高富集團控股有限公司

GT GROUP HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 263)

ANNUAL REPORT 2018

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Li Dong *(Chairman)*
Ng Shin Kwan, Christine
Chan Ah Fei
Liang Shan

Independent Non-executive Directors

Wong Yun Kuen
Wong Shun Loy
Hu Chao

AUDIT COMMITTEE

Wong Shun Loy *(Chairman)*
Wong Yun Kuen
Hu Chao

NOMINATION COMMITTEE

Wong Yun Kuen *(Chairman)*
Wong Shun Loy
Hu Chao
Ng Shin Kwan, Christine

REMUNERATION COMMITTEE

Hu Chao *(Chairman)*
Wong Yun Kuen
Wong Shun Loy

COMPANY SECRETARY

Leung Ka Wai

AUTHORISED REPRESENTATIVES

Ng Shin Kwan, Christine
Leung Ka Wai

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock code: 263)

REGISTERED OFFICE

Units 2502–5, 25th Floor
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd., Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited
Industrial Bank Company Limited, Hong Kong Branch

PRINCIPAL LEGAL ADVISERS

Reed Smith Richards Butler
Tsang, Chan & Wong

AUDITORS

Pan-China (H.K.) CPA Limited
Certified Public Accountants

SHARE REGISTRARS AND TRANSFER OFFICE

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

WEBSITE

www.gtghl.com

Dear Shareholders,

On behalf of the board of directors (the "Board") of GT Group Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018.

BUSINESS REVIEW

The global economic outlook remained volatile in 2018 because of the kick off of the trade war between U.S. and China and the uncertainty of the Brexit deal between U.K. and E.U. Thus, the Hang Seng Index experienced a good momentum at start of the year and ended lower during the year. It reach the high at 33,000 level in January 2018, but rolled down to the year-low of to 24,500 level in October 2018 and ended at 25,845. Accordingly, it affected the performance of the Group's listed investments: recorded a net realised loss from securities trading and unrealised loss on financial assets at fair value through profit or loss of approximately HK$149,666,000 and HK$116,983,000 respectively.

For the year ended 31 December 2018, the Group recorded a loss attributable to equity holders of the Company of approximately HK$744,708,000 (2017: approximately HK$566,826,000). The loss was mainly due to the recognition of impairment loss on interests in associates of approximately HK$306,893,000 (2017: Nil), the recognition of a net realised loss from securities trading and unrealised loss on financial assets at fair value through profit or loss of approximately HK$149,666,000 and HK$116,983,000 respectively (2017: approximately HK$294,360,000 and approximately HK$160,380,000).

During the year, the Group continued to focus on the financing services business, such as money lending. The interest income generated by the financing operation is approximately HK$48,044,000, representing 2.9 times substantial year-on-year growth (2017: approximately HK$16,342,000). Such an improvement was mainly due to the higher average balance of loan advances to customers as compared with those of year 2017.

In November 2018, the Group completed the acquisition of 49% of the entire issued share capital of Multi-Fame Group Limited ("Multi-Fame" and together with its subsidiary, "Multi-Fame Group") from vendor at the consideration of HK$196,000,000. Multi-Fame Group is principally engaged in trading of the computers and its peripherals, and is an authorised distributor of computer products for Lenovo and a retailer of baby care products on JD.com. It is also a distributor of computer products of Founder in the PRC. Upon completion, Multi-Fame Group has become an associate of the Group.

The Board considered that the abovementioned acquisition can strengthen our trading business and provide strategic support to the continual development of the Group in the PRC.

PROSPECT

The global economy in 2018 was characterised by numerous political uncertainties: the future development of the trade disputes between the U.S. and China, the negotiations on the forthcoming Brexit, the Italian budgetary policy, the economic and political development in Turkey and much more. Unfortunately, these insecurities will not diminish in 2019. Global economic growth could therefore be weaker in 2019 than in 2018.

Taking these views into consideration, the Group will adopt a more prudent approach in its investment strategy in the coming year. The Group will continue its strategy to concentrate in identifying suitable and/or attractive investment opportunities for possible acquisitions and further expansion of its finance services business, such as money-lending, securities investment and margin loans financing.

CHAIRMAN'S STATEMENT

APPRECIATION

I would like to take this opportunity to thank shareholders and investors of the Company for their continuous supports, as well as management and the staff of the Company for their commitment and dedication towards the Group in ensuring its growth and success. My heartfelt gratitude also goes to our customers, suppliers, bankers, business associates and all our stakeholders for their cooperation. Finally, I would also like to record my appreciation to my fellow directors on the Board for their invaluable contribution throughout the year.

Li Dong
Chairman

Hong Kong, 29 March 2019

BUSINESS REVIEW

During the year under review, the Group recorded a negative turnover of approximately HK$100,426,000 (2017: approximately HK$274,849,000), and a gross loss of approximately HK$100,560,000 (2017: approximately HK$276,107,000). Such a negative turnover was primarily attributable to the recognition of a net realised loss from securities trading of approximately HK$149,666,000 (2017: approximately HK$294,360,000).

For the year ended 31 December 2018, the Group recorded a loss attributable to equity holders of the Company of approximately HK$744,708,000 (2017: approximately HK$566,826,000). The loss was mainly due to the recognition of impairment loss on interests in associates of approximately HK$306,893,000 (2017: Nil), the recognition of net realised loss from securities trading and unrealised loss on financial assets at fair value through profit or loss of approximately HK$149,666,000 and HK$116,983,000 respectively (2017: approximately HK$294,360,000 and approximately HK$160,380,000).

OPERATIONS REVIEW

Financing Operation

The interest income and operating profit generated by the financing operation were approximately HK$48,044,000 (2017: approximately HK$16,342,000) and approximately HK$37,016,000 (2017: approximately HK$8,539,000). Such an improvement on the interest income was primarily attributable to the higher average balance of loan advances to customers as compared to those of last year. It is the Group’s policy to adopt a prudent approach and regularly review the composition of the loan portfolio and lending rates charged in order to maximise the return of the financing operation.

Brokerage and Securities Investment Operation

Taking into account the brokerage commission income and the net realised gains or losses from securities trading of the Group, the turnover of the brokerage and securities investment operation reported a negative turnover of approximately HK$148,470,000 (2017: negative turnover of approximately HK$291,191,000). The negative turnover was primarily attributable to the net realised loss from securities trading of approximately HK$149,666,000 (2017: approximately HK$294,360,000) during the year.

The overall performance of the operation recorded a loss of approximately HK$278,886,000 for the year ended 31 December 2018 (2017: approximately HK$498,060,000). Save for the net realised loss from securities trading as discussed above, the loss was primarily attributable to the unrealised loss on investment in securities which amounted to approximately HK$116,983,000 for the year ended 31 December 2018 (2017: approximately HK$160,380,000) as a result of the decrease in the market prices of listed securities held by the Group for investment purpose. As at 31 December 2018, the market value of the Group’s listed securities portfolio was approximately HK$467,244,000 (2017: approximately HK$835,012,000).

The Board would like to inform shareholders of the Company that all financial assets at fair value through profit or loss held as at 31 December 2018 represented shares listed in Hong Kong and the relevant information of the Group's financial assets at fair value through profit or loss which amounted to approximately HK$467,244,000 as at 31 December 2018 is summarised below:

Name of Securities	% of shareholding in the listed securities held by the Group as at 31 December 2018	Unrealised loss on financial assets at fair value through profit or loss for the year ended 31 December 2018 HK$'000	Fair value of the investment in listed securities as at 31 December 2018 HK$'000
CAA Resources Limited (stock code: 2112)	1.98%	(7,650)	43,033
China Shandong Hi-Speed Financial Group Limited (stock code: 412)	2.65%	(12,952)	203,987
China Smarter Energy Group Holdings Limited (stock code: 1004)	1.15%	(5,014)	86,306
Dongwu Cement International Limited (stock code: 695)	3.58%	–	26,515
SFund International Holdings Limited (stock code: 1367)	2.32%	(41,611)	52,747
Others		(49,756)	54,656
Total		(116,983)	467,244

The Hong Kong stock market has been volatile during the year and the Board envisages that the performance of the equities (and thus their values) will be susceptible to external factors. In order to mitigate possible financial risks related to the equities, the Group will further review the Group's investment portfolio and closely monitor the performance of the listed securities from time to time.

Trading Operation

The Group's trading operation remained inactive and therefore no turnover was generated during the year under review (2017: Nil).

In November 2018, the Group completed the acquisition of 49% of the entire issued share capital of Multi-Fame Group Limited ("Multi-Fame" and together with its subsidiaries, "Multi-Fame Group") from vendor at the consideration of HK$196,000,000. Multi-Fame Group is principally engaged in trading of the computers and its peripherals, and is an authorised distributor of computer products for Lenovo and a retailer of baby care products on JD.com. It is also a distributor of computer products of Founder in the PRC. Upon completion, Multi-Fame Group becomes an associated companies of the Group. The Board considered that the acquisition can strengthen our trading business.

The post-acquisition turnover of Multi-Fame Group reached approximately HK$295,660,000 for the year ended 31 December 2018 mainly as a result of the trading of the computers and its peripherals by Multi-Fame Group. As the Group holds 49% of the entire issued share capital of Multi-Fame, the portion of the post- acquisition total comprehensive income of Multi-Fame Group shared by the Group was approximately HK$7,672,000 for the year ended 31 December 2018.

Property Development

The Group's property development business comprises of 40% of the total issued share capital of China Sky Holdings Limited ("China Sky" and together with its subsidiaries, "China Sky Group"). China Sky Group is principally engaged in the business of development and construction of two property development projects in Chongqing, the PRC.

1. The Jintang Project (as defined hereinunder)

The first property development project comprises a residential and commercial complex known as "Jintang New City Plaza*" 金唐新城市廣場 (the "Jintang Project"), which is situated at Long Tower Street in the west southern part of the Yubei Zone, Chongqing City (重慶市渝北區西南部龍塔街道) in the PRC with a site area of approximately 30,817 square meters. The total gross floor areas for residential use is about 54,000 square meters; for shopping mall is about 36,000 square meters; for office premises is about 41,000 square meters; for car parking areas and other uses is about 57,000 square meters. The term for the grant of the land use right of the land is 52 years for the residential portion and 22 years for the commercial portion.

The construction of the Jintang Project has been completed.

2. The Tanzishi Project (as defined hereinunder)

The second property development project comprises five parcels of land with a total site area of approximately 72,559 square meters and (the "Tanzishi Project"). Pursuant to a co-operation agreement entered into between 重慶金唐房地產開發有限公司 ("金唐公司"), a subsidiary of China Sky, and an independent third party (the "Party B"), Party B would provide the five parcels of land for the development of the project (the "Land") and 金唐公司 would provide and arrange financing for the development of the project. It was planned that the Land will be developed into several commercial and residential buildings with a total planned gross floor area of approximately 463,357 square meters.

The Company has recently noted that there have been legal disputes and court proceedings between 金唐公司 and Party B which include, inter alia, the right of development of the parcels of the Land by the parties and the satisfactorily financial contributions of the Tanzishi Project.

Taking into consideration the legal disputes on the Tanzishi Project, the Company has considered it prudent to make an impairment on the value of the Group's investment in China Sky Group. Based on a valuation report prepared by an independent qualified valuer, after making full provision of China Sky Group's total contributions to the Tanzishi Project and any associated costs in relation thereto, the 40% fair value of the China Sky Group as at 31 December 2018 amounted to approximately HK$209,919,000. As the carrying value of the Group's investment in China Sky Group was approximately HK$516,812,000 as at 31 December 2018, an impairment of approximately 306,893,000 has therefore been made on such an investment.

The turnover of the China Sky Group was approximately HK$79,768,000 for the year ended 31 December 2018 (2017: approximately HK$350,006,000) mainly as a result of the sales of the property units of the Jintang Project. As the Group holds 40% of the entire issued share capital of China Sky, the portion of the post-acquisition total comprehensive expense of China Sky Group shared by the Group was approximately HK$26,482,000 for the year ended 31 December 2018 (2017: total comprehensive income shared by the Group was approximately HK$46,820,000).

* For identification purposes only

In view of the legal disputes that are taking place over the Tanzishi Project and the Group has made full impairment of China Sky Group's investment over the Tanzishi Project, subject to the completion of acquisition of the entire issued share capital of Well City Enterprises Limited as discussed under the heading "Future Plans For Material Investments Or Capital Assets" below, the Group expects that the income to be generated on property development will mainly be derived from the sale of the remaining properties units of the Jintang Project by China Sky Group in the coming year.

FINANCIAL REVIEW

Liquidity and Financial Resources

At 31 December 2018, the Group had current assets of approximately HK$976,341,000 (2017: approximately HK$1,303,600,000) and liquid assets comprising bank balances and marketable Hong Kong listed securities totaling approximately HK$490,138,000 (excluding bank balances held under segregated trust accounts) (2017: approximately HK$895,745,000). The decrease in the liquid assets was mainly due to the decrease in the market value of the Group's listed securities portfolio.

As at 31 December 2018, the Group's current ratio, calculated on the basis of current assets of approximately HK$976,341,000 (2017: approximately HK$1,303,600,000) over current liabilities of approximately HK$1,077,896,000 (2017: approximately HK$121,119,000), decrease to 0.91 from 10.76, the significant decrease in current ratio was mainly due to the following reasons: (1) a loan amounted US$50,000,000 (equivalent to approximately HK$390,745,000) (the " Loan A") and a notes payable amounted US$40,000,000 (equivalent to approximately HK$312,596,000) (the "Notes") were reclassified from long-term liabilities into short-term liabilities and (2) according to HK Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause, the Group's 3-years term loan with principal amount of US$35,000,000 (equivalent to approximately HK$273,450,000) (the "Loan B"), containing a repayment on demand clause is classified as current liabilities, although the repayment terms stated that US$5,000,000 will be repayable in November 2019 and US$30,000,000 will be repayable in November 2021 respectively.

On 16 November 2018, the Group completed the acquisition of 49% of the entire issued share capital of Multi-Fame from vendor at a consideration of HK$196,000,000. The Company has issued a promissory note to the vendor to settle the consideration. Details of the Acquisition are set out in the circular of the Company dated 25 June 2018.

As at 31 December 2018, the Group had total loans payable of approximately HK$1,167,750,000 (2017: approximately HK$916,714,000) with the interest rate of between 6.8% to 17.13% (2017: 8% to 17.13%) per annum and no finance lease obligation (2017: Nil).

The Group recorded a net current liabilities of approximately HK$101,555,000 as at 31 December 2018, which was mainly due to Loan B, containing a repayment on demand clause has classified as current liabilities which mentioned in above. Notwithstanding the above repayment on demand clause, the Group do not believe that the lender will exercise the on demand right within 12 months and the loans will be repaid in accordance with the maturity dates as set out in the agreements. This evaluation was made considering: the Group has made all previously scheduled repayments on time and, up to the date of approval of the consolidated financial statements, there is no indication from the lender that they will exercise on demand right. In accordance with to the terms of Loan B, the repayment terms are US$5,000,000 (equivalent to approximately HK$39,064,000) to be repaid in November 2019 and US$30,000,000 (equivalent to approximately HK$234,386,000) in November 2021 respectively. Thus, in essence, if Loan B is considered as a long-term loan, the Group will record current assets of approximately HK$976,341,000, current liabilities of approximately HK$843,510,000 and net current assets of approximately HK$132,831,000.

Moreover, the Group is in the process of negotiating with the lender of the Loan A and the noteholder of the Notes for extension of the liabilities as aforementioned. Up to the date of approval of the consolidated financial statements, both of them have provided a confirmative positive response and indicated that they are willing to extend the loans.

As at 31 December 2018, the Group had total liabilities of approximately HK$1,254,657,000 (2017: approximately HK$1,019,833,000). The gearing ratio (calculated as total liabilities divided by total equity) was approximately 956.52% as at 31 December 2018 (2017: approximately 116.23%).

At the end of the reporting period, the equity attributable to the Company's equity owners amounted to approximately HK$131,169,000 (2017: approximately HK$877,425,000), representing a decrease of approximately 85.05% as compared to 2017, which was equivalent to a consolidated net asset value of about approximately HK$0.09 per share of the Company (2017: HK$0.63 per share).

Foreign Currency Management

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, Renminbi (the "RMB"), US dollars and Australian dollars. The Group maintains a prudent strategy in its foreign currency risk management, and to a large extent, foreign exchange risks are minimised via balancing the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. In light of the above, it is considered that the Group's exposure to foreign exchange risks is not significant and no hedging measure has been undertaken and considered necessary by the Group.

Pledge of Assets

As at 31 December 2018, the Group's financial assets at fair value through profit or loss with an aggregate carrying amount of approximately HK$406,517,000 (2017: approximately HK$704,294,000) were pledged to securities brokers and two financial institutions to secure certain margin financing and loans granted to the Group. The equity interest of associates with an aggregate carrying amount of approximately HK$389,888,000 (2017: approximately HK$543,294,000) was also pledged to secure loans from two financial institutions.

Capital Commitment

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

Contingent Liabilities

A subsidiary of the Company, which is principally engaged in securities brokerage business, may be subject to a maximum penalty of HK$10,000,000 payable to the enforcement agency in relation to certain allegedly irregular transactions conducted by a former employee of the subsidiary. The matter is currently under investigation by the enforcement agency. As the ultimate outcome of the matter cannot be reasonably predicted, it is reasonable for the Group to assume that the contingent liability of this case will be the maximum penalty of HK$10,000,000.

In addition, the subsidiary of the Company may also be found liable to certain third parties for an aggregate amount of approximately HK$8,000,000. In 2016, the Group obtained legal opinion from law firms in Hong Kong and the PRC which considered that the causes of action of the individuals in the above matter are timebarred and the time limitation had lapsed by 31 December 2016.

In the opinion of the directors of the Company, it is not probable that the individuals will issue claims against the Group and the possible claims of HK$8,000,000 is regarded as contingent liabilities as at 31 December 2018.

As explained above, the Group is subject to possible claims of HK$8,000,000 and a possible maximum penalty of HK$10,000,000 in respect of allegedly irregular transactions conducted by the former employee in prior years.

Save as disclosed above, there were no other material contingent liabilities as at 31 December 2018.

