in relation to subscription agreement was HK$210,000, resulting in a net increase in share capital of HK$27,670,000.

34. Share Capital *(Continued)*

g) *Shares issued under subscription agreement dated 17 July 2017*

On 17 July 2017, the Company entered into a subscription agreement with an independent third party whereby the Company allotted and issued 23,000,000 new shares at a subscription price of HK$0.68 per subscription share to the independent third party. The proceeds from subscription agreement was HK$15,640,000 and the expenses in relation to subscription agreement was HK$90,000, resulting in a net increase in share capital of HK$15,550,000.

h) *Purchase of own shares*

During the year ended 31 December 2018, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
		HK$	HK$	HK$'000
Shares repurchased and cancelled				
April 2018	10,254,000	0.6600	0.6400	6,608,800
May 2018	1,326,000	0.6700	0.6700	888,420
August 2018	140,000	0.5600	0.5600	78,400
September 2018	2,214,000	0.5700	0.5400	1,237,240
October 2018	3,810,000	0.5500	0.4800	1,956,554
November 2018	1,032,000	0.4850	0.4800	530,584
Shares repurchased but not yet cancelled				
November 2018	10,206,000	0.5000	0.4850	5,058,626
December 2018	26,462,000	0.6300	0.4850	14,665,930

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased shares of approximately HK$31,056,000 including transaction costs of approximately HK$31,000, were paid wholly out of retained earnings.

The Company cancelled the repurchased shares during the year ended 31 December 2018, except for 36,668,000 of the repurchased shares which were subsequently cancelled in January 2019.

35. Reserves

a) *Movements in components of equity*

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

The Company

	Share-based compensation reserve HK$'000	**Retained earnings** HK$'000	**Total** HK$'000
At 1 January 2017	41,567	89,017	130,584
Profit and total comprehensive income for the year	–	383,915	383,915
Shares issued under share option scheme	(3,762)	–	(3,762)
Equity settled share-based transactions	4,170	–	4,170
Lapse of share options	(937)	937	–
Dividends paid	–	(95,484)	(95,484)
At 31 December 2017 and 1 January 2018	41,038	378,385	419,423
Profit and total comprehensive income for the year	–	12,067	12,067
Equity settled share-based transactions	1,174	–	1,174
Lapse of share options	(1,996)	1,996	–
Repurchase of own shares and cancelled	–	(11,300)	(11,300)
Repurchase of own shares but not yet cancelled	–	(4,368)	(4,368)
Dividends paid	–	(73,099)	(73,099)
At 31 December 2018	40,216	303,681	343,897

35. Reserves *(Continued)*

b) *Dividends*

(i) *Dividends payable to equity shareholders of the Company attributable to the year*

	2018 **HK$'000**	2017 HK$'000
Interim dividend declared and paid of HK1 cents per ordinary share (2017: HK1.05 cent per ordinary share)	**42,990**	45,167
Final dividend proposed after the end of the reporting period of HK0.30 cents per ordinary share (2017: HK0.70 cents per ordinary share)	**12,878**	30,181
	55,868	75,348

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year*

	2018 **HK$'000**	2017 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK0.70 cents per share (2017: HK1.31 cents per share)	**30,109**	50,317

35. Reserves *(Continued)*

c) *Nature and purpose of reserves*

(i) *Share-based compensation reserve*

The share-based compensation reserve represents the portion of the grant date fair value of unexercised share options granted to eligible participants that has been recognised in accordance with the accounting policy adopted for share-based payments in notes 2(q)(iii) and (iv).

(ii) *Exchange fluctuation reserve*

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 2(u).

(iii) *Fair value reserve*

The fair value reserve comprises the cumulative net change in the fair value of financial assets measured at FVOCI (recycling)/available-for-sale investments held at the end of the reporting period and is dealt with in accordance with the accounting policies set out in notes 2(k) and 2(l)(i).

(iv) *Statutory surplus reserve*

According to the Company's PRC subsidiaries' articles of association, each PRC company is required to transfer 10% of its net profit after tax, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve. When the balance of the statutory surplus reserve reaches 50% of the PRC company's registered capital, any further appropriation is optional. The transfer to this reserve must be made before distribution of a dividend to the shareholders.

Statutory surplus reserve can be used to make up previous years' losses, if any, and may be converted into capital in proportion to their existing shareholdings, provided that the balance after such conversion is not less than 25% of the registered capital.

36. Employee Retirement Benefits

Defined contribution retirement plan

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries of the Group are required to contribute certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

37. Share Options

Equity-settled share option schemes

The share option scheme adopted by the Company on 7 June 2004 (the "2004 Share Option Scheme") was terminated on 6 June 2014, and the Company adopted a new share option scheme on 20 May 2014 (the "2014 Share Option Scheme", together with the 2004 Share Option Scheme are referred to as the "Schemes") at the Company's annual general meeting held on 20 May 2014. No further options shall be offered under the 2004 Share Option Scheme, but in all other respects the provisions of the 2004 Share Option Scheme shall remain in full force and effect and all options granted prior to such termination and not exercised at the date of termination shall remain valid. The 2014 Share Option Scheme remains in force for a period of 10 years commencing on its adoption date and expiring on the tenth anniversary thereof.

According to the terms of the Scheme, the directors of the Company are authorised, at their discretion, to invite employees or any person who has contributions to the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The options are exercisable within a period of ten years. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

37. Share Options *(Continued)*

Equity-settled share option schemes (Continued)

a) The terms and conditions of the grants are as follows:

Category of grantee	Number of instruments '000	Exercise price per share HK$	Date of grant	Exercisable period	Contractual life of option
Directors and ex-directors	30,000	0.479	4 October 2007	4 October 2007 to 3 October 2017	10 years
	10,000	0.359	22 October 2010	22 October 2010 to 21 October 2020	10 years
	6,660	0.660	11 April 2014	11 April 2015 to 10 April 2024	10 years
	6,660	0.660	11 April 2014	11 April 2016 to 10 April 2024	10 years
	6,680	0.660	11 April 2014	11 April 2017 to 10 April 2024	10 years
Employees	38,500	0.479	4 October 2007	4 October 2007 to 3 October 2017	10 years
	26,000	0.359	22 October 2010	22 October 2010 to 21 October 2020	10 years
Consultants	10,000	0.660	11 April 2014	11 April 2015 to 10 April 2018	4 years
	10,000	0.660	11 April 2014	11 April 2016 to 10 April 2018	4 years
	30,000	0.660	11 April 2014	11 April 2014 to 10 April 2016	2 years
	30,000	0.660	11 April 2014	11 April 2015 to 10 April 2016	2 years
	9,990	0.660	11 April 2014	11 April 2015 to 10 April 2024	10 years
	9,990	0.660	11 April 2014	11 April 2016 to 10 April 2024	10 years
	10,020	0.660	11 April 2014	11 April 2017 to 10 April 2024	10 years
	18,315	0.546	26 August 2015	26 August 2016 to 25 August 2025	10 years
	18,315	0.546	26 August 2015	26 August 2017 to 25 August 2025	10 years
	18,370	0.546	26 August 2015	26 August 2018 to 25 August 2025	10 years
Total share options granted	289,500				

37. Share Options *(Continued)*

Equity-settled share option schemes (Continued)

b) The number and weighted average exercise prices of share options are as follows:

Option type	Outstanding at 1/1/2017 '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year '000	Expired during the year '000	Outstanding at 31/12/2017 '000	Exercisable at 31/12/2017 '000
2007	20,000	–	(16,000)	–	(4,000)	–	
2010	6,000	–	–	–	–	6,000	
2014	60,000	–	–	–	–	60,000	
2015	55,000	–	–	–	–	55,000	
	141,000	–	(16,000)	–	(4,000)	121,000	102,630
Weighted average exercise price	HK$0.577	–	HK$0.479	–	HK$0.479	HK$0.593	HK$0.602

Option type	Outstanding at 1/1/2018 '000	Granted during the year '000	Exercised during the year '000	Forfeited during the year '000	Expired during the year '000	Outstanding at 31/12/2018 '000	Exercisable at 31/12/2018 '000
2010	6,000	–	–	–	–	6,000	
2014	60,000	–	–	–	(10,000)	50,000	
2015	55,000	–	–	–	–	55,000	
	121,000	–	–	–	(10,000)	111,000	111,000
Weighted average exercise price	HK$0.593	–	–	–	HK$0.66	HK$0.587	HK$0.587

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2017 was HK$0.67.

The options outstanding at 31 December 2018 had an exercise price of HK$0.359 or HK$0.660 or HK$0.546 (2017: HK$0.359 or HK$0.660 or HK$0.546) and a weighted average remaining contractual life of 5.77 years (2017: 6.24 years).

38. Commitments

a) *Operating lease arrangements*

As lessee

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**12,573**	9,253
In the second to fifth years, inclusive	**5,823**	6,869
	18,396	16,122

The Group is the lessee in respect of its office premises and director's quarter held under operating leases. The leases typically run for an initial of one to nine years, with an option to renew the lease when all items are renegotiated. None of the leases includes contingent rentals.

b) *Capital Commitments*

(i) On 27 November 2017, the Group entered into equity transfer agreement with two independent third parties (the "Vendors"). Pursuant to the equity transfer agreement, the Group conditionally agreed to acquire the entire equity interest in Shenzhen Credit Gain Finance Company Limited（深圳市領達小額貸款有限公司）("Shenzhen Credit Gain"), Chongqing Liangjiang New Area Credit Gain Finance Company Limited（重慶兩江新區領達小額貸款有限公司）("Chongqing Credit Gain") and Chongqing Dongrong Business Consultancy Company Limited（重慶市東榮商務諮詢有限公司）("Chongqing Dongrong") through structured contracts at a cash consideration of RMB563,367,000 (equivalent to approximately HK$664,773,000). Deposits of HK$50,000,000 were paid to the vendors. As at 31 December 2018 and 2017, there was a capital commitment of HK$614,773,000 in relation to the acquisition of Shenzhen Credit Gain, Chongqing Credit Gain and Choongqing Dongrong.

Completion of the acquisition of Shenzhen Credit Gain, Chongqing Credit Gain and Chongqing Dongrong was subject to the approval of government authorities. As at 31 December 2018 and 2017, the acquisition was in the process.

(ii) As disclosed in note 15 to the consolidated financial statements, the Group has an obligation to settle an amount of US$2,000,000 (equivalent to approximately HK$15,600,000) as its capital contribution to 中匯豐源, an associate of the Group, as at 31 December 2018 and 2017.

39. Financial Guarantee Contracts

The Group provides loan guarantee services to small-to-medium-sized enterprises in the PRC. As at 31 December 2018, the Group had contracts in relation to the loan guarantee business of approximately HK$34,011,000 (2017: HK$20,578,000) in which approximately HK$89,000 (2017: HK$50,000) and HK$340,000 (2017: HK$84,000) were recognised as undue liability provision and guarantee compensation provision respectively in the consolidated statement of financial position. The Group may become involved in certain legal proceedings relating to claims arising out of its operations in the normal course of business. However, none of these proceedings, individually or in aggregate, is expected to have a material adverse effect on the Group's financial position or operational results.

40. Acquisition of Subsidiaries/Acquisition that is not constituting a business

For the year ended 31 December 2017

a) Acquisition of subsidiaries – Brilliant Star Group

During the year ended 31 December 2017, the Group acquired the entire equity interest in Brilliant Star Capital (Cayman) Limited at a consideration of HK$299,625,000 of which HK$61,323,000 was settled by the issuance of 91,527,011 shares of the Company at the fair value on 11 September 2017 of HK$0.67 each and the remaining consideration was or will be settled by cash. Brilliant Star Capital (Cayman) Limited and its subsidiaries (including a 90% equity interest held subsidiary) (collectively referred as the "Brilliant Star Group") is principally engaged in the small loan business in Chengdu, the PRC. The Group acquired Brilliant Star Group to extend its financial services business in the PRC. The acquisition was completed on 31 October 2017.

40. Acquisition of Subsidiaries/Acquisition that is not constituting a business *(Continued)*

For the year ended 31 December 2017 (Continued)

a) Acquisition of subsidiaries – Brilliant Star Group (Continued)

The following summarises the total consideration and the amounts of the assets acquired and liabilities assumed, as well as the amount of gain on bargain purchase arising from the acquisition recognised at 31 October 2017 (the date of acquisition):

	HK$'000
Consideration:	
Cash	237,397
Consideration payable	905
Issuance of shares	61,323
	299,625
The fair values of the identifiable assets acquired and liabilities assumed at the date of acquisition were as follows:	
Property, plant and equipment	411
Loans receivable	85,660
Interest receivable	165
Prepayments, deposits and other receivables	10,583
Time deposits	71,064
Cash and bank balances	195,375
Shareholder's loan	(323,079)
Accruals and other deposit received	(10,009)
	30,170
Assignment of shareholder's loan to the Group	323,079
Less: Non-controlling interests (note i)	(35,311)
Gain on bargain purchase arising from acquisition recognised in other income in profit or loss (note ii)	(18,313)
Total consideration	299,625
Net cash outflow arising on acquisition:	
Cash consideration paid	(237,397)
Cash and cash equivalents acquired	195,375
	(42,022)

40. Acquisition of Subsidiaries/Acquisition that is not constituting a business *(Continued)*

For the year ended 31 December 2017 (Continued)

a) Acquisition of subsidiaries – Brilliant Star Group (Continued)

Notes:

(i) The non-controlling interests recognised at the acquisition date were measured by reference to the non-controlling interests proportionate share of the recognised amounts of the 90% equity interest held subsidiary's identifiable net assets.

(ii) The Group's interest in the net fair value of Brilliant Star Group's identifiable assets and liabilities at the date of acquisition exceeds the cost of the business combination. Before recognising a gain on a bargain purchase, the Group reassessed whether it has correctly identified all of the assets acquired and all of the liabilities assumed and any additional assets or liabilities that should be identified in that review.

Since (i) the Group identified that the National Internet Finance License held by Brilliant Star Group was cancelled by the PRC Government during the process of transferring the equity interest of Brilliant Star Group from the vendor to the Group and therefore the vendor compensated the Group; and (ii) the vendor disposed the whole business segment of money lending and continued to concentrate its core business for investment management service. After the commercial negotiation with the vendor, accordingly, the net fair value of Brilliant Star Group's identifiable assets and liabilities attributable to equity interest acquired by the Group at the date of acquisition exceeds the cost of the business combination and gain from bargain purchase was recognised immediately in the profit or loss.

40. Acquisition of Subsidiaries/Acquisition that is not constituting a business *(Continued)*

For the year ended 31 December 2017 (Continued)

a) Acquisition of subsidiaries – Brilliant Star Group (Continued)

During the period from the date of acquisition to the end of the reporting period, Brilliant Star Group contributed HK$4,261,000 to the revenue of the Group and a profit of HK$2,204,000 to the profit of the Group for the year ended 31 December 2017. Had the acquisition occurred on 1 January 2017, the revenue and profit of the Group for the year ended 31 December 2017 would have been HK$743,713,000 and HK$303,434,000, respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operation of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

Acquisition related costs amounting to HK$189,000 have been excluded from the consideration and have been recognised as general and administrative expenses in the consolidated statement of profit or loss.