MATERIAL ACQUISITIONS

(1) Reference are made to the announcements, notice and circular of the Company dated 7 August 2017, 14 September 2017, 12 October 2017, 17 October 2017, 15 November 2017, 29 November 2017, 15 December 2017, 29 December 2017, 31 January 2018, 28 February 2018, 1 March 2018, 29 March 2018, 30 April 2018, 31 May 2018, 4 June 2018, 4 July 2018, 15 August 2018, 7 November 2018 and 1 February 2019. Terms used hereinafter shall have the same meaning as defined in the above announcements, notice and circular.

On 7 August 2017, an indirect wholly-owned subsidiary of the Company has entered into the Acquisition Agreement as amended by six supplemental agreements with the Vendor in relation to the Acquisition of the Sale Shares and the Sale Indebtedness at the total consideration of HK$130,000,000. The Consideration will be settled by the issuance of the promissory note by the Company to the Vendor upon Completion. The scope of business of the Target Group is included but not limited to property development, property leasing and ocean tourism project development in the PRC.

On 4 July 2018, the ordinary resolution to approve the Acquisition, as set out in the notice of extraordinary general meeting of the Company dated 31 May 2018, was duly passed by way of poll at the extraordinary general meeting of the Company.

The Acquisition will be completed upon for fulfillment of certain conditions.

Details of the Acquisition are set out in the circular of the Company dated 31 May 2018.

(2) Reference are made to the announcements, notice and circular of the Company dated 1 September 2017, 22 September 2017, 3 November 2017, 1 December 2017, 29 December 2017, 31 January 2018, 28 February 2018, 1 March 2018, 29 March 2018, 30 April 2018, 31 May 2018, 25 June 2018, 6 July 2018, 11 July 2018, 31 August 2018 and 16 November 2018. Terms used hereinafter shall have the same meaning as defined in the above announcements, notice and circular.

On 1 September 2017, an indirect wholly-owned subsidiary of the Company has entered into the Sale and Purchase Agreement as amended by two supplemental agreements with the Vendor in relation to acquire the Sale Shares for the Consideration of HK$196,000,000. The Consideration will be settled by the issuance of the promissory note by the Company to the Vendor upon Completion. The target group is principally engaged in trading of computers and its peripherals, and is an authorised distributor of computer products for Lenovo and a retailer of baby care products on JD.com. It is also a distributor of computer products of Founder in the PRC.

On 11 July 2018, the ordinary resolution to approve the Acquisition, as set out in the notice of extraordinary general meeting of the Company dated 25 June 2018, was duly passed by way of poll at the extraordinary general meeting of the Company and the Acquisition was completed on 16 November 2018.

Details of the Acquisition are set out in the circular of the Company dated 25 June 2018.

Save as disclosed above, there were no other material acquisitions and disposals as at 31 December 2018.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group is principally engaged in the trading of goods, provision of finance, property development, brokerage and securities investment. As stated in the "Chairman Statement", the Group will continue to explore suitable and/or attractive investment opportunities for further expansion of its existing businesses, such as money-lending, securities investment and enhancement of margin loans for its securities brokerage business and property development.

Save for the information disclosed below and in other parts of this section, during the year and up to the date of this report, the Group has no other plan for material investments or capital assets.

Property development

As stated in the above "Material Acquisitions" section and reference are made to the announcements and circular of the Company dated 7 August 2017, 14 September 2017, 12 October 2017, 17 October 2017, 15 November 2017, 29 November 2017, 15 December 2017, 29 December 2017, 31 January 2018, 28 February 2018, 1 March 2018, 29 March 2018, 30 April 2018, 31 May 2018, 4 June 2018, 4 July 2018, 15 August 2018, 7 November 2018 and 1 February 2019. The Group entered into an acquisition agreement as amended by six supplemental agreements to acquire the entire issued share capital of and sale indebtedness of Well City Enterprises Limited ("Well City" and together with its subsidiary, "Well City Group"). As Well City Group is engaged in property development in Hainan where tourism industry has been growing in the recent years, it is believed that tourism-related property development in Hainan is in demand and the price of such property will rise. The Group intends to hold, upon completion of the acquisition, the property project as an investment which can be realised for capital gain, the property project is also anticipated to bring an income stream for the Company deriving from the operation of the property project as a hotel by the hotel operator. By investing in the Well City Group, it is expected that the Group can tap into the property development market in Hainan, the PRC and expand its property development business.

Trading

As stated in the above "Material Acquisitions" section and reference are made to the announcements and circular of the Company dated 1 September 2017, 22 September 2017, 3 November 2017, 1 December 2017, 29 December 2017, 31 January 2018, 28 February 2018, 1 March 2018, 29 March 2018, 30 April 2018, 31 May 2018, 25 June 2018, 6 July 2018, 11 July 2018, 31 August 2018 and 16 November 2018. The acquisition was completed on 16 November 2018, the Group believe that leveraged on the business network of Multi-Fame Group will provide strategic support to the continual development of the Group in the PRC and enhance the Group's trading business in the future.

Following the entering into the acquisition agreement in property development business and the completion of the acquisition in trading business stated above, those acquisitions will expand the businesses of the Group in the future.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The significant events took place subsequent to the end of the reporting period are as below:

1. On 15 January 2019, the Company intends to put forward a proposal to the shareholders of the Company to effect the share consolidation which involves the consolidation of every ten (10) issued shares into one (1) consolidated share. Conditional upon the share consolidation becoming effective, the Company proposes to raise gross proceeds of approximately HK$314.03 million (before expenses) on the basis of four (4) rights shares for every one (1) consolidated share held on the record date by issuing 560,766,708 rights shares at the subscription price of HK$0.56 per rights share. (Details of which are set out in the announcement of the Company dated 15 January 2019.) On 28 March 2019, the ordinary resolutions to approve the share consolidation and rights issue, as set out in the notice of extraordinary general meeting of the Company (the "EGM") dated 8 March 2019, were duly passed by way of poll at the EGM. The share consolidation was become effective on 29 March 2019. Details of the share consolidation and rights issue are set out in the circular of the Company dated 8 March 2019 and the announcement of the Company dated 28 March 2019.

2. On 22 January 2019, Global Wealth Finance Limited ("Global Wealth", an indirect wholly-owned subsidiary of the Company) entered into a revolving loan agreement whereby Global Wealth provided an unsecured revolving loan in the principal amount of up to HK$21,000,000 to an individual third party for a term of 12 months. Details of the transaction are set out in the announcement of the Company dated 22 January 2019.

3. On 23 January 2019, Global Wealth entered into a loan agreement whereby the Global Wealth provided an unsecured loan in the principal amount of HK$20,000,000 to an individual third party for a term of 12 months. Details of the transaction are set out in the announcement of the Company dated 23 January 2019.

4. On 1 February 2019, New Premium Development Limited, an indirect wholly-owned subsidiary of the Company entered into the sixth supplemental agreement relating to the acquisition agreement dated 7 August 2017 in respect of the acquisition of the entire issued share capital of Well City Enterprises Limited, to extend the long-stop date to 8 November 2019. Details of which are set out in the announcement of the Company dated 1 February 2019.

5. On 28 March 2019, the ordinary resolutions to approve the share consolidation and rights issue, as set out in the notice of extraordinary general meeting of the Company (the "EGM") dated 8 March 2019, were duly passed by way of poll at the EGM. The share consolidation was become effective on 29 March 2019. Details of the share consolidation and rights issue are set out in the circular of the Company dated 8 March 2019 and the announcement of the Company dated 28 March 2019.

Save as disclosed above, there were no other significant events took place subsequent to the end of the reporting period.

EMPLOYEES AND REMUNERATION POLICY

At 31 December 2018, the Group had 57 (2017: 61) employees including all directors. Total staff costs incurred during the year (including directors' remuneration) amounted to approximately HK$29,533,000 (2017: approximately HK$27,256,000). The Group generally remunerates its employees with reference to their qualifications, experience and work performance as well as to market benchmarks. Benefits offered by the Group to its employees included discretionary bonus, mandatory provident fund scheme, share options, training subsidies as well as medical insurance.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental protection and sustainable business operations. As a responsible enterprise the Group strives to comply will relevant laws and regulations in terms of the environmentally friendliness, health and safety, adopts effective measures, conserves energy and reduces waste.

A separate environmental, social and governance report of the Group is expected be published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and on the website of the Company (www.gtghl.com) no later than three months after the annual report had been published.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, to the best of the knowledge and prudence of the directors, the Company was not aware of any material breaches of or non-compliance with relevant and applicable laws and regulations, including that of the Companies Ordinance, the Securities and Futures Ordinance, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Stock Exchange's Trading Rules and Clear House Rules and all other laws and rules in Hong Kong governing the operations of the Company's businesses that might affect its going-concern.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group considers that maintaining a good relationship with its employees, customers, suppliers, business partners, bankers, regulators and shareholders are key elements to the long-term success of the Group's business.

The Group provides competitive remuneration package to motivate and retain quality staff and is committed to provide a safe and healthy working environment for its staff.

The Group has been closely monitoring its relationship with all of its business partners to ensure it maintains good communication with each one of them, the terms and agreements of all contracts are properly complied with and any discrepancies/issues are properly reviewed and followed up by the responsible staff members.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Li Dong ("Mr. Li"), aged 58, has been Executive Director and Chairman of the Company since July 2015. Mr. Li also holds directorships in various subsidiaries of the Company. He graduated from the faculty of electric automation (電氣自動化系) of the Yuzhou University (渝州大學) in Chongqing. Mr. Li has worked as senior management for various banks in the PRC. He has extensive experience in banking, finance, risk management and treasury planning for over 20 years. Mr. Li was the governor of both Haikou Branch and Chengdu Branch of Shenzhen Development Bank, the deputy governor of Chongqing Branch of Industrial Bank, the deputy governor of Chongqing Branch of Evergrowing Bank and the governor of Chongqing Branch of Harbin Bank.

Ms. Ng Shin Kwan, Christine ("Ms. Ng"), aged 50, has been Executive Director of the Company since August 2007. Ms. Ng also holds directorships in various subsidiaries of the Company. She holds a Bachelor of Economics degree from University of Sydney in Australia and has over 20 years of experience in business development, corporate management and investment fields and held executive positions in various investment and securities companies.

Mr. Chan Ah Fei ("Mr. Chan"), aged 56, has been Executive Director of the Company since November 2010. Mr. Chan also holds directorships in various subsidiaries and an associate of the Company. He has more than 20 years of experience as key management in electric power supply, telecommunications, geological surveying and mining businesses. Mr. Chan received a geological surveying qualification from 甘肅蘭州礦業學院 (literally translated as Gansu Lanzhou Mining Academy). He has founded 青海創綠投資管理有限公司 (literally translated as Qinghai Chuanglu Investment Management Limited) since 2000, which is principally engaged in provision of consultancy service in relation to mining rights, including the mineral exploitation, extraction, processing and production at mines primarily located in the northwestern and southwestern regions of the PRC. Mr. Chan was a director of Great Wall Hong Kong Investment Co. Limited, which provides advisory services in relation to geological surveying and mining (a company dissolved on deregistration on 9 December 2016).

Mr. Liang Shan ("Mr. Liang"), aged 55, has been Executive Director of the Company since January 2014. Mr. Liang also holds directorships in various subsidiaries and an associate of the Company. He graduated from the Graduate School of Chinese Academy of Social Sciences with a master degree in monetary and banking studies (貨幣銀行學專業學習) of the Faculty of Finance and Economics (財貿經濟系). Mr. Liang has extensive experience in banking industry, iron ore trading and property development and has worked for various companies as director and general manager in the past.

Dr. Wong Yun Kuen ("Dr. Wong"), aged 61, has been Independent Non-executive Director of the Company since September 2004. Dr. Wong received a Ph.D. Degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. He has worked in financial industries in the United States and Hong Kong for more than 10 years, and has considerable experience in corporate finance, investment and derivative products. Dr. Wong is a member of Hong Kong Securities Institute. He is an executive director and chairman of Far East Holdings International Limited (Stock Code: 36), an executive director and a chairman of UBA Investments Limited (Stock Code: 768), an non-executive director of China Sandia Holdings Limited (Stock Code: 910), and an independent non-executive director of Asia Coal Limited (Stock Code: 835), DeTai New Energy Group Limited (Stock Code: 559), Kaisun Holdings Limited (Stock Code: 8203), Kingston Financial Group Limited (Stock Code: 1031), Synergis Holdings Limited (Stock Code: 2340) and Tech Pro Technology Development Limited (Stock Code: 3823). Dr. Wong was an executive director of Boill Healthcare Holdings Limited (Stock Code: 1246) from July 2016 to December 2018; and was also an independent non-executive director of Bauhaus International (Holdings) Limited (Stock Code: 483) from October 2004 to December 2016 and Sincere Watch (Hong Kong) Limited (Stock Code: 444) from September 2012 to December 2017.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong Shun Loy ("Mr. Wong"), aged 54, has been Independent Non-executive Director of the Company since March 2012. Mr. Wong is a Certified Public Accountant (Practising) in Hong Kong and a fellow member of the Hong Kong Institute of Certified Public Accountants. He obtained an Executive Master of Business Administration from Colorado University of Commerce in USA. Mr. Wong has extensive experience in banking, finance and accounting. He is the proprietor of S.L. Wong & Co.. Mr. Wong is an executive director of Chengdu Taihe Health Technology Group Inc., Ltd. (formerly known as Chengdu Huasun Group Inc., Ltd and a company whose shares are listed on Shenzhen Stock Exchange). He was an independent director of Dazhou City Commercial Bank from July 2015 to June 2018 and Nanchong City Commercial Bank from 2006 to April 2015.

Mr. Hu Chao ("Mr. Hu"), aged 35, has been Independent Non-executive Director of the Company since March 2012. Mr. Hu obtained a Bachelor Degree in Law from the Hunan University of Technology (formerly known as Zhuzhou Institute of Technology). He has extensive experience in legal consultation and had been providing consultancy services for various businesses in the PRC. Mr. Hu is an executive director of Code Agriculture (Holdings) Limited (Stock Code: 8153).

SENIOR MANAGEMENT

Mr. Leung Ka Wai ("Mr. Leung"), aged 38, has joined the Group since June 2012 and currently holds the position of Financial Controller and the Company Secretary of the Company. Mr. Leung is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and holds a bachelor's degree in Economics and a postgraduate diploma in professional accountancy from the Chinese University of Hong Kong. Mr. Leung has over 10 years of experience in auditing, finance and accounting and corporate secretarial functions.

DIRECTORS' REPORT

The directors of the Company present the annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in Note 37 to the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss on page 37 of this annual report.

The Company had no distributable reserve at 31 December 2018 and the directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 28 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 41 of this annual report and in Note 37 to the consolidated financial statements, respectively.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment approximately HK$188,000 (2017: approximately HK$1,476,000) for the purpose of expanding the Group's operation. Details of this and other movements in the property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated and reclassified as appropriate, is set out on page 140 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of revenue (excluding the net realised results from securities trading) for the year attributable to Group's major customers are as follows:

— the largest customer	32%
— five largest customers combined	54%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major customers noted above.

During the year, less than 30% of the Group's purchases were attributable to the Group's five largest suppliers combined.

FIXED ASSETS

Details of the movement of fixed assets of the Group is set out in note 14 to the consolidated financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:

Li Dong *(Chairman)*
Ng Shin Kwan, Christine
Chan Ah Fei
Liang Shan
Kwong Kai Sing, Benny* (resigned on 18 April 2018)
Feng Taiguo** (resigned on 8 June 2018)

Independent Non-executive Directors:

Wong Yun Kuen
Wong Shun Loy
Hu Chao

* Dr. Kwong Kai Sing, Benny has resigned as an executive director of the Company with effect from 18 April 2018 due to his other business commitment. Details were set out in the announcement of the Company dated 19 April 2018.

** Mr. Feng Taiguo has resigned as an executive director of the Company with effect from 8 June 2018 due to his other business commitment. Details were set out in the announcement of the Company dated 8 June 2018.

In accordance with Article 105(A) of the Articles of Association of the Company, Ms. Ng Shin Kwan, Christine, Mr. Chan Ah Fei and Mr. Wong Shun Loy will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Each of the executive directors and the Chairman has entered into a letter of appointment with the Company and he/she is not appointed for any specific length or proposed length of service and his/her term of service shall continue unless terminated by either party giving to the other a prior notice in writing. Each of the independent non-executive directors is appointed for a term of twelve-month period. The term will be automatically renewed for successive twelve-month periods unless terminated by either party in writing prior to the expiry of the term. All the directors and the Chairman are also subject to retirement by rotation and re- election at least once every three years at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

None of the directors of the Company being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors of Subsidiaries

Other than the Directors named in the section headed "Biographical Details of Directors and Senior Management", the names of all directors who have served on the board of the subsidiaries of the Company during the year and up to the date of this report are as follows:

— Choi Sing Kay
— Fung Kwok Hung, Raymond
— Lee Cheuk Yue
— Lee Jalen
— Lui Sheung Pan
— Moral Dragon Trading Limited
— Newton Group Investment Limited
— Prime Way Development Limited
— Soo Siu Keung
— Wong Chi Keung, Sammy
— Yan King Tang
— Yau Yuet Yim, Rita

PERMITTED INDEMNITY AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to the Articles of Association and subject to the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("Companies Ordinance"), every Director or other officer of the Company shall be indemnified out of the assets of the Company against all loss and liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that such Article shall only have effect in so far as its provisions are not avoided by the Companies Ordinance. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of remuneration of directors and senior management of the Company during the year are set out in Notes 11 and 35 to the consolidated financial statement.

HIGHEST PAID INDIVIDUALS

Details of five individuals with the highest remuneration of the Group during the year are set out Note 11 to the consolidated financial statements.

INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF DIRECTORS AND SENIOR MANAGEMENT

As at 31 December 2018, the interests of the directors, chief executive and senior management of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept under section 352 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 Transactions by Directors of Listed Issuers (the “Model Code”) contained in the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

Name of director	Capacity	Number of shares	Number of underlying shares	Total interests	Approximate percentage of the issued share capital of the Company
Wong Yun Kuen	Beneficial owner	1,800	–	1,800	0.00%

Save as disclosed above, as at 31 December 2018, none of the directors or chief executive or senior management of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

Particulars of the share option scheme of the Company and details of movements in the share options of the Company during the year are set out in Note 29 to the consolidated financial statements.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed “Interests in Shares, Underlying Shares and Debentures of Directors and Senior Management” and “Share Option Scheme” above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate; and none of the directors or their spouse or children under the age of eighteen, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2018, the register of interest kept by the Company under section 336 of the SFO shown that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Name of shareholder	Capacity	Number of shares	Total interests	Approximate percentage of the issued share capital of the Company
Wealth Success Limited	Beneficial owner	406,681,579 *(Note 1, 2)*	406,681,579	29%
Lai Leong	Interest held by controlled corporation	406,681,579 *(Note 1, 2)*	406,681,579	29%

Notes:

1. These shares are beneficially owned by Wealth Success Limited. Wealth Success Limited is wholly-owned by Mr. Lai Leong. Accordingly, Mr. Lai Leong is deemed to be interested in 406,681,579 shares under SFO.