The fair value of loans receivables, interest receivable and other receivables at the date of acquisition approximated their gross contractual amounts and were expected to be fully recovered in the future.

b) Acquisition of subsidiaries – Access Global Group

On 16 June 2017, the Group entered into an agreement with independent third party to acquire 60% equity interest in Access Global Group at a consideration of HK$21,210,000 by cash (subject to the profit guarantee as described in the sale and purchase agreement). Access Global Group is principally engaged in education consultancy service in United Kingdom. The Group acquired Access Global Group to develop education consultancy service business in United Kingdom to diversify its business. The acquisition was completed on 30 June 2017.

40. Acquisition of Subsidiaries/Acquisition that is not constituting a business *(Continued)*

For the year ended 31 December 2017 (Continued)

b) Acquisition of subsidiaries – Access Global Group (Continued)

The following summarises the total consideration and the amounts of the assets acquired and liabilities assumed, as well as the amount of goodwill arising from the acquisition recognised at 30 June 2017 (the date of acquisition):

	HK$'000
Consideration:	
Cash	21,210
Contingent consideration arrangement (note 17)	(3,366)
Total consideration	17,844
The fair values of the identifiable assets acquired and liabilities assumed at the date of acquisition were as follows:	
Prepayments, deposits and other receivables	509
Cash and bank balances	282
Accruals and other deposit received	(686)
	105
Less: Non-controlling interests (note i)	(42)
Goodwill arising on acquisition	17,781
Total consideration	17,844
Net cash outflow arising on acquisition:	
Cash consideration paid	(21,210)
Cash and cash equivalents acquired	282
	(20,928)

40. Acquisition of Subsidiaries/Acquisition that is not constituting a business *(Continued)*

For the year ended 31 December 2017 (Continued)

b) Acquisition of subsidiaries – Access Global Group (Continued)

Notes:

(i) The non-controlling interests recognised at the acquisition date were measured by reference to the non-controlling interests proportionate share of the recognised amounts of acquiree's identifiable net assets.

(ii) The goodwill arising from the acquisition of Access Global Group is attributable to the future growth and profitability in relation to the education business in United Kingdom. None of the goodwill recognised is expected to be deductible for income tax purposes.

During the period from the date of acquisition to the end of the reporting period, Access Global Group contributed HK$2,458,000 to the revenue of the Group and a profit of HK$1,235,000 to the profit of the Group for the year ended 31 December 2017. Had the acquisition occurred on 1 January 2017, the revenue and profit of the Group for the year ended 31 December 2017 would have been HK$734,025,000 and HK$309,835,000, respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operation of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

Acquisition related costs amounting to HK$590,000 have been excluded from the consideration and have been recognised as general and administrative expenses in the consolidated statement of profit or loss.

The fair value of other receivables at the date of acquisition approximated their gross contractual amounts and were expected to be fully recovered in the future.

40. Acquisition of Subsidiaries/Acquisition that is not constituting a business *(Continued)*

For the year ended 31 December 2017 (Continued)

c) Acquisition that is not constituting a business

On 29 November 2017, the Group entered into an agreement with an independent third party to acquire loans and interests receivable and trademark at a consideration of HK$408,447,000 by cash. The acquisition was completed on 18 December 2017.

	HK$'000
Consideration:	
Cash	408,447
	408,447
The net assets acquired are as follows:	
Intangible asset	19,371
Loans receivable	387,412
Interests receivable	2,212
Receipt in advance	(548)
	408,447

41. Material Related Party Transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following transactions with its related parties during the year:

a) *Remuneration of key management personnel of the Group*

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7, is as follows:

	2018 HK$'000	2017 HK$'000
Short-term employee benefits	8,088	8,842
Post-employment benefits	350	308
Equity compensation benefits	–	385
	8,438	9,535

Total remuneration is included in "staff costs" (see note 5(a)).

b) *Transaction with Sinoguarantee*

	Note	2018 HK$'000	2017 HK$'000
Guarantee fee paid (senior bond)	(1)	–	5,896
Guarantee fee paid (bank loan)	(2)	–	867

Notes:

(1) For the year ended 31 December 2017, it represents an annual guarantee fee of RMB5,100,000 paid to Sinoguarantee in relation to the provision of guarantee for a senior bond of RMB300 million issued by the Group. Further details of senior bond are set out in note 32.

(2) For the year ended 31 December 2017, it represents the guarantee fee paid to Sinoguarantee in relation to the provision of guarantee to a bank for a bank loan of RMB60,000,000 granted to the Group which was settled during the year. Further details of the bank loan are set out in note 25.

(3) Sinoguarantee is a substantial shareholder of the Company.

The directors of the Company are of the opinion that such transaction was conducted on mutually agreed terms in the ordinary course of business.

41. Material Related Party Transactions *(Continued)*

c) *Financing arrangements*

(i) The details of the amounts due from related parties included in other receivables, deposits and prepayments are as follows:

Name	Note	2018 HK$'000	2017 HK$'000
北京萬方達隆物業管理有限公司 (“達隆物業”)	(1), (2)	–	359

Notes:

(1) The amounts due from related parties are unsecured, non-interest-bearing and have no fixed terms of repayment.

(2) Mr. Cheung Siu Lam, a non-executive director of the Company, is the legal representative of 達隆物業. The maximum outstanding balance due from 達隆物業 during the year was HK$359,000 (2017: HK$359,000).

(ii) The details of the borrowings from shareholders included in borrowings and other payables are as follows:

Name	Note	2018 HK$'000	2017 HK$'000
Short-term borrowings			
– Lo Wan	(1), (2)	56,543	141,044
– Cheung Siu Hung	(3), (4)	4,254	5,064
		60,797	146,108

41. Material Related Party Transactions *(Continued)*

c) *Financing arrangements (Continued)*

(ii) *(Continued)*

Notes:

(1) The loan from Ms Lo Wan is unsecured, bears interest at 4.8% per annum and is repayable on 8 May 2019 and 26 June 2019 (2017: 20 April 2018 and 8 May 2018). Related interest expense incurred on this loan during the year ended 31 December 2018 was approximately HK$7,066,000 (2017: HK$4,467,000), which is included in interest and handling expenses (note 3(a)).

(2) Ms. Lo Wan is a shareholder of the Company and the spouse of Mr. Cheung Siu Lam, a non-executive director of the Company.

(3) The loan from Ms. Cheung Siu Hung is unsecured, bears interest at 7% per annum and is repayable on 26 October 2019 (2017: 25 April 2018). Related interest expense incurred on this loan during the year ended 31 December 2018 was approximately HK$340,000 (2017: HK$63,000), which is included in interest and handling expenses (note 3(a)).

(4) Ms. Cheung Siu Hung is a shareholder of the Company and the sister of Mr. Cheung Siu Lam, a non-executive director of the Company.

(iii) The details of constancy fee paid by the Group are as follows:

Name	2018 HK$'000	2017 HK$'000
北京嘉潤智德國際投資諮詢有限公司 (note (i))	5,942	–
北京嘉澤潤豐公司 (note (i))	2,467	–
北京天福號生態科技有限公司 (note (i))	–	3,704
北京萬方慈雲投資諮詢有限公司 (note (i))	–	4,966
Tiger One Holdings Limited (note (ii))	2,067	900
	10,476	9,570

Notes:

(i) A director, Mr. Cheung Siu Lam, of the Company is the legal representative of the above companies.

(ii) A director, Dr. Cheung Chai Hong, of the Company is the sole shareholder of the company.

The directors of the Company are of the opinion that such transactions were conducted on mutually agreed terms in the ordinary course of business.

42. Critical Accounting Judgements and Estimates

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns.

At the end of each reporting period, the Group assesses the variable returns arising from other equities and uses plenty of judgements, in combination with historical exposure to variable returns, to determine the consolidation scope.

For structured entities, the Group's management needs to assess whether the Group has the power over structured entities and is exposed to significant variable return of the structured entities. If such power and exposure exist, the Group has to consolidate such structured entities. The judgments the Group used in determining whether or not it has control over the structured entities are detailed in note 12(b).

The Group reassess whether it controls structured entities if facts and circumstances indicate that there are changes to one or more of the three elements of control.

42. Critical Accounting Judgements and Estimates *(Continued)*

(b) *Sources of estimation uncertainty*

Key sources of estimation uncertainty are as follows:

(i) *Impairment of goodwill (Carrying amount: HK$603,707,000 (2017: HK$635,477,000))*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units 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 units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

(ii) *Impairment of loans receivable (Carrying amount: HK$4,605,029,000 (2017: HK$4,675,515,000))*

The measurement of impairment losses under both HKFRS 9 and HKAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns probabilities of default to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets based on risk characteristics of the customers and by product types when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs over determination of the period over which the entity is exposed to credit risk based on the behavioural life of the credit exposures, loss given default and collateral recovery of the credit exposures; and

42. Critical Accounting Judgements and Estimates *(Continued)*

(b) *Sources of estimation uncertainty (Continued)*

(ii) *Impairment of loans receivable (Carrying amount: HK$4,605,029,000 (2017: HK$4,675,515,000)) (Continued)*

- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probabilities of default, exposures at default and losses given default.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

(iii) *Tax payable (Carrying amount: HK$101,288,000 (2017: HK$144,510,000)) and deferred tax liabilities (Carrying amount: HK$26,342,000 (2017: HK$20,665,000))*

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

(iv) *Acquisition of subsidiaries*

The Group conducted purchase price allocation based on the fair value of the identifiable assets and liabilities in the relevant business of the acquisition date. The fair value of relevant identifiable assets and liabilities are assessed by the independent valuer based on the business forecasts and the key assumptions provided by the management and the adoption of the appropriate valuation methodology. If different judgements or assumptions were used, the amounts assigned to the individual acquired assets or liabilities could be materially different.

43. Financial Risk Management and Fair Values of Financial Instruments

The Group's major financial instruments include other financial assets, loans receivable, accounts receivable, interests receivable, other receivables, amount due from an associate, pledged bank and security deposits paid, cash and cash equivalents, time deposits, borrowings and other payables, bank loans, security deposits received, amount due to an associate, financial derivatives, Senior Bonds and Unsecured Bonds. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk, interest rate risk and price risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

a) *Credit risk*

Credit risk arises from a customer's inability or unwillingness to meet its financial obligations to make timely payments under loans the Group guaranteed or provided. Credit risk is primarily attributable to unexpired guarantees issued by the Group and the loan business of the Group, loans receivable, accounts, interests and other receivables, pledged bank and security deposits paid, time deposits, cash and cash equivalents and other financial assets.

Except for the guarantee as disclosed below, the Group does not provide any other guarantees which would expose the Group to credit risk.

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

a) *Credit risk (Continued)*

(i) *Credit risk arising from loan business*

The Group has taken measures to identify credit risks arising from loan business. The Group manages credit risk at every stage of the risk management system, including pre-approval, review and credit approval and post-transaction monitoring processes. The Group conducts customer acceptance and due diligence by business department and risk management department during the pre-approval process. A transaction may be subject to the review and approval of credit approval officer and the executive directors depending on the transaction size.

During the post-transaction monitoring process, the Group performs credit evaluations on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

Most of loans granted are backed by collateral (e.g. property, gold, jewellery, diamonds and watches etc.) as security. The Group also focuses on ascertaining legal ownership and the valuation of the collateral. A loan granted is based on the value of the collateral and generally approximates 2.5%-100% (2017: 5.15%-100%) of the estimated value of the collateral. The Group closely monitors the ownership and the value of the collateral throughout the loan period. The loans receivable are due by the date as specified in the corresponding loan agreements.

In accordance with accounting policies, if there is objective evidence that indicates the cash flows for a particular loan is expected to decrease, and the amount can be estimated, the loan is recorded as an impaired loan and the impairment loss is recognised in profit or loss.

The Group's policy requires regular review of the quality of individually significant financial assets. For assets for which an allowance for impairment loss is provided individually, the amount is determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis. In making such assessments, the Group considers the value of collateral held and expected future cash flows from the asset.

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

a) *Credit risk (Continued)*

(i) *Credit risk arising from loan business (Continued)*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 13.17% (2017: 16.15%) and 26.07% (2017: 25.21%) of the total loans receivable was due from the Group's largest debtor and the five largest debtors respectively.

The Group adopts loan grading criteria which divides credit assets into five categories as below:

"Pass" represents loans where the borrower is current in meeting its repayment obligations and full repayment of interest and principal is not in doubt.

"Special Mention" represents loans where the borrower is experiencing difficulties which may threaten the Group's position. Ultimate loss is not expected at this stage but could occur if adverse conditions persist.

"Substandard" represents loans where the borrower displays a definable weakness that is likely to jeopardise repayment.

"Doubtful" represents loans where collection in full is improbable and the Group expects to sustain a loss of principal and/or interest, taking into account the net realisable value of the collateral.

"Loss" represents loans which are considered uncollectible after all collection options (such as the realisation of collateral or the institution of legal proceedings) have been exhausted.

After adopting HKFRS 9 at 1 January 2018, the Group adopts a loan risk classification approach to manage its loans and advances to customers portfolio risk. Loans and advances to customers are categorised into the following stages by the Group:

Stage 1
Loans and advances to customers have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months expected credit losses (12-month ECLs).

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

a) *Credit risk (Continued)*

(i) *Credit risk arising from loan business (Continued)*

Stage 2

Loans and advances to customers have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses (Lifetime ECLs non credit-impaired).

Stage 3

Loans and advances to customers that are in default and considered credit impaired (Lifetime ECLs credit-impaired).

The Group applies the new ECL model to measure the impairment loss of the loans and advances to customers.

Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the requirements of HKFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the Internal Rating-Based Approach, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;

- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies;

- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

a) *Credit risk (Continued)*

(i) *Credit risk arising from loan business (Continued)*

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Group applied experts' judgement in this process, according to the result of experts' judgement, the Group predicts these economic indicators on a semi-annually basis and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets.

Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset and the book value of the financial asset is recalculated and the related gain or loss is included in current profit and loss. The recalculated book value of the financial asset is determined based on the present value of the contractual cash flows following the renegotiation or modification, as calculated using the original effective interest rate of the financial asset.

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 to Stage 1. At 31 December 2018, the carrying amount of financial assets with such modified contractual cash flows was not significant.

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

a) *Credit risk (Continued)*

(i) *Credit risk arising from loan business (Continued)*

(1) *Concentrations of risk for loans and advances to customers*

(i) Analysis of loans and advances to customers by geographical area and industrial type

	2018		2017	
	Amount HK$'000	**% of total**	Amount HK$'000	% of total
The PRC				
Corporate loan and advances				
Agriculture, forest management, animal husbandry and fisheries	**1,598**	**0.03%**	15,552	0.33%
Commerce and service	**736,862**	**15.76%**	664,043	14.09%
Construction	**23,757**	**0.51%**	24,768	0.53%
Financial industry	**349,969**	**7.48%**	392,860	8.33%
IT technology	**125,085**	**2.67%**	160,125	3.40%
Manufacturing	**182,036**	**3.89%**	119,032	2.53%
Production and supply of electricity, heating gas and water	**39,945**	**0.85%**	10,767	0.23%
Real estate	**504,406**	**10.79%**	604,252	12.82%
Transportation, storage and postal services	**46,417**	**0.99%**	17,944	0.38%
Water, environment and public utilities	**21,684**	**0.46%**	14,355	0.30%
Wholesale and retail	**143,647**	**3.07%**	66,155	1.40%
Other	**16,851**	**0.36%**	19,194	0.40%
Subtotal	**2,192,257**	**46.86%**	2,109,047	44.74%
Personal loan	**1,885,503**	**40.31%**	1,881,054	39.91%
	4,077,760	**87.17%**	3,990,101	84.65%