2. Wealth Success Limited has provided an interest in the Shares as security to a person other than a qualified lender.

Save as disclosed above, the Company has not been notified of other relevant interests or short positions in the shares and underlying shares of the Company as at 31 December 2018 as required pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this annual report, no director of the Company is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, pursuant to Rule 8.10 of the Listing Rules, other than those businesses of which the directors of the Company were appointed as directors to represent the interests of the Company.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

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

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

AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the year ended 31 December 2018 had been reviewed by the Audit Committee of the Company before they were duly approved by the Board of Directors under the recommendation of the Audit Committee.

CORPORATE GOVERNANCE

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

EMOLUMENT POLICY

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included insurance and medical cover, subsidised training programme as well as share option scheme.

The determination of emoluments of the directors of the Company had taken into consideration of their respective responsibilities and contribution to the Group and by reference to market benchmark. No one is allowed to determine his or her own remunerations.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, the directors of the Company confirm that the Company has maintained the amount of public float as required under the Listing Rules as at the date of this report.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$105,000 (2017: HK$226,000).

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period are set out in Note 38 to the consolidated financial statements.

AUDITORS

Pan-China (H.K.) CPA Limited ("Pan-China") retire and being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Pan-China as auditors of the Company.

On behalf of the Board

Li Dong
Chairman

Hong Kong, 29 March 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company strives to attain high standards of corporate governance. The Board believes that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding and maximising shareholders' interests.

During the year, the Board and the Company has complied with the code provisions of Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), except for the first part of code provision E.1.2 of the CG Code, the chairman of the Board, Mr. Li Dong did not attend the annual general meeting held on 13 June 2018 (the "Meeting") as he had another business engagement. The executive director of the Company, who took the chair of the Meeting and other members of the Board together with the chairmen of the Audit, Nomination and Remuneration Committees and other members of each of the Audit, Nomination and Remuneration Committees attended the Meeting. The Company considers that the members of the Board and the Audit, Nomination and Remuneration Committees who attended the Meeting were already of sufficient caliber and number for answering questions at the Meeting.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company. All directors of the Company have confirmed, following specific enquiry by the Company, that they have fully complied with the required standard set out in the Model Code for the year ended 31 December 2018.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises four executive directors, namely Mr. Li Dong (Chairman), Ms. Ng Shin Kwan, Christine, Mr. Chan Ah Fei and Mr. Liang Shan; and three independent non-executive directors, namely Dr. Wong Yun Kuen, Mr. Wong Shun Loy and Mr. Hu Chao. The directors' biographical information is set out in Biographical Details of Directors and Senior Management on pages 14 to 15 of this annual report.

During the year, the Board has at all times met the requirements of rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

Each independent non-executive director has submitted annual confirmation of his independence to the Company pursuant to rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all of the independent non-executive directors are independent.

The independent non-executive directors represent one-third of the Board, which is required by Rule 3.10A of the Listing Rules. The Board believes there is sufficient independence element in the Board to safeguard the interest of shareholders.

A total of eight regular Board meetings and three general meetings of the Company was held during the year ended 31 December 2018 with individual attendance record of each of the directors as follows:

Directors	Attendance/ Number of meetings Board Meetings	General Meeting
Executive Directors:		
Li Dong	8/8	0/3
Ng Shin Kwan, Christine	7/8	0/3
Chan Ah Fei	8/8	3/3
Liang Shan	6/8	0/3
Kwong Kai Sing, Benny (resigned on 18 April 2018)	2/2	0/0
Feng Taiguo (resigned on 8 June 2018)	3/4	0/0
Independent Non-Executive Directors:		
Wong Yun Kuen	7/8	3/3
Wong Shun Loy	7/8	3/3
Hu Chao	7/8	2/3

Apart from regular Board meetings, the chairman of the Company also held a meeting with independent non-executive directors of the Company without presence of executive directors of the Company during the year.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is primarily responsible for the leadership and control of the Company and is committed to make decision in the interests of both the Company and its shareholders. With delegating authorities from the Board, management of the Company is responsible for daily operations of the Group including management of all aspects of the Group's principal activities.

The Board delegates appropriate aspects of its management and administration functions to management. It also gives clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Board determines those functions reserved to the Board and those delegated to the management and these arrangements are reviewed on a periodic basis to ensure they remain appropriate to the needs of the Company.

Directors' Continuous Training and Development

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

The Directors are committed to comply with the CG Code A.6.5 on Directors' training. All Directors are provided with training materials covering the topics of "New Connected Transaction Rules", "Annual Corporate and Regulatory Update (2018)", "Capital Raisings by Listed Issuers" and "Anti-Money Laundering and Counter-Terrorist Financing Guideline for Dealers in Precious Metals and Stones (2018)". All Directors have participated in continuous professional development and provided to the Company a record of training they received for the year ended 31 December 2018.

Relationship among Directors

There is no relative relationship among the directors of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

As at the date of this report, the Chairman is Mr. Li Dong and the Company does not have any individual with the title of Chief Executive Officer ("CEO"). The Chairman is responsible for overseeing all Board functions, while the role of CEO is performed collectively by the executive directors (excluding Mr. Li Dong) and senior management of the Company to overseeing the day-to-day operations of the Group and implementing the strategies and policies approved by the Board.

The Board considers that under the current arrangement, the balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting operations of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive directors is appointed for a term of twelve-month period. The term will be automatically renewed for successive twelve-month period unless terminated by either party in writing prior to the expiry of the term. All the independent non-executive directors are also subject to retirement by rotation and re- election at least once every three years at the annual general meeting of the Company in accordance with the Company's Articles of Association.

BOARD COMMITTEES

The Board has established three committees, the Audit Committee, Nomination Committee and Remuneration 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 are posted on the websites of the Company and Stock Exchange and are available to shareholder of the Company upon request.

NOMINATION COMMITTEE

The terms of reference of the nomination committee of the Company (the "Nomination Committee") are of no less exacting terms than those set out in the CG Code. As at the date of this report, the Nomination Committee consists of three independent non-executive directors, namely Dr. Wong Yun Kuen, Mr. Wong Shun Loy and Mr. Hu Chao and one executive director, namely Ms. Ng Shin Kwan, Christine. The Chairman of the Nomination Committee is Dr. Wong Yun Kuen. The terms of reference of the Nomination Committee are available on the websites of the Company and Stock Exchange.

The main duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and to identify suitably qualified individuals to become Board members. It is also responsible for assessing the independence of Independent non-executive directors and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors. The recommendations of the Nomination Committee are then put forward for consideration and adoption, where appropriate, by the Board.

The Nomination Committee held one meeting during the year ended 31 December 2018 to discuss the retirement and re-appointment arrangement of the Directors in the Company's forthcoming annual general meeting with individual attendance record of each of the members as follows:

Members	Attendance/ Number of meetings
Wong Yun Kuen *(Chairman)*	1/1
Wong Shun Loy	1/1
Hu Chao	1/1
Ng Shin Kwan, Christine	1/1

REMUNERATION COMMITTEE

The terms of reference of the remuneration committee of the Company (the "Remuneration Committee") are of no less exacting terms than those set out in the CG Code. As at the date of this report, the Remuneration Committee consists of three independent non-executive directors, namely Mr. Hu Chao, Dr. Wong Yun Kuen and Mr. Wong Shun Loy. The Chairman of the Remuneration Committee is Mr. Hu Chao. The terms of reference of the Remuneration Committee are available on the websites of the Company and Stock Exchange.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management of the Company; to determine the specific remuneration packages including benefits in kind, pension rights and compensation payments (including any compensation payments for loss or termination of their office or appointment) of all executive directors and senior management of the Company as well as making recommendations to the Board of remuneration of independence non-executive directors of the Company.

During the year, the Remuneration Committee reviewed the remuneration packages of the directors of the Company. No director was involved in deciding his/her own remuneration.

The Remuneration Committee held one meeting during the year ended 31 December 2018 to discuss the remuneration packages of the directors of the Company with individual attendance record of each of the members as follows:

Members	Attendance/ Number of meetings
Hu Chao *(Chairman)*	1/1
Wong Yun Kuen	1/1
Wong Shun Loy	1/1

AUDIT COMMITTEE

The roles and functions of the audit committee of the Company (the "Audit Committee") are set out in its terms of reference. The terms of reference of Audit Committee are of no less exacting terms than those set out in the CG Code. As at the date of this report, the Audit Committee comprises three independent non-executive directors, namely Mr. Wong Shun Loy, Dr. Wong Yun Kuen and Mr. Hu Chao. The Chairman of the Audit Committee is Mr. Wong Shun Loy. The terms of reference of the Audit Committee are available on the websites of the Company and Stock Exchange.

The main duties of the Audit Committee are to making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process and to discuss with the external auditor the nature and scope of the audit. It is also responsible for reviewing: (i) the interim and annual financial statements of the Group before submission to the Board and (ii) the Company's financial control, internal control and risk management systems.

During the year ended 31 December 2018, the Audit Committee reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including review of unaudited interim results and audited annual results of the Group.

The Audit Committee held three meetings during the year ended 31 December 2018 with individual attendance record of each of the members as follows:

Members	Attendance/ Number of meetings
Wong Shun Loy *(Chairman)*	3/3
Wong Yun Kuen	3/3
Hu Chao	3/3

AUDITORS' REMUNERATION

For the year ended 31 December 2018, remuneration paid to the auditors of the Company for providing audit and non-audit services amounted to approximately HK$1,550,000 and approximately HK$903,000 respectively. Non-audit services mainly consisted of advisory and other reporting services.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as follows:

(i) to develop, review and update the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and directors;

(v) to review the Company's compliance with the code of corporate governance and disclosure in the Corporate Governance Report; and

(vi) to perform such other corporate governance duties and functions set out in the code of corporate governance (as amended from time to time) for which the Board are responsible.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting by shareholders

In accordance with sections 566 to 568 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "Companies Ordinance"), 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, may request the directors of the Company to call a general meeting. The request must state the general nature of the business to be dealt with at the general meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the general meeting. The request may consist of several documents in like form and may be sent to the Company in hard copy form or in electronic form and must be authenticated by the person(s) making it.

If the directors of the Company do not within 21 days from the date of the deposit of the written request proceed duly to call a general meeting for a day not more than 28 days after the date on which the notice convening the general meeting, the shareholder(s) who requested the meeting, or any of them representing more than one-half of the total voting rights of all of them, may themselves call a general meeting, provided that the general meeting must be called for a date not more than 3 months after the date on which the directors of the Company become subject to the requirement to call the general meeting.

The general meeting convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the directors of the Company.

Enquiries to the Board

Shareholders may at any time send their written enquiries and concerns to the Board of Directors either by post, by facsimiles or by email, for the attention of Chairman of the Board or Company Secretary at the following address or facsimiles number or via email:

GT GROUP HOLDINGS LIMITED
Units 2502–5, 25th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong
Email: info@gtghl.com
Fax No.: (852) 3926 1999

The Company Secretary will forward the shareholders' enquiries and concerns to the Board and/or relevant board committees of the Company, where appropriate, to answer the shareholders' questions in writing.

Putting forward proposals at annual general meetings

In accordance with section 615 of the Companies Ordinance, the shareholders may request the Company to give, to shareholders entitled to receive notice of the annual general meeting, notice of a resolution that may properly be moved and is intended to be moved at that meeting. The request may be sent to the Company in hard copy form or in electronic form and must identify the resolution of which notice is to be given, be authenticated by the person or person(s) making it and be received by the Company not later than 6 weeks before the annual general meeting to which the requests relates; or if later, the time at which notice is given of that meeting.

The Company will give notice of a resolution of it has received the request form (a) shareholders representing at least 2.5% of the total voting rights of all shareholders having a right to vote on the resolution at the annual general meeting to which the request relate; or (b) at least 50 shareholders who have a relevant right to vote on the resolution at the annual general meeting to which the request relate.

Proposing Directors for election at general meetings

Pursuant to Article 109 of the Company's Articles of Association, no person other than a director retiring at the meeting shall, unless recommended by the directors for election, be eligible for election as director at any general meeting unless a notice signed by a member (other than the person to be processed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the registered office of the Company provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that the period for lodgement of such notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

INVESTOR RELATIONS

Constitutional documents

There are no changes in the Company's constitutional documents during the year. The latest set of constitutional documents are available on the websites of the Company and the Stock Exchange.

Shareholders Communication Policy

The Company adopted a Shareholders' Communication Policy which aims to promoting effective communication with the shareholders of the Company, encouraging the shareholders of the Company to engage actively with the Company and enabling the shareholders of the Company to exercise their rights as shareholders effectively. The information would be communicated to shareholders of the Company through various official channels (including Company's corporate communication, website and the shareholders' meeting) so that the shareholders of the Company can access the Company's public information equally in a timely manner. The Shareholders' Communication Policy is available on the website of the Company.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges their responsibilities for preparing the financial statements of the Company for each financial period in accordance with statutory requirements and applicable accounting standards so as to give a true and fair view of the state of affairs of the Group.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 30 to 36.

COMPANY SECRETARY

The Company Secretary is a full time employee of the Company and he has confirmed that he has taken no less than 15 hours of relevant professional training in complied with the requirement of Rule 3.29 of the Listing Rules. The biography of the Company Secretary is set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognises its responsibilities for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems. The Group has appointed an independent professional firm as the internal auditors to carry out internal audit of the Group covering the review of key internal controls in selected areas based on a key operational, financial and compliance risks as identified under the risk management frame work and as advised by the Audit Committee and the Management. The internal auditors report directly and primarily to the Audit Committee and assist the Board in monitoring and managing the risk and internal controls of the Group.

The Board and the Audit Committee have also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions.

The Group will continue to review the need for an internal audit function annually.

The Group has also formulated an inside information policy by providing guideline on handling inside information to directors and employees of the Company. The Group regularly reminds the directors and employees of the Company about compliance with all policies adopted by the Group regarding the inside information.

PAN-CHINA (H.K.) CPA LIMITED Certified Public Accountants

天健(香港)會計師事務所有限公司

TO THE MEMBERS OF GT GROUP HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of GT Group Holdings Limited and its subsidiaries (the "Group") set out on pages 37 to 139, 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTIES RELATED TO GOING CONCERN

We draw attention to note 3 to the consolidated financial statements, which describes that the Group incurred a net loss of approximately HK$744,708,000 for the year ended 31 December 2018 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$101,555,000. As at 31 December 2018, the Group had loan of HK$18,000,000 which has been overdue since September 2018, loan of US$50,000,000, equivalent to approximately HK$390,745,000, which has been overdue since mid-March 2019 and loan from financial institution and note payable of US$45,000,000, equivalent to approximately HK$351,660,000, which will mature or require payment in the year ending 31 December 2019.

Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the granting of the extension on the maturity dates of the loans to the Group and obtaining alternative sources of external funding in order for the Group to meet its financial obligations as they fall due. These conditions create a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Notwithstanding the concerns as discussed above, our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

Interests in associates (Note 15)

China Sky Holdings Limited ("China Sky")

Included in the Group's interests in associates as at 31 December 2018 was the Group's 40% equity investment in China Sky Holdings Limited ("China Sky") with the carrying amount of HK$209,919,000. China Sky and its subsidiaries ("China Sky Group") are mainly engaged in the property development of two development projects in Chongqing, the People's Republic of China (the "PRC"), namely the "Jintang Project" and the "Tanzishi Project". For the Jintang Project, the construction had been completed and substantial part of the properties project have been sold. For the Tanzishi Project, there have been legal disputes and court proceedings encountered by China Sky Group. As detailed in note 15 to the consolidated financial statements, the management of the Company determined the recoverable amount of the China Sky Group and an impairment of approximately HK$306,893,000 has been made.

The management of the Group assesses the recoverable amounts of the associate, which are based on the higher of fair value less costs of disposal and value in use to determine whether there is an indication that interests in associate may suffer an impairment loss.

The fair value was determined by the management of the Group based on business valuation on China Sky Group's assets and liabilities under the asset-based approach. Such assessment involved significant judgement which would have significant impact on the carrying amount of the Group's interests in associates and the impairment amount made by the Group.

How the scope of our audit responded to the risk:

- We obtained and reviewed the details of legal disputes and court proceedings encountered by China Sky Group.
- We obtained and reviewed the consolidated financial statements of China Sky Group.
- We enquired the component auditor of China Sky Group on audit procedures and findings of significant items in the consolidated financial statements of China Sky Group.
- We obtained and reviewed the valuation report of China Sky Group.
- We evaluated the competence, capacities and objectivity of the independent valuer for the valuation of China Sky Group.
- We assessed the reasonableness and appropriateness of the key assumptions applied in the valuation of China Sky Group.
- We obtained and reviewed the valuation report of Jintang Project.

- We assessed the reasonableness and appropriateness of the key assumptions applied in the valuation of Jintang Project.

- We performed site visit to the property development projects.

- We searched for the market information of the comparable properties in Chongqing, the PRC for the Jintang Project.

Multi-Fame Group Limited

Included in the Group's interests in associates as at 31 December 2018 was the Group's 49% equity investment in Multi-Fame Group Limited ("Multi-Fame") with the carrying amount of approximately HK$179,969,000. Multi-Fame and its subsidiaries ("Multi-Fame Group") are mainly engaged in trading of computers and its peripherals.

The management of the Group relied on the consolidated financial statements of Multi-Fame for the year ended 31 December 2018 prepared by an independent auditor ("Another Auditor") to apply equity accounting on Multi-Fame Group in preparing the consolidated financial statements of the Group in accordance with Hong Kong Accounting Standard ("HKAS") 28, Investments in Associates and Joint Ventures, and to assess the recoverable amount of Multi-Fame Group.

The management of the Group assesses the recoverable amounts of the associate, which are based on the higher of fair value less costs of disposal and value in use to determine whether there is an indication that interests in associate may suffer an impairment loss.