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

a) *Credit risk (Continued)*

(i) *Credit risk arising from loan business (Continued)*

(1) *Concentrations of risk for loans and advances to customers (Continued)*

(i) Analysis of loans and advances to customers by geographical area and industrial type *(Continued)*

	2018		2017	
	Amount HK$'000	**% of total**	Amount HK$'000	% of total
Hong Kong				
Corporate loan and advances				
Commerce and service	**30,837**	**0.66%**	24,124	0.51%
Financial industry	**343**	**0.01%**	–	–
IT technology	**300**	**0.01%**	–	–
Leasing	**46,380**	**0.98%**	40,354	0.86%
Wholesale and retail	**6,000**	**0.13%**	–	–
Other	**2,791**	**0.06%**	5,600	0.12%
Subtotal	**86,651**	**1.85%**	70,078	1.49%
Personal loan	**513,513**	**10.98%**	653,415	13.86%
	600,164	**12.83%**	723,493	15.35%
Total loans and advances to customers	**4,677,924**	**100%**	4,713,594	100%

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

a) *Credit risk (Continued)*

(i) *Credit risk arising from loan business (Continued)*

(1) *Concentrations of risk for loans and advances to customers (Continued)*

(ii) Analysis of loans and advances to customers by loans type

	2018		2017	
	Amount HK$'000	**% of total**	Amount HK$'000	% of total
Unsecured loans				
– Corporate loan	**3,834**	**0.08%**	3,000	0.06%
– Personal loan	**64,290**	**1.37%**	61,911	1.31%
Guarantee loans				
– Corporate loan	**121,093**	**2.60%**	22,075	0.47%
– Personal loan	**7,247**	**0.15%**	55,060	1.17%
Collateralised and other secured loans				
• Loans secured by properties and other assets				
– Corporate loan	**2,096,916**	**44.83%**	2,154,050	45.70%
– Personal loan	**2,327,479**	**49.75%**	2,417,498	51.29%
• Other receivables				
– Corporate loan	**57,065**	**1.22%**	–	–
– Personal loan	**–**	**–**	–	–
Total loans and advances to customers	**4,677,924**	**100%**	4,713,594	100%

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

a) *Credit risk (Continued)*

(i) *Credit risk arising from loan business (Continued)*

(1) *Concentrations of risk for loans and advances to customers (Continued)*

(iii) Analysis of loans and advances to customers by collateral type with maturity profile

			2018		
			Loans secured by		
	Unsecured loans HK$'000	**Guaranteed loans HK$'000**	**Properties and other assets HK$'000**	**Other receivables HK$'000**	**Total HK$'000**
Due within 1 month or on demand	**12,999**	**1,166**	**548,268**	**–**	**562,433**
Due after 1 month but within 3 months	**7,915**	**17,691**	**467,923**	**–**	**493,529**
Due after 3 months but within 6 months	**5,517**	**9,133**	**880,760**	**–**	**895,410**
Due after 6 months but within 12 months	**9,658**	**80,350**	**1,949,993**	**57,065**	**2,097,066**
Due after 12 months	**32,035**	**20,000**	**577,451**	**–**	**629,486**
Subtotal	**68,124**	**128,340**	**4,424,395**	**57,065**	**4,677,924**
Allowances for doubtful debts	**(2,275)**	**(1,355)**	**(68,891)**	**(374)**	**(72,895)**
	65,849	**126,985**	**4,355,504**	**56,691**	**4,605,029**

			2017		
			Loans secured by		
	Unsecured loans HK$'000	Guaranteed loans HK$'000	Properties and other assets HK$'000	Other receivables HK$'000	Total HK$'000
Due within 1 month or on demand	8,745	30,132	609,875	–	648,752
Due after 1 month but within 3 months	3,542	46,868	547,737	–	598,147
Due after 3 months but within 6 months	14,620	62	1,016,062	–	1,030,744
Due after 6 months but within 12 months	6,585	47	1,970,260	–	1,976,892
Due after 12 months	31,419	26	427,614	–	459,059
Subtotal	64,911	77,135	4,571,548	–	4,713,594
Allowances for doubtful debts	(2,243)	(820)	(35,016)	–	(38,079)
	62,668	76,315	4,536,532	–	4,675,515

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

a) *Credit risk (Continued)*

(i) *Credit risk arising from loan business (Continued)*

(1) *Concentrations of risk for loans and advances to customers (Continued)*

(iv) Analysis of loans and advances to customers by collateral type with credit quality

			2018 Loans secured by		
	Unsecured loans HK$'000	Guaranteed loans HK$'000	Properties and other assets HK$'000	Other receivables HK$'000	Total HK$'000
Loans receivable that are credit impaired					
– Not past due	50,390	127,175	4,296,411	57,065	4,531,041
– Less than 1 month past due	4,192	–	59,180	–	63,372
– 1 to 3 months past due	1,537	–	2,529	–	4,066
– Over 3 months past due	12,005	1,165	66,275	–	79,445
Subtotal	68,124	128,340	4,424,395	57,065	4,677,924
Allowance for doubtful debts	(2,275)	(1,355)	(68,891)	(374)	(72,895)
	65,849	126,985	4,355,504	56,691	4,605,029

			2017 Loans secured by		
	Unsecured loans HK$'000	Guaranteed loans HK$'000	Properties and other assets HK$'000	Other receivables HK$'000	Total HK$'000
Loans receivable that are not impaired					
– Neither past due nor impaired	57,743	52,015	3,144,754	–	3,254,512
– Less than 1 month past due	3,153	–	3,189	–	6,342
– 1 to 3 months past due	15	–	4,614	–	4,629
– Over 3 months past due	–	–	22,420	–	22,420
	60,911	52,015	3,174,977	–	3,287,903
Loans receivable that are impaired collectively and individually					
– Not past due	–	23,820	1,376,365	–	1,400,185
– Less than 1 month past due	–	12	152	–	164
– 1 to 3 months past due	–	33	169	–	202
– Over 3 months past due	4,000	1,255	19,885	–	25,140
Subtotal	4,000	25,120	1,396,571	–	1,425,691
Allowances for doubtful debts	(2,243)	(820)	(35,016)	–	(38,079)
	1,757	24,300	1,361,555	–	1,387,612
Total	62,668	76,315	4,536,532	–	4,675,515

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

a) *Credit risk (Continued)*

(i) *Credit risk arising from loan business (Continued)*

(2) *Analysis of impaired loans and advances to customers*

(i) Impaired loans and advances by geographical area and customer type

	2018			2017		
	Amount HK$'000	% of total	Impaired loan ratio	Amount HK$'000	% of total	Impaired loan ratio
The PRC						
Corporate loan						
Agriculture, forest management, animal husbandry and fisheries	11	0.02%	0.00%	–	0.00%	0.00%
Commerce and service	4,848	6.64%	0.10%	292	0.77%	0.01%
Construction	214	0.29%	0.00%	162	0.43%	0.00%
Financial industry	2,316	3.18%	0.05%	470	1.23%	0.01%
IT technology	868	1.19%	0.02%	740	1.94%	0.02%
Manufacturing	1,193	1.64%	0.03%	919	2.41%	0.02%
Production and supply of electricity, heating gas and water	262	0.36%	0.01%	–	0.00%	0.00%
Real estate	3,305	4.53%	0.07%	329	0.86%	0.01%
Transportation, storage and postal services	304	0.42%	0.01%	179	0.47%	0.00%
Water, environment and public utilities	142	0.19%	0.00%	144	0.38%	0.00%
Wholesale and retail	981	1.35%	0.02%	15	0.04%	0.00%
Other	129	0.18%	0.00%	72	0.19%	0.00%
Subtotal	14,573	19.99%	0.31%	3,322	8.72%	0.07%
Personal loan	12,904	17.70%	0.28%	10,778	28.31%	0.23%
	27,477	37.69%	0.59%	14,100	37.03%	0.30%