The value in use was determined by the management of the Group based on the discounted cash flow projections of Multi-Fame Group and required the use of key assumptions, including the discount rate, terminal growth rate, budgeted sales and gross margin of Multi-Fame. The discount rate applied was determined by the management of the Group by using the Capital Assets Pricing Model and the growth rate applied and other inputs were determined based on information available to the management of the Group by taking into account the financial budgets approved by Multi-Fame's directors, past performance of Multi-Fame Group and Multi-Fame's management's expectations on the market development.

Our procedures in relation to the valuation of interests in the associate included:

- Understanding the Group's impairment assessment process, including the valuation models adopted, key assumptions used and the involvement of independent valuer appointed by the Group;

- Evaluating the competence, capabilities and objectivity of the independent valuer for the valuation of Multi-Fame Group;

- Evaluating the appropriateness of the models used to calculate the recoverable amounts;

- Evaluating the reasonableness of the budgeted sales and gross margin of Multi-Fame Group, by considering their respective historical results, the financial budgets approved by their respective directors, the available industry and market data;

- Evaluating the appropriateness of the discount rates used and terminal growth rates applied; and

- Reviewing the consolidated financial statements of Multi-Fame Group.

Impairment assessment of loans receivable (Note 21)

As at 31 December 2018, the Group had loans receivable amounting to HK$393,904,000. The Group has applied HKFRS 9 Financial Instruments ("HKFRS 9") on 1 January 2018 and assessed impairment for loans receivable based on expected credit losses model. Loss allowance for expected credit losses amounting to HK$17,152,000 has been made for the loans receivable as at 31 December 2018.

Assessing expected credit losses on loans receivable is a subjective area as it requires application of judgment and uses of estimates. Judgment is applied in assessing whether the credit risk of the loans receivable has increased significantly since initial recognition and whether the receivables are credit-impaired. In this regard, management considers, with the assistance of an independent professional valuer, factors including the changes in the expected behaviour of the borrowers; the value of the securities collateral as well as those relevant forward-looking information and how it has impact on the historical data. These require significant judgment by the management. Estimates are used mainly in assessing the recoverable amount of the collateral and the ultimate realisation of these receivables having regard to the sales proceeds and costs of selling the collateral and other credit enhancement measures.

We have identified impairment assessment of loans receivable as a key audit matter due to considerable amount of judgment and estimation being required in conducting impairment assessment as mentioned in the foregoing paragraph.

Our procedures in relation to management's assessment of expected credit losses on loans receivable included:

- Testing key controls over monitoring credit assessment of borrowers relating to new borrowers acceptance and annual review of existing borrowers;

- Assessing whether the Group's impairment policy is in accordance with the requirements under HKFRS 9;

- Evaluating the competence, capabilities and objectivity of the independent valuer for the valuation;

- Assessing the factors considered by the management for determining whether the credit risk of the loans receivable has increased significantly since initial recognition and whether the loans receivable are credit-impaired which include:

    - Challenging management in considering factors including changes in behaviour of the borrowers and changes in value of collateral in doing their assessment;

    - Checking the relevant documents supporting the payment status of the borrowers; and

    - Assessing how reasonably management has incorporated in their assessment forward-looking information including expected changes in economic and financial conditions which is expected to cause a significant change in the borrowers' ability to meet their debt obligations; and

- Assessing the amount of loss allowance made by the management including:

    - Assessing the appropriateness and reasonableness of the estimation techniques, inputs and assumptions used by the management to determine the loss allowance amount; and

    - checking management's calculations of expected cash shortfall and impairment allowance.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

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

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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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.

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Our report is made solely to you 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 judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Chan Kin Wai.

PAN-CHINA (H.K.) CPA LIMITED
Certified Public Accountants

Chan Kin Wai
Practising Certificate Number: P05342

11/F., Hong Kong Trade Centre,
161–167 Des Voeux Road Central, Hong Kong.

Hong Kong, 29 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Turnover	6	**(100,426)**	(274,849)
Cost of services		**(134)**	(1,258)
Gross loss		**(100,560)**	(276,107)
Other income	8	**21,145**	10,219
Loss allowance on short-term loans receivable		**(6,411)**	–
Loss allowance on trade and other receivables		**(4,702)**	–
Impairment loss on interests in associates	15	**(306,893)**	–
Unrealised loss on financial assets at fair value through profit or loss		**(116,983)**	(160,380)
Share of (loss)/profit of associates	15	**(10,065)**	34,037
Administrative expenses		**(89,514)**	(89,589)
Finance costs	9	**(128,181)**	(83,748)
Loss before tax		**(742,164)**	(565,568)
Income tax expenses	12	**(2,544)**	(1,258)
Loss for the year	10	**(744,708)**	(566,826)
Attributable to:			
Owners of the Company		**(744,708)**	(566,826)
Non-controlling interests		**–**	–
		(744,708)	(566,826)
		2018 HK$	2017 HK$
Loss per share			
— Basic and diluted	13	**(4.78)**	(3.64)

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Loss for the year	10	**(744,708)**	(566,826)
Other comprehensive income, net of income tax			
Items that will not be reclassified to profit or loss:			
Fair value change in financial assets at fair value through other comprehensive income		**(25,727)**	–
Recovery of cost of investment in financial assets of fair value through other comprehensive income	17(ii)(b)	**23,418**	–
Gain on disposal of financial assets at fair value through other comprehensive income, net	17(i) & (ii)(b)	**21,563**	–
		19,254	–
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of overseas operations		**(1,941)**	288
Share of other comprehensive (expense)/income of associates	15	**(8,745)**	11,827
Fair value change in available-for-sale financial assets		**–**	10,486
		(10,686)	22,601
Other comprehensive income for the year		**8,568**	22,601
Total comprehensive expense for the year		**(736,140)**	(544,225)
Attributable to:			
Owners of the Company		**(736,140)**	(544,225)
Non-controlling interests		**–**	–
		(736,140)	(544,225)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	14	**3,292**	4,491
Interests in associates	15	**389,888**	543,294
Prepayment		**600**	700
Available-for-sale financial assets	16	**–**	42,943
Financial assets at fair value through other comprehensive income	17	**–**	–
Other assets	18	**2,205**	2,230
Trading right	19	**–**	–
Long-term loan receivable	21	**13,500**	–
		409,485	593,658
Current assets			
Trade and other receivables	20	**82,104**	65,241
Short-term loans receivable	21	**380,404**	315,059
Financial assets at fair value through profit or loss	22	**467,244**	835,012
Tax recoverable		**–**	123
Bank balances held under segregated trust accounts	23	**23,695**	27,432
Bank balances and cash	23	**22,894**	60,733
		976,341	1,303,600
Current liabilities			
Trade and other payables	24	**83,105**	103,119
Short-term loans payable	25	**682,195**	18,000
Notes payable	26	**312,596**	–
		1,077,896	121,119
Net current (liabilities)/assets		**(101,555)**	1,182,481
Total assets less current liabilities		**307,930**	1,776,139

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Long-term loans payable	25	**–**	586,118
Notes payable	26	**172,959**	312,596
Deferred tax liabilities	27	**3,802**	–
		176,761	898,714
Net assets		**131,169**	877,425
Capital and reserves			
Share capital	28	**2,824,801**	2,824,801
Reserves		**(2,693,632)**	(1,947,376)
Equity attributable to owners of the Company		**131,169**	877,425
Non-controlling interests		**–**	–
Total equity		**131,169**	877,425

The consolidated financial statements on pages 37 to 139 were approved and authorised for issue by the Board of Directors on 29 March 2019 and are signed on its behalf by:

Li Dong
Director

Ng Shin Kwan, Christine
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital HK$'000	Special reserve (Note a) HK$'000	Other reserve (Note b) HK$'000	Translation reserve HK$'000	Available-for-sale financial assets reserve HK$'000	Fair value through other comprehensive income reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2017	2,824,801	3,587	(9,176)	(12,827)	–	–	52,865	(1,437,600)	1,421,650
Loss for the year	–	–	–	–	–	–	–	(566,826)	(566,826)
Other comprehensive income/ (expense) for the year	–	–	11,827	288	10,486	–	–	–	22,601
Total comprehensive income/ (expense) for the year	–	–	11,827	288	10,486	–	–	(566,826)	(544,225)
Lapsed of share options (Note 29)	–	–	–	–	–	–	(52,865)	52,865	–
At 31 December 2017 and 1 January 2018	2,824,801	3,587	2,651	(12,539)	10,486	–	–	(1,951,561)	877,425
Impact on initial application of HKFRS 9	–	–	–	12,087	(10,486)	(39,547)	–	27,830	(10,116)
Adjusted balance at 1 January 2018	2,824,801	3,587	2,651	(452)	–	(39,547)	–	(1,923,731)	867,309
Loss for the year	–	–	–	–	–	–	–	(744,708)	(744,708)
Other comprehensive expense for the year	–	–	(8,745)	(1,941)	–	–	–	–	(10,686)
Fair value change in financial assets at fair value through other comprehensive income	–	–	–	–	–	(25,727)	–	–	(25,727)
Recovery of cost of investment in financial assets at fair value through other comprehensive income	–	–	–	–	–	23,418	–	–	23,418
Gain on disposal of financial assets at fair value through other comprehensive income, net	–	–	–	–	–	21,563	–	–	21,563
Total comprehensive (expense)/ income for the year	–	–	(8,745)	(1,941)	–	19,254	–	(744,708)	(736,140)
Transfer upon disposal of financial assets at fair value through other comprehensive income	–	–	–	–	–	20,293	–	(20,293)	–
Disposal of interest in a subsidiary	–	–	1,600	–	–	–	–	(1,600)	
At 31 December 2018	2,824,801	3,587	(4,494)	(2,393)	–	–	–	(2,690,332)	131,169

Notes:

(a) Included in the special reserve, the amount of approximately HK$3,587,000 was reclassified as special reserve from share premium in preceding periods.

(b) As at 31 December 2018, the balance of approximately HK$4,494,000 (2017: HK$4,251,000) represents the accumulated share of other comprehensive expense of associates.

As at 31 December 2017, included in the other reserve, the amount of approximately HK$1,600,000 representing the difference between the consideration paid to acquire additional interest in a non-wholly owned subsidiary and the decrease in non-controlling interest of that subsidiary in prior year. During the year 2018, the subsidiary was de-registration and the amount of HK$1,600,000 was transferred to accumulated losses.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Loss for the year		**(744,708)**	(566,826)
Adjustments for:			
Income tax (credits)/expenses recognised in profit or loss		**(1,258)**	1,258
Deferred tax liabilities recognised in profit or loss		**3,802**	–
Finance costs recognised in profit or loss		**128,181**	83,748
Interest income recognised in profit or loss		**(10)**	(13)
Depreciation of property, plant and equipment		**1,387**	2,149
Unrealised loss on financial assets at fair value through profit or loss		**116,983**	160,380
Share of loss/(profit) of associates		**10,065**	(34,037)
Impairment loss on interests in associates		**306,893**	–
Loss allowance on trade and other receivables		**4,702**	–
Loss allowance on short-term loans receivable		**6,411**	–
Dividend income from financial assets at fair value through profit or loss		**(1,323)**	(3,104)
Dividend income from financial assets at fair value through other comprehensive income		**(4,790)**	–
Gain on disposal of property, plant and equipment		**(7)**	(20)
Operating cash flows before movements in working capital		**(173,672)**	(356,465)
Decrease in other assets		**25**	–
Increase in long-term loans receivable		**(13,500)**	–
Increase in short-term loans receivable		**(82,497)**	(255,059)
Decrease in prepayment		**100**	100
Decrease in financial assets at fair value through profit or loss		**250,785**	368,526
(Increase)/decrease in trade and other receivables		**(23,436)**	7,043
Decrease in bank balances held under segregated trust accounts		**3,737**	10,476
Decrease in trade and other payables		**(38,913)**	(30,287)
Cash used in operations		**(77,371)**	(255,666)
Interest paid		**(101,111)**	(77,110)
Income tax refunded/(paid)		**1,381**	(3,714)
Net cash used in operating activities		**(177,101)**	(336,490)
Cash flows from investing activities			
Dividend income from financial assets at fair value through profit or loss		**1,323**	3,104
Dividend income from financial assets at fair value through other comprehensive income		**4,790**	–
Dividend received from an associate		**–**	5,136
Proceeds from disposal of financial assets at fair value through other comprehensive income		**41,275**	–
Recovery of cost of investment in financial assets at fair value through other comprehensive income	17(ii)(b)	**23,418**	–
Interest received		**10**	13
Acquisition of property, plant and equipment		**(188)**	(1,476)
Acquisition of available-for-sale financial assets		**–**	(23,302)
Proceeds from disposal of property, plant and equipment		**7**	20
Net cash generated from/(used in) investing activities		**70,635**	(16,505)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from financing activities			
Proceeds from loans		**463,450**	18,000
Repayment of loans		**(386,250)**	(41,000)
Proceeds from issue of notes		**–**	312,596
Bank charges		**(7,509)**	–
Net cash generated from financing activities		**69,691**	289,596
Net decrease in cash and cash equivalents		**(36,775)**	(63,399)
Effect of foreign exchange rate changes		**(1,064)**	5,231
Cash and cash equivalents brought forward		**60,733**	118,901
Cash and cash equivalents carried forward		**22,894**	60,733

Note:

Major non-cash transaction

During the year ended 31 December 2018, the Group issued a promissory note (the "Promissory Note") in the principal amount of HK$196,000,000 to acquire an associate. The fair value of the Promissory Note was approximately HK$172,297,000 at issue date. The details of the associate and the Promissory Note were set out in notes 15(b)(iii) and 26(ii) respectively.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the registered office and the principal place of business of the Company are disclosed in the corporate information section of this annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in Note 37.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Company and its subsidiaries (collectively, the "Group") had applied a number of new HKFRSs and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are mandatorily effective for an accounting period that begins on or after 1 January 2018. These new and revised HKFRSs have been applied by the Group for the first time in the current year unless otherwise specified. The impacts of these amendments are described below.

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

The application of the above new and revised to HKFRSs in the current year, except for HKFRS 9, has no material impact on the Group's consolidated financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 Financial Instruments

HKFRS 9 has replaced HKAS 39 *Financial instruments: recognition and measurement*. HKFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. In accordance with the specific transitional provisions set out in HKFRS 9, the Group has applied the classification and measurement requirements (including requirements relating to impairment) to items that existed as of the date of initial application (i.e. 1 January 2018) on a retrospective basis based on the facts and circumstances that existed as at 1 January 2018. However, the Group has decided not to restate the comparative figures. Accordingly, the comparative information continues to be presented based on the requirements of HKAS 39 and hence may not be comparable with the current year information. The cumulative effect of initial application of HKFRS 9 has been recognised as adjustments to the opening equity.

(i) Classification and measurement of financial assets

In general, HKFRS 9 categories financial assets into the following three classification categories:

- measured at amortised cost;
- at fair value through other comprehensive income (FVTOCI); and
- at fair value through profit or loss (FVTPL).

These classification categories are different from those set out in HKAS 39 which included held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. 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. Details about the Group's accounting policies for its financial assets and financial liabilities are disclosed in note 3 to the consolidated financial statements. The Group did not designate or de-designate any financial asset at FVTPL at 1 January 2018.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 Financial Instruments (Continued)

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

The following table shows a reconciliation from how the Group's financial assets existed as of 1 January 2018 were classified and measured under HKAS 39 to how they are classified and measured under HKFRS 9:

Financial assets	Old classification under HKAS 39	New classification under HKFRS 9	Carrying amounts as at 1 January 2018 under HKAS 39 HK$'000	Reclassification HK$'000	Remeasurement HK$'000	Carrying amounts as at 1 January 2018 under HKFRS 9 HK$'000
Trade and other receivables	Loans and receivables (Note 2(ii))	Amortised cost	65,241	–	(1,871)	63,370
Shot-term loans receivable	Loans and receivables (Note 2(ii))	Amortised cost	315,059	–	(10,741)	304,318
Listed equity securities	FVTPL	FVTPL	835,012	–	–	835,012
Listed equity securities	Available-for-sale financial assets (at fair value) (Note 2(i)(a))	FVTOCI	19,641	–	–	19,641
Unlisted equity investments	Available-for-sale financial assets (at cost)(Note 2(i)(b))	FVTOCI	23,302	–	2,496	25,798
Bank balances held under segregated trust accounts	Loans and receivables	Amortised cost	27,432	–	–	27,432
Bank balances and cash	Loans and receivables	Amortised cost	60,733	–	–	60,733

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 Financial Instruments (Continued)

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

The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost; (ii) financial assets at FVTOCI; or (iii) financial assets at FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed; and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified as at amortised cost or FVTOCI as described above are classified as at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 Financial Instruments (Continued)

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

The following accounting policies would be applied to the Group's financial assets:

Financial assets at FVTPL	Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value, dividends and interest income are recognized in profit or loss.
Financial assets at amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Financial assets at FVTOCI (equity investments)	Equity investments at FVTOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

(a) As at 1 January 2018, the Group's listed equity investment in Aurelia Metals Limited ("Aurelia Metals") was reclassified from available-for-sale financial assets to financial assets at FVTOCI. The Group held Aurelia Metals for long term strategic purposes. Under HKFRS 9, the Group has designated these listed equity securities at the date of initial application of HKFRS 9 as measured at FVTOCI. As a result, financial assets with a fair value of approximately HK$19.6 million were reclassified from available-for-sale financial assets at fair value to financial assets at FVTOCI, the exchange loss of approximately HK$12.1 million was reclassified from translation reserve to FVTOCI reserve, and the fair value gains of approximately HK$10.5 million were reclassified from available-for-sale financial assets reserve to the FVTOCI reserve on 1 January 2018. The impairment loss previously recognised of approximately HK$37.9 million was also reclassified from the accumulated losses to the FVTOCI reserve.

(b) As at 1 January 2018, the Group's unlisted equity investments in Joint Global Limited and Singularity Advisory (Cayman) Limited were reclassified from available-for-sale financial assets previously measured at cost to financial assets at FVTOCI. These unlisted equity investments have no quoted price in an active market. The Group intends to hold these unlisted equity investments for long term strategic purposes. In addition, the Group has designated these unlisted equity investments at the date of initial application of HKFRS 9 as measured at FVTOCI. As at 1 January 2018, the difference between the previous carrying amount and the fair value of approximately HK$2.5 million has been included in the opening accumulated losses.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 Financial Instruments (Continued)

(ii) Impairment

HKFRS 9 has introduced the "expected credit loss model" to replace the "incurred loss" model under HKAS 39. The "expected credit loss model" requires an ongoing measurement of credit risk associated with a financial asset. The Group has applied the "expected loss model" to the following types of financial assets:

- Trade receivables
- Other receivables
- Loan receivables
- Bank balances held under segregated trust accounts
- Bank balances and cash

Please see note 3 regarding accounting policies for impairment.

The following table is a reconciliation that shows how the closing loss allowance as at 31 December 2017 determined in accordance with HKAS 39 can be reconciled to the opening loss allowance as at 1 January 2018 determined in accordance with HKFRS 9.

	HK$'000	HK$'000
Loss allowance recognised as at 31 December 2017 under HKAS 39		1,848
Additional loss allowance as a result of the application of the "expected loss model" under HKFRS 9		
— Trade and other receivables	1,871	
— Loans receivables	10,741	12,612
Loss allowance recognised as at 1 January 2018 under HKFRS 9		14,460

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade and other receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 Financial Instruments (Continued)

(ii) Impairment (Continued)

Measurement of ECLs (Continued)

For loans and loans interest receivable, the Group applies the general approach, which requires an amount equal to 12-month ECLs to be recognised as the loss allowance for the financial instrument if the credit risk on a financial instrument has not increased significantly since initial recognition and expected lifetime losses to be recognised if the credit risk on that financial instrument has increased significantly since initial recognition.

ECL for other financial assets at amortised cost, included bank balances held under segregated trust accounts, bank balances, other receivables (except for loans interest receivable) and deposits paid, are assessed on 12-month ECLs basis as there had been no significant increase in credit risk since initial recognition.

For financial assets subject to ECL impairment, the carrying amounts in accordance with HKAS 39 have been remeasured upon transition to HKFRS 9 on 1 January 2018. The reconciliation of the carrying amounts in accordance with HKAS 39 and HKFRS 9 is as follows:

	HKAS 39 carrying amounts as at 1 January 2018 HK$'000	Remeasurement (ECL allowance) HK$'000	HKFRS 9 carrying amounts as at 1 January 2018 HK$'000
Trade and other receivables	65,241	(1,871)	63,370
Short-term loans receivable	315,059	(10,741)	304,318
Bank balances held under segregated trust accounts	27,432	–	27,432
Bank balances and cash	60,733	–	60,733

The following table shows the movement in ECL that has been recognised for trade and other receivables and short-term loans receivables in accordance with HKFRS 9.

	ECL on trade and other receivables HK$'000	ECL on short-term loans receivables HK$'000	Total HK$'000
Balance as at 31 December 2017	1,848	–	1,848
Remeasurement of loss allowance	1,871	10,741	12,612
Balance as at 1 January 2018 — as restated	3,719	10,741	14,460

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 Financial Instruments (Continued)

(iii) Classification and measurement of financial liabilities

Under HKFRS 9, for a financial liability designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is required to be presented in other comprehensive income, with the remaining amount of change in the fair value of the liability being presented in profit or loss (unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss and in which case all gains or loss on that liability are presented in profit or loss).

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments.

(iv) Hedge accounting

The Group has not applied any hedge accounting and hence the new general hedge accounting model set out in HKFRS 9 has not had any impact on the Group's consolidated financial statements.

(v) Effect on the Group's accumulated losses and other reserves as of 1 January 2018

The following tables summarise the impact of transition to HKFRS 9 on accumulated losses and reserves and the related tax impact at 1 January 2018:

Accumulated losses

	HK$'000
Accumulated losses as at 31 December 2017	(1,951,561)
Reclassify impairment loss made on investments from available-for-sale financial assets to fair value through other comprehensive income reserve ("FVTOCI" reserve) (Note 2(i)(a))	37,946
Remeasurement of the fair value for available-for-sale financial assets previously measured at cost under HKAS 39 now measured at FVTOCI under HKFRS 9 (Note 2(i)(b))	2,496
Recognition of expected credit loss on trade and other receivables (Note 2(ii))	(1,871)
Recognition of expected credit loss on short-term loans receivable (Note 2(ii))	(10,741)
Restated balance as at 1 January 2018	(1,923,731)

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 Financial Instruments (Continued)

(v) Effect on the Group's accumulated losses and other reserves as of 1 January 2018 (Continued)

Available-for-sale financial assets reserve

	HK$'000
Balance as at 31 December 2017	10,486
Reclassify to FVTOCI reserve (Note 2(i)(a))	(10,486)
Restated balance as at 1 January 2018	–

FVTOCI reserve

	HK$'000
Balance as at 31 December 2017	–
Reclassify from available-for-sale financial assets reserve (Note 2(i)(a))	10,486
Reclassify from accumulated losses for impairment loss made on available-for-sale financial assets now measured at FVTOCI (Note 2(i)(a))	(37,946)
Reclassify from translation reserve (Note 2(i)(a))	(12,087)
Restated balance as at 1 January 2018	(39,547)

Translation reserve

	HK$'000
Balance as at 31 December 2017	(12,539)
Reclassify to FVTOCI reserve (Note 2(i)(a))	12,087
Restated balance as at 1 January 2018	(452)

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 has replaced HKAS 11 *Construction contracts*, HKAS 18 *Revenue* and other revenue-related interpretations. Under HKAS 11 and HKAS 18, revenue arising from construction contracts and provision of services was recognised over time whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 has introduced additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Please see note 3 for details of old and new accounting policies.

Based on the specific transitional provisions set out in HKFRS 15, the Group had decided to use the cumulative effect transition method and had recognised the cumulative effect of initial application of HKFRS 15 as an adjustment to the opening balance of equity as at the date of initial application of HKFRS 15 (i.e. 1 January 2018). Accordingly, comparative information has not been restated and continues to be presented under HKAS 11 and HKAS 18. Also, the Group has applied the HKFRS 15 requirements only to contracts that were not completed before 1 January 2018.

The application of HKFRS 15 has not had any material impact on the consolidated financial position and the consolidated financial result.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HK(IFRIC) Interpretation 22 Foreign Currency Transactions and Advance Consideration

This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The Interpretation concludes that the date of the transaction for the abovementioned purpose is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The application of HK (IFRIC) 22 has not had any material impact on the consolidated financial position and the consolidated financial result.

Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

- A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: the original liability is derecognised. The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date. Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments. The application of amendments has not had any material impact on the consolidated financial position and the consolidated financial result.

Amendments to HKAS 40 Transfers of Investment Property

The amendments clarify that an entity should transfer a property to, or from, investment property when, and only when, there is a change in use. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The amendments emphasise that a change in management's intentions for the use of a property, in isolation, does not provide evidence of a change in use. Further, the amendments clarify that the list of circumstances set out in paragraph 57 of HKAS 40 are examples only.

The amendments require an entity to apply the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments (i.e. the date of initial application). At the date of initial application, an entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

The application of the amendments has not had any material impact on the consolidated financial position and the consolidated financial result, as the Group did not have any transfers in the past.

The Group has not applied any of the following new HKFRSs, amendments to HKFRSs and new interpretations ("new and revised HKFRSs") that have been issued but are not yet mandatorily effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint-Ventures[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[2]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective date not yet determined

HKFRS 16 Leases

HKFRS 16 will supersede the current lease guidance including HKAS 17 Leases and the related interpretations when it becomes effective.

With regards to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets.

Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 16 Leases (Continued)

With regards to lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, HKFRS 16 requires extensive disclosures in the financial statements.

At 31 December 2018, the Group, as lessee, has non-cancellable operating lease commitments of approximately HK$27,933,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

HKFRS 17 Insurance Contracts and amendments to HKFRS 4 Insurance Contracts

HKFRS 17 and amendments to HKFRS 4 are not applicable to the Group as the Company or its subsidiaries are not engaged in insurance business.

Amendments to HKFRS 9 Prepayment Features with Negative Compensation

The HKICPA issued two amendments to HKFRS 9 in November 2017 and December 2017 respectively. The first amendment clarifies that prepayable financial assets with negative compensation can be measured at amortised cost or at FVOCI if specified conditions are met instead of at FVPL.

The second amendment clarifies, in the Basis for Conclusions, the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in derecognition. HKFRS 9 requires an entity to recalculate the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate. Any adjustments to the amortised cost of the financial liability would be recognised in profit or loss at the date of the modification or exchange. If entities apply a different accounting treatment for modifications of financial liabilities under HKAS 39, they are required to apply the amendments retrospectively on transition to HKFRS 9.

The amendments are effective for annual periods beginning on or after 1 January 2019. Early application is permitted. The directors of the Company do not anticipate that the application of the amendments will have a material impact on the Group's consolidated financial statements.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 and HKAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Group did not enter into these transactions in the current year. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

HK(IFRIC) Interpretation 23 Uncertainty over Income Tax Treatments

This Interpretation clarifies how to apply the recognition and measurement requirements in HKAS 12 when there is uncertainty over income tax treatments.

The directors of the Company do not anticipate that the application of the interpretation will have a material impact on the Group's consolidated financial statements.

Except as described above, the directors of the Company consider that the application of the other new and revised HKFRSs and amendments is unlikely to have a material impact on the Group's financial position and performance as well as disclosure.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the 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 (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation

The consolidated financial statements depict the Group incurred a net loss of approximately HK$744,708,000 during the year ended 31 December 2018 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$101,555,000. The Group had loan of HK$18,000,000 which has been overdue since September 2018, loan of US$50,000,000, equivalent to approximately HK$390,745,000, which has been overdue since mid-March 2019 and loan from financial institution and note payable of US$45,000,000, equivalent to approximately HK$351,660,000, which will mature or require payment in the year ending 31 December 2019. The Directors have adopted the going concern basis for the preparation of the consolidated financial statements.

The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the granting of the extension on the maturity dates of the loans to the Group and obtaining alternative sources of external funding in order for the Group to meet its financial obligations as they fall due. The details and the validity of applying the going concern basis are as follows:

Loan payable due in mid-March 2019

A loan of US$50,000,000, equivalent to approximately HK$390,745,000, was due in mid-March 2019. As of the date when the consolidated financial statements are authorised for issue, this loan is already overdue. As confirmed by the directors of the Company, the Group is in the process of negotiating with the lender for extension of the loan. Up to the date of approval of the consolidated financial statements, as represented by the directors of the Company, the lender has provided a positive confirmative response indicating that it is willing to extend the loan and are in the stage of preparing the necessary documents for processing relevant approval in relation to the loan extension.

Loan from financial institution with repayment on demand clause

As at 31 December 2018, the Group had a loan from financial institution of US$35,000,000, equivalent to approximately HK$273,450,000, of which there is a repayment on demand clause in the loan agreement that gives the lender an unconditional right at any time to require immediate payment. According to the repayment schedule of the loan agreement, the Group is only required to repay US$5,000,000, equivalent to HK$39,064,000, for the year ending 31 December 2019. The Group considers that the amount payable for the year ending 31 December 2019 will be settled by internal resources. US$30,000,000 equivalent to HK$234,386,000 is repayable in November 2021.

Notwithstanding the above repayment on demand clause, the Group do not believe that the lender will exercise the on demand right within 12 months and the loans will be repaid in accordance with maturity dates as set out in the agreements. This evaluation was made considering: the Group has made all previously scheduled repayments on time and, up to the date of approval of the financial statements, there is no indication from the lender that they will exercise the on demand right.

Loan payable due in September 2018

As at 31 December 2018, the Group had a loan payable amounted to HK$18,000,000 overdue. The Group intends to settle the loan payable from the proceeds of the Group's rights issue which is expected to be completed in May 2019.

Note payable due in September 2019

As at 31 December 2018, the Group had note payable of US$40,000,000, equivalent to approximately HK$312,596,000, of which the repayment will be due in September 2019. Up to the date when the consolidated financial statements are authorised for issue, as represented by the directors of the Company, the lender has provided a positive confirmative response indicating that they are willing to extend the loan.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future financing

The Group will actively consider all possible fund raising exercises and/or obtain new loan facility with an aim to finance the above loans and interest repayment.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries and non-controlling interests

Investments in subsidiaries are stated on the statement of financial position of the Company (Note 37) at cost less accumulated impairment loss.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

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

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "*Share-based Payment*" at the acquisition date (see the accounting policy below); and

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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

Associates

An associate is an entity in which the Group or the 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. 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.

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

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as 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.

Goodwill

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

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

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

Property, plant and equipment

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

Depreciation is provided so as to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over the term of the leases
Furniture and fixtures	20%–33%
Motor vehicles	20%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Borrowing costs

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

Trading right

Trading right represents the right of trading on the Stock Exchange. Trading right is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation for trading right is provided to write off the relevant cost on a straight-line basis over the estimated useful lives.

Any gain or loss arising from derecognition of trading right is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (accounting policies applied after 1 January 2018)

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

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

Financial assets

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

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

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

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

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

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

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (accounting policies applied after 1 January 2018) (Continued)

Financial assets (Continued)

Classification of financial assets (Continued)

(i) Amortised cost and effective interest method

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

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

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

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

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "finance income — interest income" line item note 8.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (accounting policies applied after 1 January 2018) (Continued)

Financial assets (Continued)

Classification of financial assets (Continued)

(ii) Debt instruments classified as at FVTOCI

The corporate bonds held by the Group are classified as at FVTOCI. Fair value is determined in the manner described in note 5(b). The corporate bonds are initially measured at fair value plus transaction costs.

Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method (see (i) above) are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these corporate bonds had been measured at amortised cost. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item (note 8) in profit or loss.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of HKFRS 9 (see notes 2 and 17).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (accounting policies applied after 1 January 2018) (Continued)

Financial assets (Continued)

Classification of financial assets (Continued)

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item (note 8). Fair value is determined in the manner described in note 5(b).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (accounting policies applied after 1 January 2018) (Continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at mortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (accounting policies applied after 1 January 2018) (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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

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

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

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,

(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (accounting policies applied after 1 January 2018) (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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

(ii) Definition of default

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

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

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

(iii) Credit-impaired financial assets

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

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

(b) a breach of contract, such as a default or past due event (see (ii) above);

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

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (accounting policies applied after 1 January 2018) (Continued)

Impairment of financial assets (Continued)

(iv) Write-off policy

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

(v) Measurement and recognition of expected credit losses

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

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 Leases.

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

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (accounting policies applied after 1 January 2018) (Continued)

Impairment of financial assets (Continued)

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (accounting policies applied after 1 January 2018) (Continued)

Financial liabilities and equity (Continued)

Compound instrument

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

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

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

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

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (accounting policies applied after 1 January 2018) (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL (Continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses' line item (note 8) in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Fair value is determined in the manner described in note 5(b).

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (accounting policies applied after 1 January 2018) (Continued)

Financial liabilities and equity (Continued)

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9 (see financial assets above); and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss (note 8) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

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

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (accounting policies applied until 31 December 2017)

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

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

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

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (accounting policies applied until 31 December 2017) (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other gains and losses. Fair value is determined in manner described in Note 5(b) to the consolidated financial statements.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, earnest money, bank balances held under segregated trust accounts and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment (see accounting policy on impairment loss on financial assets below).

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (accounting policies applied until 31 December 2017) (Continued)

Financial assets (Continued)

Available-for-sale financial assets

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

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

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

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (accounting policies applied until 31 December 2017) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments (accounting policies applied until 31 December 2017) (Continued)

Financial liabilities and equity instruments

Debts and equity instruments issued by a group entity are initially classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Equity instruments

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

Other financial liabilities

Other financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted to the employees at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

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

Share options granted to other participants

For share options granted to parties other than employees in exchange for services, they are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses with a corresponding increase in equity (share options reserve), and when the counterparties render services, unless the services qualify for recognition as assets.

Impairment

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

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

If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Revenue recognition (accounting policies applied from 1 January 2018)

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Interest income (accounting policies applied from 1 January 2018)

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see "Measurement and recognition of expected credit losses" note).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest income (accounting policies applied until 31 December 2017)

Net income from sale of investments held for trading are recognised on the transaction date for realised profit or loss whilst the unrealised profits or losses are recognised from valuation at the end of the reporting period.

Commission and brokerage income are recognised on an accrual basis when the relevant services are provided in accordance with the terms of the underlying agreements.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established provided that it is probable that economic benefits will flow to the Group and the amount of income can be measured reliably.

Revenue recognition (accounting policies applied until 31 December 2017)

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

Sales of goods (accounting policies applied until 31 December 2017)

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

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

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

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

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

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

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

Current or deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

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

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Retirement benefits costs

Payments to state-managed retirement benefits schemes/Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

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

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

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

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

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

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

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

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

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

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below:

(a) Income taxes and deferred taxation

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Critical accounting estimates and assumptions (Continued)

(a) Income taxes and deferred taxation (Continued)

Deferred tax assets relating to certain temporary differences and tax losses are recognised when the management of the Company determines it is likely that future taxable profits will be available against the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

(b) Impairment of interests in associates

The Group reviews the carrying amounts of its interests in associates to determine whether there is any indication that those assets are impaired. In making assessments for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash generating units ("CGU"). The recoverable amount of those assets, or CGU, is measured at the higher of their fair value less costs of disposal and value in use.

The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The fair value estimation requires the Group to use market observable data to the extent that it is available. The Group engaged independent professional valuer to establish appropriate techniques and inputs for the valuation of interests in associates. Where the recoverable amount of the interests in associates is less than the carrying amount, a material impairment loss may arise.

Changes to the inputs and assumptions underlying the assessment of the recoverable value may result in changes to impairment charges, which could have a significant impact on the financial information in future periods.

As at 31 December 2018, the carrying amount of the investments in associates was approximately HK$389,888,000 (2017: HK$543,294,000) (net of accumulated impairment losses of HK$306,893,000 (2017: HK$Nil).

(c) Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

(d) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant management judgement. During the year ended 31 December 2016, the management of the Company considers the investment in Joint Global contributes no significant value to the Group and accordingly, the investment cost should be fully impaired and an impairment loss of HK$215,000,000 has been recognised to the consolidated statement of profit or loss for the year ended 31 December 2016. Since the management continues to believe that the investment contribute any value to the Group, no reversal of impairment loss was made for the year ended 31 December 2017 (Note 16).