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

a) *Credit risk (Continued)*

(i) *Credit risk arising from loan business (Continued)*

(2) *Analysis of impaired loans and advances to customers (Continued)*

(i) Impaired loans and advances by geographical area and customer type *(Continued)*

	2018			2017		
	Amount HK$'000	% of total	Impaired loan ratio	Amount HK$'000	% of total	Impaired loan ratio
Hong Kong						
Corporate loan						
Commerce and service	1,105	1.52%	0.02%	–	–	–
Financial industry	6	0.01%	0.00%	–	–	–
IT technology	6	0.01%	0.00%	–	–	–
Leasing	6,091	8.35%	0.13%	5,400	14.18%	0.11%
Wholesale and retail	92	0.13%	0.00%	–	–	–
Other	43	0.06%	0.00%	–	–	–
Subtotal	7,343	10.08%	0.15%	5,400	14.18%	0.11%
Personal loan	38,075	52.23%	0.81%	18,579	48.79%	0.40%
	45,418	62.31%	0.96%	23,979	62.97%	0.51%
Total	72,895	100%	1.55%	38,079	100%	0.81%

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

a) *Credit risk (Continued)*

(i) *Credit risk arising from loan business (Continued)*

(3) *Loans and advances rescheduled*

Rescheduling (referring to loans and other assets that have been restructured and renegotiated) is a voluntary or, to a limited extent, court-supervised procedure, through which the Group and a borrower and/or its guarantor, if any, rescheduled credit terms as a result of deterioration in the borrower's financial condition or of the borrower's inability to make payments when due. The Group reschedules a non-performing loan only if the borrower has good prospects. In addition, prior to approving the rescheduling of loans, the Group typically requires additional guarantees, pledges and/or collateral, or the assumption of the loan by a borrower with better repayment ability.

Rescheduled loans are generally subject to a surveillance period of six months. During the surveillance period, rescheduled loans remain as non-performing loans and the Group monitors the borrower's business operations and loan repayment patterns. After the surveillance period, rescheduled loans may be upgraded to "special-mention" upon review if certain criteria are met.

If the rescheduled loans fall overdue or if the borrower is unable to demonstrate its repayment ability, these loans will be reclassified to "doubtful" or below. All rescheduled loans within the surveillance period were determined to be impaired at 31 December 2018 and 2017.

At 31 December 2018 and 2017, within impaired loans and advances, rescheduled loans and advances that were overdue for 90 days or less were insignificant.

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

a) *Credit risk (Continued)*

(i) *Credit risk arising from loan business (Continued)*

(4) *Overdue loans and advances to customers*

Analysis of overdue loans and advances by geographical area and customers type

	2018	2017
	HK$'000	HK$'000
The PRC		
– Corporate loan	**701**	52
– Personal loan	**9,327**	1,475
Hong Kong		
– Corporate loan	**33,237**	12,400
– Personal loan	**103,618**	44,970
Subtotal	**146,883**	58,897
Percentage	**3.14%**	1.25%
Less: total loans and advances to customers which have been overdue for less than 3 months		
– Corporate loan	**26,837**	6,000
– Personal loan	**40,601**	5,337
Total loans and advances to customers which have been overdue for more than 3 months		
– Corporate loan	**7,101**	6,452
– Personal loan	**72,344**	41,108

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

a) *Credit risk (Continued)*

(i) *Credit risk arising from loan business (Continued)*

(5) *Loans and advances three-staging exposure*

Loans and advances to customers by five-tier loan classification and three-staging analysed as follows:

	As at 31 December 2018			
	Stage 1 (12-month ECL) HK$'000	Stage 2 (Lifetime ECL) HK$'000	Stage 3 (Lifetime ECL – impaired) HK$'000	Total HK$'000
Pass				
– Corporate loan	2,244,970	–	–	2,244,970
– Personal loan	2,286,071	–	–	2,286,071
Special-mention				
– Corporate loan	–	26,837	–	26,837
– Personal loan	–	40,601	–	40,601
Substandard				
– Corporate loan	–	–	–	–
– Personal loan	–	–	726	726
Doubtful				
– Corporate loan	–	–	701	701
– Personal loan	–	–	36,449	36,449
Loss				
– Corporate loan	–	–	6,400	6,400
– Personal loan	–	–	35,169	35,169
Subtotal	4,531,041	67,438	79,445	4,677,924
Allowance for doubtful debts	(34,103)	(2,466)	(36,326)	(72,895)
Total	4,496,938	64,972	43,119	4,605,029

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from loans receivable are set out in note 18.

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

a) *Credit risk (Continued)*

(ii) *Credit risk arising from guarantee business*

The Group adopts the same pre-approval, review and credit approval risk management system for credit risk arising from guarantee business. During the post-transaction monitoring process, all guarantees provided are backed by collateral (e.g. property, gold, jewellery, diamonds and watches etc.) as security. The Group focuses on ascertaining legal ownership and the valuation of the collateral. A guarantee provided by the Group is based on the value of the collateral and generally approximates 75.52% (2017: 72.77%) of the estimated value of the collateral. The Group monitors the value of the collateral throughout the guarantee period.

The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 39.

(iii) *Other credit risks*

In respect of accounts receivable, interests and other receivable, individual credit evaluations are performed on all debtors requiring credit over a certain amount. These evaluations focus on the debtor's past history of making payments when due and current ability to pay, and take into account information specific to the debtors as well as pertaining to the economic environment in which the debtor operates. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts receivable and interests receivable are set out in notes 19 and 20 respectively.

The majority of the Group's investments are liquid securities listed on the recognised stock exchanges. Given their high credit standing, management does not expect any investment counterparty to fail to meet it obligations.

The credit risk on cash and cash equivalents, time deposits and pledged bank and security deposits paid is limited because the counterparties are banks and other financial institutions with high credit ratings assigned by international credit-rating agencies.

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

b) *Liquidity risk*

Individual operating entities within the Group are responsible for its own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demand, subject to the Company's board approval when the borrowings exceed certain predetermined level of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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

	2018 Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount at 31 December HK$'000
Non-derivative financial liabilities:						
Bank loans						
– fixed rates	70,510	–	–	–	70,510	68,478
– variable rates	66,822	–	–	–	66,822	64,000
Borrowings and other payables	1,593,880	–	–	–	1,593,880	1,522,414
Unsecured bonds	77,344	17,414	268,455	35,903	399,116	302,022
Security deposits received	107,433	–	–	–	107,433	107,433
Amount due to an associate	2,970	–	–	–	2,970	2,970
Accruals and other deposits received	53,807	–	–	–	53,807	53,807
	1,972,766	17,414	268,455	35,903	2,294,538	2,121,124
Financial guarantees issued:						
Maximum amount guaranteed arising from:						
– Loan guarantee business*	34,011	–	–	–	34,011	429

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

b) *Liquidity risk (Continued)*

	2017 Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount at 31 December HK$'000
Non-derivative financial liabilities:						
Bank loans						
– fixed rates	145,391	–	–	–	145,391	143,556
– variable rates	72,258	–	–	–	72,258	70,000
Borrowings and other payables	1,319,128	–	–	–	1,319,128	1,244,853
Senior Bonds	370,554	–	–	–	370,554	365,099
Unsecured bonds	79,761	74,759	283,460	10,618	448,598	330,654
Security deposits received	104,311	–	–	–	104,311	104,311
Amount due to an associate	3,125	–	–	–	3,125	3,125
Accruals and other deposits received	13,545	–	–	–	13,545	13,545
	2,108,073	74,759	283,460	10,618	2,476,910	2,275,143
Financial guarantees issued:						
Maximum amount guaranteed arising from:						
– Loan guarantee business*	20,578	–	–	–	20,578	134

* The maximum amount guaranteed represents the total amount of liability should all customers default. Since a significant portion of guarantees issued is expected to expire without being called upon the maximum liabilities do not represent expected future cash outflows.