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Financial assets at FVTOCI	–	–
Available-for-sale financial assets	–	42,943
Financial assets at FVTPL		
— held for trading	**467,244**	835,012
At amortised cost		
— trade and other receivables	**81,442**	–
— long-term loan receivable	**13,500**	–
— short-term loans receivable	**380,404**	–
— bank balance held under segregated trust accounts	**23,695**	–
— bank balances and cash	**22,894**	–
Loans and receivables		
— trade and other receivables	–	60,963
— short-term loans receivable	–	315,059
— bank balances held under segregated trust accounts	–	27,432
— bank balances and cash	–	60,733
	989,179	1,342,142
Financial liabilities		
Amortised cost		
— trade and other payables	**83,105**	103,119
— short-term loans payable	**682,195**	18,000
— long-term loans payable	–	586,118
— notes payable	**485,555**	312,596
	1,250,855	1,019,833

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTOCI, available-for-sale financial assets, financial assets at FVTPL, trade and other receivables, loans receivable, bank balances held under segregated trust accounts, bank balances and cash, trade and other payables, loans payable and notes payable. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfill its obligation with the results that the Group thereby suffers financial loss. The carrying amounts of trade and other receivables, loans receivable, bank balances held under segregated trust accounts, bank balances and cash represent the Group's maximum exposure to credit risk in relation to financial assets. The carrying amounts of these financial assets presented in the consolidated statement of financial position are net of impairment losses, if any.

The Group expects that there is no significant credit risk associated with cash at banks since all the Group's bank balances and cash are deposited with major and creditworthy banks located in Hong Kong.

The directors consider that the Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

The Group is exposed to credit risk attributable to trade receivables arising from securities brokerage business and loans receivable arising from provision of finance business. Management has a credit policy in place and the exposures to the credit risk are monitored on an ongoing basis. In respect of trade receivables from customers, individual credit evaluations are performed on all customers. These evaluations focus on the customer's financial background 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.

In respect of loans and interest receivables, individual credit evaluations are performed on all borrowers requiring credit over a certain amount. These evaluations focus on the borrowers' past history of making payments when due and current ability to pay, and take into account information specific to the borrowers.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Credit risk (Continued)

In order to minimise the credit risk, the directors have delegated a team responsible for determination of monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the directors review the recoverability of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables and loans receivable from customers are set out in Note 20 and Note 21 respectively.

The Group applies the simplified approach to provide for expected credit loss prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the days past due of each type of the trade receivables to measure the expected credit losses. During the year ended 31 December 2018, the expected credit loss rate for trade receivable are determined according to provision matrix as follows:

Cash account clients and margin account clients

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

Category	Description	Default rate for ECL	Basis for recognizing expected credit losses
Low risk	The securities are sufficient to cover the receivables. The accounts are staff account or low risk client account.	3%	Lifetime ECL (Simplified approach)
Substandard	Cash client's securities are not sufficient to cover the receivables. Margin client's margin ratio over 80%, or margin client holds single stock and margin ratio over 60%.	10%	Lifetime ECL (Simplified approach)
Doubtful	The securities are suspended trading.	20%	Lifetime ECL (Simplified approach)
Loss	The clients hold lock accounts, are deceased or their receivable balances became bad debts.	100%	Lifetime ECL (Simplified approach)

Loan and loan interest receivable

The Group's current credit risk grading framework comprises the following categories (Note):

Credit rating	Default rate for ECL
BBB-	0.25%
BB-	0.96%
CCC	9.46%

Notes: The credit rating was determined with reference to the credit ratings issued by Mood's Standard & Fitch which was adopted by the Company's independent professional valuer. The expected default rate of the corresponding credit rating was determined with reference to "Corporate Default and Recovery Rates, 1920–2017" published by Moody's Global.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Market risk

(i) Foreign currency risk

Foreign currency risk is the risk that the holding of monetary assets and liabilities and entering into transactions denominated in foreign currencies which will affect the Group's financial position and performance as a result of a change in foreign currency exchanges rates. At the end of the financial year, certain available-for-sale financial assets, trade and other receivables, bank balances and cash and trade and other payables loans payable and notes payable are denominated in or linked to foreign currencies, details of which are set out in respective notes, expose the Group to foreign currency risk.

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

	2018 **HK$'000**	2017 HK$'000
Assets		
Renminbi ("RMB")	**107**	113
United States Dollars ("US$")	**58**	58
Australian Dollars ("AUD")	**–**	19,641
Liabilities		
US$	**1,000,630**	898,714

As HK$ is linked to US$, the Group does not have material exchange rate risk on such currency. Thus, the Group is mainly exposed to the currency risk of RMB and AUD.

The following table demonstrates the sensitivity analysis of the carrying amounts of significant outstanding monetary assets and monetary liabilities denominated in RMB and AUD at the end of reporting period if there was a 5% change in the exchange rate of the HK$ against RMB and AUD, with all other variables held constant, of the Group's post-tax loss. 5% sensitivity rate used represents management's assessment of the reasonably possible changes in foreign exchange rates.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Market risk (Continued)

(i) Foreign currency risk (Continued)

	2018		2017	
	(Decrease)/ increase in exchange rate %	**(Decrease)/ increase in post-tax loss HK$'000**	(Decrease)/ increase in exchange rate %	(Decrease)/ increase in post-tax loss HK$'000
If HK$ weakens against RMB	**(5)**	**(4)**	(5)	(5)
If HK$ strengthens against RMB	**5**	**4**	5	5

	2018		2017	
	(Decrease)/ increase in exchange rate %	**Increase/ (decrease) in other comprehensive income HK$'000**	(Decrease)/ increase in exchange rate %	Increase/ (decrease) in other comprehensive income HK$'000
If HK$ weakens against AUD	**(5)**	**–**	5	982
If HK$ strengthens against AUD	**5**	**–**	(5)	(982)

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Market risk (Continued)

(ii) Price risk

The Group is exposed to equity security price risk through its available-for-sale financial assets and financial assets at FVTPL. Management manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

Sensitivity analysis for held for trading investments:

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

	2018		2017	
	Increase/ (decrease) in equity prices %	**(Decrease)/ increase in post-tax loss HK$'000**	Increase/ (decrease) in equity prices %	(Decrease)/ increase in post-tax loss HK$'000
Financial assets at FVTPL				
Changes on equity prices	**5**	**(19,507)**	5	(34,862)
Changes on equity prices	**(5)**	**19,507**	(5)	34,862

	2018		2017	
	Increase/ (decrease) in equity prices %	**Increase/ (decrease) in other comprehensive income HK$'000**	Increase/ (decrease) in equity prices %	Increase/ (decrease) in other comprehensive income HK$'000
Available-for-sale financial assets				
Changes on equity prices	**5**	**–**	5	982
Changes on equity prices	**(5)**	**–**	(5)	(982)

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Market risk (Continued)

(iii) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to fair value interest rate risk in relation to fixed rate loans receivable and payable. The Group currently does not have an interest rate hedging policy. However, the directors of the Company monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's cash flow interest rate risk relates primarily to the interest bearing bank balances held under segregated trust accounts and bank balances and cash. The future variations in interest rates will not have a significant impact on the results of the Group, as the Group's variable rates bank balances are all short-term in nature and at the prevailing market interest rates. The Group currently does not have an interest rate hedging policy. However, the directors of the Company monitor interest rate exposure and will consider hedging significant interest rate risk should the need arise. The directors of the Company considered the Group's exposure to interest rate risk for bank balances is not material. Hence, no interest rate risks sensitively analysis is presented.

Liquidity risk

Liquidity risk management is mainly to maintain sufficient bank balances and cash and the availability of fundings through an adequate amount of committed credit facilities. The Group also aims at maintaining flexibility in funding by arranging and keeping committed banking facilities and other external financing available.

The Group's primary cash requirements have been for capital investments and repayment of related debts. The Group finances its working capital requirements through a combination of funds generated from operations and from fund raising through placement of new shares.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Liquidity risk (Continued)

The following table shows the remaining contractual maturities as at 31 December 2018 and 2017 of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates) and the earliest date the Group can be required to pay:

Liquidity table

	Weighted average interest rate	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	> 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amounts HK$'000
2018								
— Short-term loans payable	12.85%	20,811	406,886	53,314	266,918	–	747,929	682,195
— Long-term loans payable	–	–	–	–	–	–	–	–
— Trade and other payables	–	83,105	–	–	–	–	83,105	83,105
— Notes payable	8%	–	12,598	326,092	243,040	–	581,730	485,555
		103,916	419,484	379,406	509,958	–	1,412,761	1,250,855

	Weighted average interest rate	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	> 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amounts HK$'000
2017								
— Short-term loans payable	12%	–	–	19,509	–	–	19,509	18,000
— Long-term loans payable	14.08%	–	20,638	63,061	606,068	–	689,767	586,118
— Trade and other payables	–	103,119	–	–	–	–	103,119	103,119
— Notes payable	8%	–	12,504	12,504	337,603	–	362,611	312,596
		103,119	33,142	95,074	943,671	–	1,175,006	1,019,833

Fair value measurement

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

Other than certain available-for-sale financial assets, financial assets at FVTPL and FVTOCI, the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Available-for-sale financial assets measured at fair value at the end of reporting period and financial assets at FVTPL in respect of listed equity securities are determined by reference to the quoted bid prices in active markets.

The Group's financial assets at FVTPL and FVTOCI are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of the financial assets at FVTPL and FVTOCI are determined (in particular, the valuation technique and inputs used).

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Fair value measurement (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets	Fair values as at 31 December		Fair value hierarchy	Valuation techniques and key inputs
	2018	2017		
	HK$'000	HK$'000		
Available-for-sale financial assets — Listed equity securities	–	19,641	Level 1	Quoted bid prices in active markets
Financial assets at FVTPL — Listed equity securities	**467,244**	835,012	Level 1	Quoted bid prices in active markets

Notes:

(i) Available-for-sale financial assets was reclassified to financial assets designated at FVTOCI upon the adoption of HKFRS 9 at 1 January 2018.

(ii) There were no transfers amongst Level 1, 2 and 3 during both years.

(c) Capital risk management

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

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

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendation of the directors, the Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debts or the redemption of existing debts.

6. TURNOVER

An analysis of the Group's turnover for the year is as follows:

	2018 HK$'000	2017 HK$'000
Net realised results from securities trading*	(149,666)	(294,360)
Commission and brokerage income	1,196	3,169
Interest income from provision of finance	48,044	16,342
	(100,426)	(274,849)

* Represented the proceeds from the sale of investments at fair value through profit or loss of approximately HK$360,958,000 (2017: approximately HK$452,657,000) less cost of sales and the weighted average cost of the investments sold of approximately HK$510,624,000 (2017: approximately HK$747,017,000).

7. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION

Business segment information

The Group's reportable and operating segments, based on information reported to the board of directors of the Company, being the chief operating decision maker ("CODM"), are as follows:

- trading of goods;
- provision of finance; and
- brokerage and securities investment.

For the purposes of resource allocation and assessment of segment performance, CODM monitors the results and assets and liabilities attributable to each reportable segment on the following basis:

- Segment revenue represents revenue generated from external customers; net gain/(loss) on investments held for trading activities are also included in segment revenue;
- Segment results represent the profit earned or loss incurred by each segment without allocation of corporate income and expenses, share of results of associates, central administration costs, directors' salaries, finance costs for loans payable and income tax credit or expense;
- Segment assets include all tangible and intangible assets and current assets;
- Segment liabilities include all trade and other payables and notes payable other than current and deferred tax liabilities;
- Unallocated assets include available-for-sales investments, financial assets at fair value through other comprehensive income, interests in associates and other assets for the corporate use; and
- Unallocated liabilities include short-term loans payable, long-term loans payable, other payables and notes payable unallocated.

7. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION (Continued)

Business segment information (Continued)

For the year ended 31 December 2018

	Trading of goods HK$'000	Provision of finance HK$'000	Brokerage and securities investment HK$'000	Elimination/ unallocated HK$'000	Total HK$'000
Segment revenue and results					
REVENUE					
External sales	–	48,044	(148,470)	–	(100,426)
Inter-segment sales*	–	–	185	(185)	–
Segment revenue	–	48,044	(148,285)	(185)	(100,426)
RESULTS					
Segment results	–	37,016	(278,886)	–	(241,870)
Unallocated income					14,261
Unallocated expenses					(69,416)
Finance costs					(128,181)
Share of results of associates					(10,065)
Impairment loss on interests in associates					(306,893)
Loss before tax					(742,164)
Segment assets and liabilities					
ASSETS					
Segment assets	–	417,662	554,301	–	971,963
Unallocated assets					413,863
Total consolidated assets					1,385,826
LIABILITIES					
Segment liabilities	–	523,189	47,107	(522,297)	47,999
Unallocated liabilities					1,206,658
Total consolidated liabilities					1,254,657
Other information:					
Additions to property, plant and equipment	–	45	143	–	188
Depreciation of property, plant and equipment	–	5	978	404	1,387
Net unrealised loss on financial assets at fair value through profit or loss	–	–	116,983	–	116,983
Income tax (credits)/expenses	–	–	(1,258)	3,802	2,544

* Inter-segment sales were charged at terms determined and agreed between the group companies.

7. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION (Continued)

Business segment information (Continued)

For the year ended 31 December 2017

	Trading of goods HK$'000	Provision of finance HK$'000	Brokerage and securities investment HK$'000	Elimination/ unallocated HK$'000	Total HK$'000
Segment revenue and results					
REVENUE					
External sales	–	16,342	(291,191)	–	(274,849)
Inter-segment sales*	–	–	1,001	(1,001)	–
Segment revenue	–	16,342	(290,190)	(1,001)	(274,849)
RESULTS					
Segment results	–	8,539	(498,060)	–	(489,521)
Unallocated income					1,369
Unallocated expenses					(37,962)
Finance costs					(73,491)
Share of results of associates					34,037
Loss before tax					(565,568)
Segment assets and liabilities					
ASSETS					
Segment assets	–	321,298	1,015,496	(5,336)	1,331,458
Unallocated assets					565,800
Total consolidated assets					1,897,258
LIABILITIES					
Segment liabilities	–	481,509	95,749	(479,466)	97,792
Unallocated liabilities					922,041
Total consolidated liabilities					1,019,833
Other information:					
Additions to property, plant and equipment	–	–	1,476	–	1,476
Depreciation of property, plant and equipment	–	–	1,407	742	2,149
Net unrealised loss on financial assets at fair value through profit or loss	–	–	160,380	–	160,380
Income tax expenses	–	–	1,258	–	1,258

* Inter-segment sales were charged at terms determined and agreed between the group companies.

7. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION (Continued)

Geographical segment information

The Group's three reportable and operating segments operate in Hong Kong and all the Group's revenue from external customers for the years ended 31 December 2018 and 2017 were derived from Hong Kong.

The following table provides an analysis of the Group's non-current assets (excluding financial assets) based on the geographical markets as follows:

	2018 **HK$'000**	2017 HK$'000
PRC	**389,888**	543,294
Hong Kong	**6,097**	7,421
Others	**–**	–
	395,985	550,715

Information about major customers

The following is an analysis of revenue from customers contributing over 10% of total revenue of the Group (excluding the net realised results from securities trading) for the current and prior years:

	Reportable and operating segments	**2018** **HK$'000**	2017 HK$'000
Customer A	Provision of finance/brokerage and securities investment	**10,086**	6,153
Customer B	Provision of finance	**N/A#**	3,002
Customer C	Provision of finance	**7,157**	N/A*
Customer D	Provision of finance	**6,123**	N/A*
Customer E	Provision of finance/brokerage and securities investment	**5,115**	N/A*

Revenue from Customer B did not contribute over 10% of the total revenue of the Group (excluding the net realised results from securities trading) for the year ended 31 December 2018.

* Revenue from Customers C, D and E did not contribute over 10% of the total revenue of the Group (excluding the net realised results from securities trading) for the year ended 31 December 2017.

8. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Other income comprises:		
Interest income on:		
— Banks	**10**	13
— Other loan and receivables	**5,315**	4,617
Total interest income	**5,325**	4,630
Sundry income	**9,700**	2,465
Dividend income from financial assets at FVTPL	**1,323**	3,104
Dividend income from financial assets at FVTOCI	**4,790**	–
Gain on disposal of property, plant and equipment	**7**	20
	21,145	10,219

9. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on other borrowings wholly repayable within five years	**92,086**	77,161
Notes interest expenses	**25,948**	6,587
Imputed interest expenses on promissory notes	**2,638**	–
Bank charges	**7,509**	–
	128,181	83,748

10. LOSS FOR THE YEAR

	2018 HK$'000	2017 HK$'000
Loss for the year has been arrived at after charging:		
Staff costs including directors' remuneration		
— Salaries, allowances and other benefits	**28,752**	26,529
— Retirement benefits schemes contributions	**781**	727
	29,533	27,256
Auditors' remuneration		
Audit services	**1,550**	1,450
Non-audit services	**903**	630
	2,453	2,080
Impairment loss on interests in associates	**306,893**	–
Loss allowance on short-term loans receivable	**6,411**	–
Loss allowance on trade and other receivables	**4,702**	–
Depreciation of property, plant and equipment	**1,387**	2,149
Foreign exchange loss, net	**881**	5,433

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to Listing Rules and section 383(1) of the Hong Kong Companies Ordinance are as follows:

		Fee		Salaries and other benefits		Retirement benefits schemes contributions		Discretionary bonus		Total	
	Note	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Executive directors											
Li Dong		–	200	1,509	1,100	18	15	100	–	1,627	1,315
Ng Shin Kwan, Christine		–	–	910	910	18	18	70	–	998	928
Chan Ah Fei		650	647	–	–	–	–	50	–	700	647
Liang Shan		665	618	–	–	–	–	50	–	715	618
Feng Taiguo	i	263	388	–	–	–	–	–	–	263	388
Kwong Kai Sing, Benny	ii	288	274	–	–	–	–	–	–	288	274
Lee Jalen	iii	–	531	–	–	–	–	–	–	–	531
Suen Yick Lun, Philip	iv	–	688	–	–	–	–	–	–	–	688
Independent non-executive directors											
Wong Yun Kuen		120	120	–	–	–	–	–	–	120	120
Wong Shun Loy		144	144	–	–	–	–	–	–	144	144
Hu Chao		120	120	–	–	–	–	–	–	120	120
		2,250	3,730	2,419	2,010	36	33	270	–	4,975	5,773

Notes:

(i) Mr. Feng Taiguo was appointed on 9 May 2017 and resigned on 8 June 2018.

(ii) Dr. Kwong Kai Sing, Benny was appointed on 18 September 2017 and resigned on 18 April 2018.