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

c) *Interest rate risk*

The Group is principally engaged in the provision of financing services. Its interest rate risk arises primarily from deposits with financial institutions, loans receivable, bank loans, interest-bearing borrowings, senior bonds, listed debt securities and unsecured bonds.

(i) *Interest rate profile*

The following table details the interest rate profile of the Group's assets and liabilities at the end of the reporting period:

	At 31 December	
	2018	2017
	HK$'000	HK$'000
Fixed interest rate		
Financial assets		
Loans receivable (Non-current portion)	**620,488**	458,614
Loans receivable (Current portion)	**3,984,541**	4,216,901
Other financial assets, debt securities	**43,098**	52,270
Time deposits	**–**	72,370
	4,648,127	4,800,155
Financial liabilities		
Bank loans	**(68,478)**	(143,556)
Borrowings under contractual agreements with:		
– Platform A	**(1,601)**	(1,678)
– Platform B	**(829,522)**	(790,521)
– Platform C	**–**	(196,455)
Borrowings from employees	**(30,645)**	(11,764)
Borrowings from shareholders	**(60,797)**	(146,108)
Borrowings from related companies	**(90,508)**	(90,631)
Senior Bonds	**–**	(365,099)
Unsecured Bonds	**(302,022)**	(330,654)
Note payable	**(271,231)**	–
	(1,654,804)	(2,076,466)
Net fixed rate financial instruments	**2,993,323**	2,723,689

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

c) *Interest rate risk (Continued)*

(i) *Interest rate profile (Continued)*

	At 31 December 2018 HK$'000	2017 HK$'000
Variable interest rate		
Financial assets		
– Cash at bank/financial institutions	**540,184**	662,740
– Pledged bank and security deposits paid	**29,211**	18,974
	569,395	681,714
Financial liabilities		
– Bank loans	**(64,000)**	(70,000)
Net variable rate financial instruments	**505,395**	611,714
Fixed rate borrowings as a percentage of total borrowings	**96.28%**	96.74%

(ii) *Sensitivity analysis*

The Group's interest rate risk arises primarily from bank loans and listed debt securities. Bank loans with variable rates expose the Group to cash flow interest rate risk. The Group has fair value interest rate risk arising from its listed debt securities.

The Group does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises. The directors consider the Group's exposure to cash flow interest rate risk of bank deposits is not significant.

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

c) *Interest rate risk (Continued)*

(ii) *Sensitivity analysis (Continued)*

At 31 December 2018 it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate bank loans, with all other variables held constant, would decrease/increase the Group's profit after tax (and retained earnings) by approximately HK$534,000 (2017: HK$585,000).

At 31 December 2018 it is estimated that a general increase/decrease of 100 basis points in interest rates for listed debt securities, with all other variables held constant, would decrease/increase the Group's other components of equity by approximately HK$427,000/HK$435,000 (2017: HK$539,000/HK$506,000).

The analysis is prepared assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2017: 100 basis points) increase or decrease in interest rates 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.

d) *Currency risk*

As at 31 December 2017, the Group is exposed to currency risk, primarily with respect to the senior bonds with carrying amount of HK$365,099,000 which is denominated in RMB. The sensitivity analysis includes only for senior bonds and adjusts their translation at the year ended for 1% change in foreign currency rates. For a 1% strengthening of the group entity's functional currency against RMB, it would decrease the Group's profit after tax and retained earnings by approximately HK$3,052,000. For a 1% weakening of the group entity's functional currency against RMB, there would be an equal and opposite impact.

The sensitivity rate of 1% applied represents management's assessment of the reasonably possible change in foreign exchange rates.

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

e) Equity price risk

The Group is exposed to equity price risk arising from listed equity investments and unlisted investment fund classified as other financial assets (see note 16). Other than unquoted investments held for strategic purposes, all of these investments are listed.

The Group's listed equity investments are listed on recognised stock exchanges. Listed equity investments held in the portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared the relevant industry indicators, as well as the Group's liquidity needs.

At 31 December 2018 it is estimated that an increase/(decrease) of 10% (2017: 10%) in the relevant stock market index (for listed equity investments) and fair value of unlisted investment, with all other variables held constant, would have increased/ decreased the Group's profit after tax (and retained earnings) and other components of consolidated equity as follows:

	2018			2017		
		Effect on profit after tax and retained earnings HK$'000	**Effect on other components of equity HK$'000**		Effect on profit after tax and retained earnings HK$'000	Effect on other components of equity HK$'000
Change in the relevant equity price risk variable:						
Increase	**10%**	**3,631**	**–**	10%	–	4,177
Decrease	**10%**	**(3,631)**	**–**	10%	–	(4,177)

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

e) *Equity price risk (Continued)*

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained earnings) and other components of consolidated equity that would arise assuming that the changes in the stock market index or fair value had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is assumed that the fair values of the Group's listed investments would change in accordance with the historical correlation with the relevant stock market index, that none of the Group's listed investments would be considered impaired as a result of the decrease in the relevant stock market index, and that all other variables remain constant. It is also assumed that the fair values of the Group's unlisted investment would change in accordance with the market value, that none of the Group's unlisted investments would be considered impaired as a result of the decrease in market value, and that all other variables remain constant. The analysis is performed on the same basis for 2017.

f) *Fair value measurement*

(i) *Financial assets and liabilities measured at fair value*

Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

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

- Level 3 valuations: Fair value measured using significant unobservable input

For financial instruments traded in inactive markets, their fair value measurements are based on net assets values provided by the relevant investment fund manager.

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

f) *Fair value measurement (Continued)*

(i) *Financial assets and liabilities measured at fair value (Continued)*

The Group engages independent professional valuers performing valuations for its financial instruments, including the financial derivatives and financial assets which are categorised into Level 3 of the fair value hierarchy. Valuation reports with analysis of changes in fair value measurement are prepared by independent valuers at each interim and annual reporting dates, and are reviewed by the financial controller and approved by the directors of the Company. Discussion of the valuation process and results with the financial controller and the directors of the Company is held twice a year to coincide with the reporting dates.

		Fair value measurements as at 31 December 2018 categorised into		
	Fair value at 31 December 2018 HK$'000	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**
Recurring fair value measurement				
Assets:				
Other financial assets				
– Equity securities, listed	**4,742**	**4,742**	**–**	**–**
– Debt securities, listed	**43,098**	**–**	**43,098**	**–**
– Investment funds, unlisted	**31,567**	**–**	**–**	**31,567**
– Other unlisted investments	**11,437**	**–**	**11,437**	**–**
Contingent consideration receivables	**15,238**	**–**	**–**	**15,238**

		Fair value measurements as at 31 December 2017 categorised into		
	Fair value at 31 December 2017 HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurements				
Assets:				
Other financial assets				
– Equity securities, listed	11,860	11,860	–	–
– Debt securities, listed	52,270	–	52,270	–
– Investment funds, unlisted	29,908	–	–	29,908
Contingent consideration receivable	1,270	–	–	1,270
Liabilities:				
Financial derivatives	304	–	–	304

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

f) *Fair value measurement (Continued)*

(i) *Financial assets and liabilities measured at fair value (Continued)*

During the years ended 31 December 2018 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of debt securities in Level 2 is determined by using quoted prices from financial institutions.

Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**
Financial derivatives	Monte Carlo Simulations	Expected volatility: N/A (2017: 31.54%)
Investment funds, unlisted	Net asset value	N/A
Contingent consideration receivables	Monte Carlo Simulations	Expected volatility: 41.74% to 64.43% (2017: 31.40% to 39.79%)

As at 31 December 2018 and 2017, no sensitivity analysis is performed on contingent consideration receivables and financial derivatives as the impact is not significant to the Group's profit.