(iii) Mr. Lee Jalen resigned on 9 May 2017.

(iv) Mr. Suen Yick Lun, Philip was appointed on 1 September 2016 and resigned on 18 September 2017.

Salaries, allowances and benefits in kind paid to or for the executive directors are generally entitlements paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

The performance related incentive payments are determined with reference to the operating results, individual performance and comparable market statistics.

None of the directors waived or agreed to waive any emoluments during the year ended 31 December 2018 (2017: Nil). During the year ended 31 December 2018, no emoluments have been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2017: Nil).

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2017: two) were directors of the Company whose emoluments are included in the disclosures set out in Note 11(a) above. The emoluments of the remaining highest paid individuals were as follows:

	2018 HK$'000	2017 HK$'000
Salaries, allowances and other benefits	**3,660**	3,658
Retirement benefit schemes contributions	**36**	36
	3,696	3,694

Their emoluments were within the following bands:

	2018 No. of employees	2017 No. of employees
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**1**	1
	3	3

(c) During the year ended 31 December 2018, no emoluments were paid by the Group to any of the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office (2017: Nil).

12. INCOME TAX EXPENSES

	2018 HK$'000	2017 HK$'000
Income tax expenses comprise:		
Current tax		
— Hong Kong Profits Tax	–	1,278
— PRC Enterprise Income Tax	–	–
	–	1,278
Over-provision in prior years:		
— Hong Kong	**(1,258)**	(20)
	(1,258)	1,258
Deferred tax — current year	**3,802**	–
	2,544	1,258

Hong Kong Profits Tax is calculated at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the year ended 31 December 2018.

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

Income tax expenses for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2018 HK$'000	2017 HK$'000
Loss before tax	**(742,164)**	(565,568)
Tax at Hong Kong Profits Tax rate of 16.5% (2017: 16.5%)	**(122,457)**	(93,318)
Effect of different tax rates of subsidiaries operating in other jurisdictions	–	(24)
Tax effect of share of results of associates	**1,661**	(7,567)
Tax effect of expenses not deductible for tax purpose	**74,288**	6,154
Tax effect of income not taxable for tax purpose	**(19,133)**	(713)
Tax effect of temporary differences not recognised	**55**	76
Tax effect of tax losses not recognised	**65,586**	96,670
Over-provision for prior year	**(1,258)**	(20)
Deferred tax on promissory note (Note 27)	**3,802**	–
	2,544	1,258

Details of deferred taxation are set out in Note 27.

13. LOSS PER SHARE

Subsequent to the end of the reporting period on 28 March 2019, the consolidation of every 10 issued shares into 1 consolidated share and the rights issue on the basis of 4 rights shares for every 1 consolidated share held by the shareholders of the Company, at a subscription price of HK$0.56 per rights share were approved.

The consolidation of shares was effective already on 29 March 2019, and the rights issues will be carried out in accordance with the Company's circular dated 8 March 2019.

The effect of consolidated shares and bonus element resulting from the rights issue has been included in the calculation of basic and diluted loss per share and the prior period basic and diluted earnings per share are adjusted.

The subscription price of HK$0.56 per rights share represents a discount of 12.5% to fair value at the close of the last day which every consolidated share is traded together with the rights shares.

The calculation of the basic and diluted loss per share attributable to the owners of the Company for the years ended 31 December 2018 and 2017 is based on the following data:

	2018 **HK$'000**	2017 HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**744,708**	566,826

	2018 **Number of shares** **'000**	2017 Number of shares '000 (Restated)
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**155,768**	155,768
Basic loss per share (HK dollars)	**4.78**	3.64
Diluted loss per share (HK dollars)	**4.78**	3.64

Diluted loss per share for the year ended 31 December 2018 was the same as basic loss per share as the Company did not have dilutive potential ordinary shares for the year ended 31 December 2018.

Diluted loss per share for the year ended 31 December 2017 was equal to the basic loss per share because the exercise prices of the Company's share options for the period from 1 January 2017 to 2 December 2017 were higher than the average market price and was therefore considered as anti-dilutive. The Company did not have any exercisable share option outstanding as at 31 December 2017 and there were no dilutive potential ordinary shares after all outstanding share options lapsed on 2 December 2017.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles and yacht HK$'000	Total HK$'000
COST				
At 1 January 2017	6,853	6,038	15,724	28,615
Additions	–	1,476	–	1,476
Disposals	–	–	(3,180)	(3,180)
At 31 December 2017 and 1 January 2018	6,853	7,514	12,544	26,911
Additions	–	188	–	188
Disposals	–	–	(655)	(655)
At 31 December 2018	6,853	7,702	11,889	26,444
DEPRECIATION AND IMPAIRMENT				
At 1 January 2017	6,413	4,747	12,291	23,451
Provided for the year	334	942	873	2,149
Eliminated on disposals	–	–	(3,180)	(3,180)
At 31 December 2017 and 1 January 2018	6,747	5,689	9,984	22,420
Provided for the year	65	790	532	1,387
Eliminated on disposals	–	–	(655)	(655)
At 31 December 2018	6,812	6,479	9,861	23,152
CARRYING VALUES				
At 31 December 2018	41	1,223	2,028	3,292
At 31 December 2017	106	1,825	2,560	4,491

15. INTERESTS IN ASSOCIATES

(a) Details of the Group's interests in associates are as follows:

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Cost of investments in associates:		
— Unlisted	**506,216**	333,919
Amounts due from associates (Note 15(c)(i))	**36,081**	36,081
	542,297	370,000
Share of results of associates:		
— Post-acquisition profits and other comprehensive income, net of dividends received	**140,574**	159,384
— Bargain purchase	**13,910**	13,910
	154,484	173,294
Provision for impairment	**(306,893)**	–
	389,888	543,294

15. INTERESTS IN ASSOCIATES (Continued)

(b) Details of each of the Group's associates at 31 December 2018 and 2017 are as follows:

Name of associates	Place of incorporation/ establishment	Issued and fully paid ordinary/share capital/registered capital	Place of operation	Proportion of equity interest held by the Group 2018 Directly %	2018 Indirectly %	2017 Directly %	2017 Indirectly %	Principal activities
China Sky Holdings Limited ("China Sky") (Note i)	The British Virgin Islands ("BVI")	US$100,000	Hong Kong	**40**	**–**	40	–	Investment holding
Kim Dynasty Realty & Development Co. Ltd. ("Jintang") (Note i)	The PRC	US$3,500,000	The PRC	**–**	**40**	–	40	Development, construction and building management
Success Quest Limited ("Success Quest") (Note ii)	BVI	US$100	Hong Kong	**50**	**–**	50	–	Dormant (2017: Investment holding)
Multi-Fame Group Limited ("Multi-Fame") (Note iii)	BVI	US$1,000	Hong Kong	**49**	**–**	–	–	Investment holding
Multi-Fame (Hong Kong) Limited	Hong Kong	HK$10,000	Hong Kong	**–**	**49**	–	–	Trading of electronic products and mainly distributes bluetooth earphones, speakers and computer products
Baiyu (Beijing) Technology Company Ltd ("Baiyu BJ")* (佰譽(北京)科技有限公司)	The PRC	Registered capital of US$8,600,000	The PRC	**–**	**49**	–	–	Trading of computers and its peripherals as distributor
Beijing Baiyu Logistics Company Limited* (北京佰譽物流有限公司)	The PRC	Registered capital of RMB5,000,000	The PRC	**–**	**49**	–	–	Provision of logistics service
Shenzhen Yisiyuan Technology Development Company Limited* (深圳市伊思源科技發展有限公司)	The PRC	Registered capital of RMB1,000,000	The PRC	**–**	**49**	–	–	Inactive
Beijing Guodian Tongyuan Technology Company Limited* (北京國電通源科技有限公司)	The PRC	Registered capital of RMB10,000,000	The PRC	**–**	**49**	–	–	Trading of computers and its peripherals
Khorgos Baiyu Supply Chain Management Company Limited* (霍爾果斯佰譽供應鏈管理有限公司)	The PRC	Registered capital of RMB5,000,000	The PRC	**–**	**49**	–	–	Provision of consulting services
Shanghai Dongdi Supply Chain Management Company Limited* (上海東迪供應鏈管理有限公司)	The PRC	Registered capital of RMB30,000,000	The PRC	**–**	**49**	–	–	Trading of goods including baby care products

* *For identification purpose only*

15. INTERESTS IN ASSOCIATES (Continued)

(b) Details of each of the Group's associates at 31 December 2018 and 2017 are as follows: (Continued)

Notes:

(i) China Sky and its subsidiary ("China Sky Group")

The Group acquired 40% of the total issued share capital of China Sky at the consideration of HK$370,000,000 in 2015 and had a carrying value of HK$516,812,000 before impairment (note c below) as at 31 December 2018. The China Sky Group, is principally engaged in the business of development and construction of two property development projects in Chongqing, the PRC.

1. *The Jintang Project (as defined hereunder)*

   The first property development project comprises a residential and commercial complex known as "Jintang New City Plaza*" 金唐新城市廣場 (the "Jintang Project"), of which the construction has been completed.

2. *The Tanzishi Project (as define hereunder)*

   The second property development project comprises five parcels of land with a total site area of approximately 72,559 square meters and (the "Tanzishi Project"). Pursuant to a cooperation agreement entered into between 重慶金唐房地產開發有限公司 ("金唐公司"), a subsidiary of China Sky, and an independent third party (the "Party B"), Party B would provide the five parcels of land for the development of the project (the "Land") and 金唐公司 would provide and arrange financing for the development of the project. It was planned that the land will be developed into several commercial and residential buildings with a total planned gross floor area of approximately 463,357 square meters.

   The Company has recently noted that there have been legal disputes and court proceedings between 金唐公司 and Party B which include, inter alia, the right of development of the parcels of the Land by the parties and the satisfactorily financial contributions of the Tanzishi Project.

   Taking into consideration the legal disputes on the Tanzishi Project, the Company has considered it prudent to make an impairment on the value of the Group's investment in China Sky Group. Based on a valuation report prepared by an independent qualified valuer after making full provision of China Sky Group's total contributions to the Tanzishi Project and any associated costs in relation thereto, the 40% fair value of China Sky Group as at 31 December 2018 amounted to approximately HK$209,919,000. As the carrying value of the Group's investment in China Sky Group was approximately HK$516,812,000 as at 31 December 2018, an impairment of approximately HK$306,893,000 has therefore been made on such an investment.

(ii) Success Quest

The carrying amount of Success Quest is nil as at 31 December 2018 (2017: Nil).

The principal business activity of Success Quest was investment in Anton Capital Investment Vehicle ("Anton Capital") and Anton Capital held 25% units on issue in George Street Property Trust which held 100% interest in properties located at Sydney, Australia. The acquisition was then a passive investment in an Australian property fund by the Group.

* For identification purposes only

15. INTERESTS IN ASSOCIATES (Continued)

(b) Details of each of the Group's associates at 31 December 2018 and 2017 are as follows: (Continued)

Notes: (Continued)

(ii) Success Quest (Continued)

Given the Group does not control the majority composition of the board of Success Quest, the Group has no control over Success Quest. However, the directors of the Company consider that the Group does have significant influence over Success Quest and Success Quest is therefore classified as an associate of the Group. According to the terms stipulated in the trust deed of Anton Capital, Success Quest does not have control over the financial and operating policies of Anton Capital.

During the year 2016, the Australia properties were disposed and the Group's share of the proceeds from the disposal of the Australia properties was in turn distributed to the Group in year 2016 and 2017, of which approximately HK$37,695,000 represents the full repayment of the outstanding balance of loan to Success Quest and approximately HK$12,995,000 as a special dividend from Success Quest to the Group.

After the disposal of the Australia Properties and dividend distribution as stated in above, there is no business operation during the year.

In December 2018, Anton Capital has fully redeemed all of its units held by Success Quest.

(iii) Multi-Fame and its subsidiaries ("Multi-Fame Group")

On 1 September 2017, the Group entered into a sale and purchase agreement to acquire 49% of the entire issued shares of Multi-Fame by issuing the Promissory Note of principal amount of HK$196,000,000 (note 26(ii)) to the vendor, Mega Ample Capital Limited, a company incorporated in the British Virgin Islands. On 16 November 2018, the acquisition was completed and the Promissory Note was issued on the same date.

The details of the acquisition have been disclosed in the Company's circular dated 25 June 2018.

Baiyu (Beijing) Technology Company Limited ("Baiyu (Beijing)"), the operating subsidiary of Multi-Fame Group, is principally engaged in trading of computers and its peripherals, and is an authorised distributor of computer products and peripherals for Lenovo and a retailer of baby care products with a majority of its revenue generated on JD.com.

The fair value of net assets of Multi-Fame Group acquired at the date of acquisition is calculated as follows:

	HK$'000
Net assets of Multi-Fame Group as at acquisition date	91,992
Proportion of the Group's ownership interests in Multi-Fame Group of 49%	45,076
Goodwill	127,221
Consideration	172,297

15. INTERESTS IN ASSOCIATES (Continued)

(c) Summarised financial information of associates

Summarised consolidated financial information in respect of each of the Group's associates is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

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

(i) China Sky Group

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Current assets	**1,230,919**	1,396,218
Non-current assets	**457,430**	383,587
Current liabilities	**(418,808)**	(1,065,632)
Non-current liabilities	**(907,022)**	(285,449)
Net assets	**362,519**	428,724

	2018 HK$'000	2017 HK$'000
Revenue	**79,768**	350,006
(Loss)/profit for the year	**(43,003)**	87,482
Other comprehensive (expenses)/income for the year	**(23,202)**	29,568
Total comprehensive (expenses)/income for the year	**(66,205)**	117,050
Proportion of the Group's ownership interests in China Sky Group	**40%**	40%
Share of total comprehensive (expenses)/income of China Sky Group	**(26,482)**	46,820
Dividends received from China Sky Group during the year	**–**	–
Impairment loss on China Sky Group during the year	**(306,893)**	–

15. INTERESTS IN ASSOCIATES (Continued)

(c) Summarised financial information of associates (Continued)

(i) China Sky Group (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interests in China Sky Group recognised in the consolidated financial statements:

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Net assets of China Sky Group	**362,519**	428,724
Proportion of the Group's ownership interest in China Sky Group	**40%**	40%
	145,007	171,489
Effect of fair value adjustments at acquisition	**335,724**	335,724
Amounts due from China Sky Group *(Note)*	**36,081**	36,081
Carrying amount of the Group's interest in China Sky Group	**516,812**	543,294
Impairment loss on interest in China Sky Group	**(306,893)**	–
	209,919	543,294

Note:

Amounts due from China Sky Group of HK$36,081,000 as at 31 December 2018 and 2017 were unsecured, non-interest bearing and repayable upon demand. The Group has no intention to exercise its right to demand repayment of these loans within the twelve months from the end of the reporting period. The directors believe the settlement of these loans is not likely to occur in the foreseeable future as they are, in substance, a part of the Group's net investment in associates as working capital of China Sky Group. Accordingly, the amount is classified as non-current asset and included in the Group's interests in associates for the purpose of presentation in the consolidated statement of financial position.

(ii) Success Quest

As the Group's interest in Success Quest as at 31 December 2018 and 2017 was not material to the Group, no summarised financial information of Success Quest is presented.

15. INTERESTS IN ASSOCIATES (Continued)

(c) Summarised financial information of associates (Continued)

(iii) Multi-Fame Group

	As at 31 December 2018 HK$'000
Current assets	396,433
Non-current assets	407
Current liabilities	(289,191)
Non-current liabilities	–
Net assets	107,649

	16 November 2018 (date of acquisition) to 31 December 2018 HK$'000
Revenue	295,660
Profit for the period	14,564
Other comprehensive income for the period	1,093
Total comprehensive income for the period	15,657
Proportion of the Group's ownership interests in Multi-Fame Group	49%
Share of total comprehensive income of Multi-Fame Group	7,672
Dividends received from Multi-Fame Group during the period	–

15. INTERESTS IN ASSOCIATES (Continued)

(c) Summarised financial information of associates (Continued)

(iii) Multi-Fame Group (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interests in Multi-Fame Group recognised in the consolidated financial statements:

	As at 31 December 2018 HK$'000
Net assets of Multi-Fame Group	**107,649**
Proportion of the Group's ownership interest in Multi-Fame Group	**49%**
	52,748
Goodwill	**127,221**
Carrying amount of the Group's interest in Multi-Fame Group	**179,969**

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Notes	2018 HK$'000	2017 HK$'000
Equity securities			
— Listed securities	(i)	**–**	19,641
— Unlisted securities	(ii)	**–**	23,302
		–	42,943

Available-for-sale financial assets represented the Group's investment in listed and unlisted securities. These investments were reclassified as financial assets at fair value through other comprehensive income upon adoption of HKFRS 9 on 1 January 2018, with details set out in note 17.

(i) Listed securities

The listed securities of the Group at the end of the reporting period represented the Group's listed investment in Aurelia Metals Limited of which its shares are listed on the Australian Securities Exchange. They are measured at fair value based on the quoted market bid prices available on the relevant stock exchange at the end of the reporting period.

(ii) Unlisted securities

The unlisted securities of the Group at 31 December 2017 represented the Group's investments in unlisted equity securities in two private entities, namely, Joint Global Limited ("Joint Global") and Singularity Advisory (Cayman) Limited ("Singularity"). They were measured at cost less impairment at the end of the reporting period.

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

(ii) Unlisted securities (Continued)

(a) In respect of the investment in Joint Global, full impairment of HK$215,000,000 was made in prior year after taking into account the unaudited net asset value of Joint Global and other relevant factors.

(b) In respect of the investment in Singularity, the Group entered into a subscription agreement on 27 January 2017 whereby the Group and another investor, which is an independent third party, subscribed for one and eleven additional ordinary share(s) in Singularity respectively for the subscription price of US$3,000,000 (equivalent to approximately HK$23,302,000) and US$30,000,000 (equivalent to approximately HK$233,020,000) respectively. The cash consideration of US$3,000,000 was settled by the Group in February 2017. As at 31 December 2016, Singularity was owned as to one share and nine shares by the Group and the other investor respectively. Upon issue of the abovementioned additional shares in January 2017, Singularity was owned as to approximately 9.09% and 90.91% by the Group and the other investor respectively. Details of the transaction are set out in the announcement of the Company dated 27 January 2017.