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

f) *Fair value measurement (Continued)*

(i) *Financial assets and liabilities measured at fair value (Continued)*

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

Financial assets at FVTPL – held for trading:	**2018 HK$'000**	2017 HK$'000
At 1 January	**–**	17,817
Loss on disposal	**–**	(18)
Proceeds from sales of investments	**–**	(17,799)
At 31 December	**–**	–
Total loss for the year included in profit or loss for assets held at the end of the reporting period	**–**	(18)

Contingent consideration receivables:	**2018 HK$'000**	2017 HK$'000
At 1 January	**1,270**	–
Additions through acquisitions of subsidiaries (note 40(b))	**–**	3,366
Addition through acquisition of associates	**3,524**	–
Fair value change recognised in profit or loss	**10,444**	(2,096)
At 31 December	**15,238**	1,270
Total gain/(loss) for the year included in profit or loss for assets held at the end of the reporting period	**10,444**	(2,096)

43. Financial Risk Management and Fair Values of Financial Instruments *(Continued)*

f) *Fair value measurement (Continued)*

(i) *Financial assets and liabilities measured at fair value (Continued)*

Investment fund in the PRC, unlisted:	**2018 HK$'000**	2017 HK$'000
At 1 January	**29,908**	–
Payment for purchase of investments	**–**	29,908
Fair value change recognised in profit and loss	**3,142**	–
Exchange differences	**(1,483)**	–
At 31 December	**31,567**	29,908
Total gain for the year included in profit or loss for assets held at the end of the reporting period	**3,142**	–

Financial derivatives:	**2018 HK$'000**	2017 HK$'000
At 1 January	**304**	1,032
Fair value change recognised in profit or loss	**–**	(728)
Gain on disposal recognised in profit or loss	**(304)**	–
At 31 December	**–**	304
Total gain for the year included in profit or loss for financial derivatives held at the end of the reporting period	**304**	728

(ii) *Fair value of financial instruments carried at other than fair value*

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

44. Capital Management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

The Group monitors capital on the basis of a gearing ratio, which was unchanged from 2017. This ratio is calculated as net debt divided by capital. Net debt is calculated as total borrowings (including current and non-current borrowings and security deposits received) less cash and cash equivalents, time deposits and pledged bank and security deposits paid. Capital comprises all components of equity.

44. Capital Management *(Continued)*

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

	2018 HK$'000	2017 HK$'000
Current Liabilities:		
Bank loans	**132,478**	213,556
Unsecured Bonds	**56,443**	57,012
Borrowings and other payables	**1,251,183**	1,244,853
Security deposit received	**107,433**	104,311
Senior Bonds	**–**	365,099
	1,547,537	1,984,831
Non-current liabilities:		
Borrowings and other payables	**271,231**	–
Unsecured Bonds	**245,579**	273,642
	516,810	273,642
Total borrowings	**2,064,347**	2,258,473
Less: Cash and cash equivalents	**(540,184)**	(662,740)
Pledged bank and security deposits paid	**(29,211)**	(18,974)
Time deposits	**–**	(72,370)
Net debt	**1,494,952**	1,504,389
Total equity	**3,894,069**	3,898,612
Gearing ratio	**38.39%**	38.59%

Qian Long Assets Management Company Limited, a wholly-owned subsidiary of the Company, provides financial services to its customers and is subject to capital requirements imposed by the Securities and Futures Commission ("SFC"). The Group monitors the financial position of Qian Long Assets Management Company Limited in order to ensure that Qian Long Assets Management Company Limited maintains a liquid capital level adequate to support the level of activities and meet the capital requirements imposed by SFC. During the years ended 31 December 2018 and 2017, Qian Long Assets Management Company Limited complied with the capital requirements imposed by SFC. Other than the above, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

45. Company-level Statement of Financial Position

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		3,316	799
Investment in subsidiaries		469,400	469,400
Investment in an associate		3,900	3,900
Deposits		–	20,000
Amounts due from subsidiaries		1,979,972	–
		2,456,588	494,099
Current assets			
Amounts due from subsidiaries		436	1,893,187
Dividends receivable from subsidiaries		805,382	724,467
Other receivables, deposits and prepayments		5,920	5,675
Cash and cash equivalents		34,026	155,053
		845,764	2,778,382
Current liabilities			
Borrowings and other payables		33,671	141,044
Bank loan		–	20,000
Unsecured bonds		56,443	57,012
Amounts due to subsidiaries		247,573	268,597
Accruals and other deposit received		13,958	2,787
		351,645	489,440
Net current assets		494,119	2,288,942
Total assets less current liabilities		2,950,707	2,783,041
Non-current liabilities			
Unsecured Bonds		255,466	283,505
Borrowings and other payables		271,231	–
		526,697	283,505
NET ASSETS		2,424,010	2,499,536
EQUITY			
Share capital	34	2,080,113	2,080,113
Reserves	35	343,897	419,423
TOTAL EQUITY		2,424,010	2,499,536

Approved and authorised for issue by the board of directors on 28 March 2019 and were signed on its behalf by:

Chan Yuk Ming
Director

Cheung Chai Hong
Director

46. Major Non-cash Transaction

Pursuant to an agreement entered between the Company, a shareholder of the Company and an independent third party, a deposit paid of HK$20,000,000 was used to settle a borrowing from a shareholder during the year ended 31 December 2018.

47. Events After the Reporting Period

(i) Proposed final dividend

After the end of the reporting period, the directors of the Company proposed a final dividend. Further details are disclosed in note 35(b).

(ii) Cancellation of shares

In January 2019, 36,668,000 of the Company's shares which were repurchased during the year ended 31 December 2018, were cancelled.

(iii) Adoption of a share award scheme

On 14 January 2019, the directors of the Company adopted a share award scheme (the "Scheme") to recognise the contribution by any employee(s), director(s) or advisor(s) of any member of the Group (the "Grantees") and to give incentives thereto in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

Up to the date of approving the Group's consolidated financial statements, no Award Shares are granted to selected Grantees.

48. Ultimate Controlling Party

The directors regard Mr. Cheung Siu Lam through his direct shareholding in the Company as being the ultimate controlling party. The Company does not have any parent company.

49. Comparative Figures

The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2(c).

50. Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Year Ended 31 December 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

50. Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Year Ended 31 December 2018 *(Continued)*

HKFRS 16, Leases

As disclosed in note 2(j), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for office premises and director's quarter which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

50. Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Year Ended 31 December 2018 *(Continued)*

HKFRS 16, Leases (Continued)

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 38, at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$11,675,000 for properties, the majority of which is payable either within one year after the reporting date. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to approximately HK$16,141,000 and HK$15,256,000 respectively, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

FINANCIAL SUMMARY

For the year ended 31 December 2018

Summary Financial Information

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified or restated as appropriate, is set out below.

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Interest, guarantee and financing consultancy services income	**823,013**	732,705	680,282	725,490	560,496
Profit for the year	**298,556**	310,541	345,266	353,052	296,483
Attributable to:					
Equity shareholders of the Company	**270,427**	286,675	329,958	345,815	293,634
Non-controlling interest	**28,129**	23,866	15,308	7,237	2,849
	298,556	310,541	345,266	353,052	296,483

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**6,183,412**	6,371,560	4,562,348	4,836,197	3,200,142
Total liabilities	**(2,289,343)**	(2,472,948)	(1,439,641)	(1,761,787)	(629,447)
Non-controlling interests	**(184,066)**	(186,134)	(128,684)	(126,001)	(25,060)
Balance of total equity attributable to equity shareholders of the Company	**3,710,003**	3,712,478	2,994,023	2,948,409	2,545,635