In December 2017, Singularity and an independent third party entered into a sale and purchase agreement in relation to the disposal of its major assets, which were investments in convertible bonds with a principal amount of US$90,000,000 (equivalent to approximately HK$703,341,000) issued by XinRen Aluminum Holdings Limited (the "XinRen Bonds"), with the consideration of US$102,813,000 (equivalent to approximately HK$802,508,000. The disposal was completed in January 2018, and US$3,613,600 (equivalent to approximately HK$28,206,000), which represents part of the proceeds from the disposal net of the repayment of bank borrowing of Singularity, were distributed to the Group in February 2018.

Taking into account the unaudited net asset value of Singularity as at 31 December 2017, and other relevant factors, no impairment was made for the investment in Singularity as at 31 December 2017.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Note	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Equity securities			
— Listed securities	(i)	–	–
— Unlisted securities	(ii)	–	–
		–	–

Following adoption of HKFRS 9, with effective from 1 January 2018, the Group's investments in equity securities previously classified as available-for-sale investments are now classified as financial assets at fair value through other comprehensive income, of which the fair value changes recognised in other comprehensive income which will not be recycled to profit or loss on disposal.

(i) Listed securities

The listed securities recognised as financial assets at FVTOCI represent the Group's listed investment in Aurelia Metals. During the year ended 31 December 2018, the Group disposed of all its listed investment in Aurelia Metals on-market at a total consideration of approximately AUD6,813,000 (equivalent to approximately HK$41,275,000). A gain on disposal of financial assets at FVTOCI amounting to approximately AUD3,595,000 (equivalent to approximately HK$21,634,000) was recognised in the other comprehensive income. A cumulative losses of approximately HK$17,913,000 was transferred from FVTOCI reserve to accumulated losses upon disposal.

(ii) Unlisted securities

The unlisted securities of the Group as at 31 December 2018 represented the Group's investment in unlisted equity securities in Joint Global.

(a) In respect of the investment in Joint Global, full impairment of HK$215,000,000 was made in prior year after taking into account the unaudited net asset value of Joint Global, and other relevant factors.

The Group has obtained legal opinions from law firms in Hong Kong and the Republic of Marshall Islands based on: 1) the recoverability of the damages awarded to Charter Pearl by the Court of Hong Kong from the former director of Joint Global (the "Former Director") and 2) the possibility of the High Court of Marshall Islands to accept legal proceedings against the Former Director. Both law firms do not recommend Charter Pearl to commence legal proceedings against the Former Director neither in the Court of Hong Kong nor in the High Court of Marshall Islands.

Shareholders will be informed in due course of any major development of the case.

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

(ii) Unlisted securities (Continued)

(b) In respect of the investment in Singularity, as mentioned in Note 16(ii)(b) to this consolidated financial statements, the Group received distribution of approximately US$3,613,000 (equivalent to approximately HK$28,208,000) from Singularity in February 2018, of which US$3,000,000 (equivalent to approximately HK$23,418,000) was considered as the recovery of cost of investment. The remaining part of the distribution of approximately US$613,000 (equivalent to approximately HK$4,790,000) represented the return on investment and was recognised as dividend in the profit or loss during the year ended 31 December 2018.

On 10 April 2018, the Group disposed of all the investment in Singularity to an independent third party for cash consideration of US$2 (equivalent to HK$16) and resulted in a loss on disposal of financial assets at FVTOCI amounting to approximately HK$71,000 recognised in other comprehensive income. A cumulative loss of approximately HK$2,380,000 was transferred from FVTOCI reserve to accumulated losses upon the disposal.

18. OTHER ASSETS

The amount represents the statutory deposits paid to The Stock Exchange and Securities and Futures Commission in relation to the Group's licensed activities in the Hong Kong securities market.

19. TRADING RIGHT

	HK$'000
COST	
Balance at 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	778
AMORTISATION AND IMPAIRMENT	
Balance at 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	778
CARRYING VALUES	
At 31 December 2018	–
At 31 December 2017	–

Trading right is amortised on a straight-line basis over the useful life of four years and the amount was fully amortised in prior years.

20. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**60,484**	56,053
Less: Impairment	**(6,961)**	(1,492)
	53,523	54,561
Other receivables and prepayments	**30,040**	11,036
Less: Impairment	**(1,459)**	(356)
	28,581	10,680
	82,104	65,241

Trade receivables analysed as:

	2018 HK$'000	2017 HK$'000
Trade receivables arising from securities brokerage business:		
— Margin account clients	**58,053**	53,543
— Cash account clients	**2,134**	2,213
— Others	**297**	297
	60,484	56,053

For trade receivables arising from securities brokerage business, the settlement term is two days after the trade date. Interests are charged on overdue cash account clients and margin account clients at Hong Kong prime rate plus 7% (2017: prime rate plus 7%) per annum and at prime rate plus 4% (2017: prime rate plus 4%) per annum, respectively.

20. TRADE AND OTHER RECEIVABLES (Continued)

An aging analysis of the trade receivables, presented based on the transaction date, at the end of the reporting periods are as follows:

	2018 HK$'000	2017 HK$'000
0 to 60 days	**2,305**	9,515
61 to 90 days	**7,049**	8,770
Over 90 days	**51,130**	37,768
	60,484	56,053

Aging of trade receivables which are past due but not impaired based on settlement date:

	2018 HK$'000	2017 HK$'000
Overdue by:		
1 to 60 days	**2,129**	8,453
61 to 90 days	**7,049**	8,770
Over 90 days	**44,168**	36,276
	53,346	53,499

The overdue trade receivables are mainly arising from margin clients. The Group did not provide any allowance on the past due receivables from margin clients as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. As at 31 December 2018, the total market value of securities pledged as collateral by the customers, with which the Group is permitted to repledge, in respect of the loans to margin clients was approximately HK$184,192,000 (2017: approximately HK$454,804,000). Loss allowance of approximately HK$6,586,000 and approximately HK$78,000 had been provided for margin clients and cash clients respectively, based on the Group's ECL assessment as at 31 December 2018. Impairment loss of approximately HK$1,195,000 had been provided for the margin clients, whose market value of securities pledged was less than the overdue amount as at 31 December 2017.

Loss allowance of approximately HK$3,814,000 and reversal of loss allowance of approximately HK$5,000 were made for margin clients and cash clients respectively during the year ended 31 December 2018. There was no movement in the impairment of trade receivables during the year ended 31 December 2017.

20. TRADE AND OTHER RECEIVABLES (Continued)

Trade and Other receivables

Overview of the Group's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2018, the Group's maximum exposure to credit risk with taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise credit risk, the Group has tasked its financial controller of its subsidiary to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the financial controller uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its securities brokerage operation. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively based on provision matrix as at 31 December 2018.

Trade receivables (cash account clients) under the below categories of credit risk grading framework (Note 5(b)) are:

As at 31 December 2018	Gross carrying Amount HK$	Loss allowance HK$	Net carrying amount HK$
Low	2,061	62	1,999
Substandard	63	6	57
Doubtful	–	–	–
Loss	10	10	–
	2,134	78	2,056

20. TRADE AND OTHER RECEIVABLES (Continued)

Trade and Other receivables (Continued)

Overview of the Group's exposure to credit risk (Continued)

Trade receivables (margin account clients) under the below categories of credit risk grading framework (Note 5(b)) are:

As at 31 December 2018	Gross carrying Amount HK$	Loss allowance HK$	Net carrying Amount HK$
Low	4,090	123	3,967
Substandard	52,778	5,278	47,500
Doubtful	–	–	–
Loss	1,185	1,185	–
	58,053	6,586	51,467

Trade receivables (others) under the below categories of credit risk grading framework (Note 5(b)) are:

As at 31 December 2018	Gross carrying Amount HK$	Loss allowance HK$	Net carrying Amount HK$
Low	–	–	–
Substandard	–	–	–
Doubtful	–	–	–
Loss	297	297	–
	297	297	–

Summary of all trade receivables under the below categories of credit risk grading framework (Note 5(b)) are:

As at 31 December 2018	Gross carrying Amount HK$	Loss allowance HK$	Net carrying Amount HK$
Low	6,151	185	5,966
Substandard	52,841	5,284	47,557
Doubtful	–	–	
Loss	1,492	1,492	–
	60,484	6,961	53,523

20. TRADE AND OTHER RECEIVABLES (Continued)

Trade and Other receivables (Continued)

Overview of the Group's exposure to credit risk (Continued)

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 5(b) includes further details on the loss allowance for these assets.

Other receivables and prepayments include interest receivables, other receivables and prepayments.

As part of the Group's credit risk management, the Group has appointed an independent professional valuer for the ECL assessment which applies credit rating for customers in relation to its financing operation. The following table provides information about the exposure to credit risk and ECL for loan interest receivables.

Loan interest receivables under the below categories of credit risk grading framework (Note 5(b)) are as follows:

As at 31 December 2018	Gross carrying Amount HK$'000	Loss allowance HK$'000	Net carrying Amount HK$'000
BBB-	32	–	32
BB-	1,186	10	1,176
CCC	5,458	517	4,941
Others — credit rating not applicable	14,081	576	13,505
Others — with pledged securities	3,544	–	3,544
	24,301	1,103	23,198

For those that credit rating is not applicable mainly due to non-corporate nature, an industry average of default rate 4.09% is applied.

For those with pledged securities, the ECL is based on default rate multiple by the net amount, which is the gross amount less fair value of pledged securities.

21. LOANS RECEIVABLE

	2018 HK$'000	2017 HK$'000
Secured loans	**138,022**	90,559
Unsecured loans	**273,034**	224,500
	411,056	315,059
Less: impairment allowance	**(17,152)**	–
	393,904	315,059
Analysed for reporting purposes as:		
Non-current assets	**13,500**	–
Current assets	**380,404**	315,059
	393,904	315,059

Loans receivable arise from the Group's money lending business. As at 31 December 2018, the Group has 15 (2017: 8) loans receivable, of which 3 (2017: 2) were secured and 12 (2017: 6) were unsecured. Loans receivable are bearing interests at the rates mutually agreed with the contracting parties, ranging from 13% to 14% (2017: 13% to 14%) per annum.

Included in the three secured loans receivable, one of the loans with the principal amount of HK$50,000,000 and outstanding principal amount of approximately HK$49,698,000 as at 31 December 2018 (2017: approximately HK$6,504,000) was matured on 26 January 2019, interest-bearing at 14% per annum and secured by a first mortgage given by a mortgagor over two residential properties in Shenzhen, the PRC. The fair value of the collateral at 31 December 2018, as assessed by the management of the Company, was not less than the outstanding principal amount and interest of the loan.

The other secured loan with the principal amount of HK$75,000,000 and outstanding principal amount of approximately HK$74,824,000 as at 31 December 2018 (2017: approximately HK$84,055,000) was matured on 2 March 2019, interest-bearing at 13% per annum, and secured by a first charge over securities accounts in the name of the customer according to the charge agreement dated 3 March 2017 and such securities accounts were maintained with a subsidiary of the Company, which is a brokerage firm. The market value of securities held under such securities accounts was approximately HK$40,109,000 as at 31 December 2018 (2017: HK$111,016,000).

The remaining secured loan with the principal amount of HK$25,000,000 and outstanding principal amount of HK$13,500,000 as at 31 December 2018 is interest-bearing at 13% per annum for a term of 36 months, guaranteed and secured by a share charge of all the issued capital of the borrower and a charge of a yacht wholly-owned by the borrower. The fair value of the collateral at 31 December 2018, as assessed by the management of the Company, with reference to the valuation report of the ship mortgage, was not less than the outstanding principal amount and interest of the loan.

21. LOANS RECEIVABLE (Continued)

In respect of the unsecured loans receivable, the average loan principal amount was about approximately HK$22,958,000 (2017: HK$37,000,000) each. The Group had granted such unsecured loans with reference to the Group's loan approval procedures which include various credit assessments and analysis. All these customers had been assessed by the Group to have good financial background and from the management's view, the default risk for these customers were low, in particular, certain loans in the aggregate amount of approximately HK$144,586,000 (2017: HK$100,000,000) were guaranteed by independent third parties. The Group had developed various monitoring procedures on the financial position of these customers.

Under the Group's ECL assessment, loss allowance on short-term loans receivable of approximately HK$17,152,000 was provided as at 31 December 2018. Based on the Group's credit assessments and analysis, no impairment was provided as at year ended 31 December 2017.

Before accepting any new customer, the Group uses an internal credit assessment process to assess the potential customer's credit quality and defines credit limits. The granting of loans is subject to approval by the management, whilst outstanding balances are reviewed regularly for recoverability.

The loans receivable have been reviewed by the management of the Company to assess impairment which are based on the evaluation of collectability, aging analysis of accounts and on their judgement, including the current creditworthiness and the past collection statistics. Management of the Company also performs ongoing reviews of all customers for any breach of repayment terms or any incident indicating a risk of non-recoverability.

A maturity profile of the loans receivable as at the end of the reporting period, based on the remaining period to contractual maturity date is as follows:

	2018 **HK$'000**	2017 HK$'000
0–90 days after the end of the reporting period	**164,523**	120,559
91–180 days after the end of the reporting period	**64,586**	70,000
181–365 days after the end of the reporting period	**168,447**	124,500
1 year after the end of the reporting period	**13,500**	–
	411,056	315,059

The aging analysis of loans receivable that are not considered to be impaired is as follows:

	2018 **HK$'000**	2017 HK$'000
Neither past due nor impaired	**63,198**	315,059

Loans receivable that were neither past due nor impaired were related to 2 customers (2017: 8 customers) for whom there was no recent history of default.

At 31 December 2018, there were no loans receivable that were past due but not impaired (2017: Nil).

21. LOANS RECEIVABLE (Continued)

Overview of the Group's exposure to credit risk

As part of the Group's credit risk management, the Group has appointed an independent professional valuer for the ECL assessment which applies credit rating for customers in relation to its financing operation. The following table provides information about the exposure to credit risk and ECL for loan receivables which are assessed collectively based on general approach. The table provides information about the exposure to credit risk and ECL for loan interest receivables is set out in note 20.

Loan receivables under the below categories of credit risk grading framework (Note 5(b)) are as follows:

As at 31 December 2018	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
BBB-	**3,500**	**9**	**3,491**
BB-	**30,000**	**288**	**29,712**
CCC	**74,587**	**7,056**	**67,531**
Others — credit rating not applicable	**239,771**	**9,799**	**229,972**
Others — with pledge securities	**63,198**	**–**	**63,198**
	411,056	**17,152**	**393,904**

For those that credit rating is not applicable mainly due to non-corporate nature, an industry average of default rate 4.09% is applied.

For those with pledged securities, the ECL is based on default rate multiple by the net amount, which is the gross amount less fair value of pledged securities.

As at 31 December 2018, total loan interest receivables of approximately HK$24,301,000 (2017: approximately HK$6,055,000) was included in other receivables (Note 20).

Details of the provision of financial assistance are set out in the announcements of the Company dated 9 January 2018, 26 January 2018, 9 March 2018, 15 May 2018, 25 May 2018, 6 September 2018, 19 October 2018, 22 November 2018, 23 November 2018, 30 November 2018, 3 December 2018, 4 December 2018, 13 December 2018, 27 December 2018.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'000	2017 HK$'000
Financial assets at FVTPL		
— Listed equity securities in Stock Exchange	**467,244**	835,012

23. BANK BALANCES HELD UNDER SEGREGATED TRUST ACCOUNTS AND BANK BALANCES AND CASH

	2018 HK$'000	2017 HK$'000
Bank balances held under segregated trust accounts *(Note)*	**23,695**	27,432
Cash and cash equivalents		
— Bank balances and cash	**22,894**	60,733
	46,589	88,165

Bank balances as at 31 December 2018 carry interest at floating rates based on daily bank deposit rate ranging from 0.001% to 0.02% (2017: 0.001% to 0.02% per annum).

Note: As the Group is engaged in the business of securities dealing and brokerage, it receives and holds money deposits by clients and other institutions in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more segregated trust bank accounts which was recorded as "bank balances held under segregated trust accounts" under current assets in the consolidated statement of financial position. The Group has recognised the corresponding account payables to respective clients and other institutions. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

24. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	**23,407**	42,614
Other payables and accruals	**37,343**	21,422
Securities accounts	**22,355**	39,083
Trade and other payables	**83,105**	103,119

Trade payables analysed as:

	2018 HK$'000	2017 HK$'000
Trade payables arising from securities brokerage business:		
— Cash account clients	**12,837**	22,036
— Margin account clients	**10,570**	20,578
	23,407	42,614

An aging analysis of the trade payables, presented based on the transaction date, at the end of the reporting period are as follows:

	2018 HK$'000	2017 HK$'000
0 to 60 days	**1,941**	26,544
61 to 90 days	**1,294**	605
Over 90 days	**20,172**	15,465
	23,407	42,614

The settlement term of trade payables arising from securities brokerage business is two days after the trade date while for amounts due to cash and margin account clients are repayable on demand.

Included in trade payables arising from securities brokerage business of approximately HK$23,695,000 (2017: approximately HK$27,432,000) was payable to clients and other institutions in respect of the trust bank balances received and held for clients and other institutions in the course of the conduct of the regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed. The deposits placed carry variable commercial interest rates.

25. LOANS PAYABLE

	2018 HK$'000	2017 HK$'000
Within 1 year or on demand (Note (ii), (iii), (iv))	**682,195**	18,000
After 1 year but within 5 years (Note (i), (ii))	–	586,118
	682,195	604,118

At the 31 December 2018 and 2017, the Group had loans payables as follows:

(i) Loan from a financial institution with principal amount of US$25,000,000 (equivalent to approximately HK$195,373,000) which is interest-bearing at 8% per annum, guaranteed, secured by the equity interest in a subsidiary of the Company and an associate of the Group, and repayable in March 2019. The loan was fully repaid in November 2018.

(ii) Loan from a financial institution with principal amount of US$50,000,000 (equivalent to approximately HK$390,745,000) together with the accrued interest of approximately US$1,933,000 (equivalent to approximately HK$15,082,000) (2017: approximately US$258,000 (equivalent to approximately HK$2,013,000)), which is interest-bearing at 17.13% (2017: 17.13%) per annum, guaranteed, secured by equity interest in subsidiaries of the Company and associates of the Group, charge over listed equities securities held by the Group, together with equity pledges, receivables pledge and assignment of shareholder loans and receivables provided by independent third parties, and became overdue since 18 March 2019.

The Group is in the process of negotiating with lender for extension of the loan. Up to the date of approval of the consolidated financial statements, the lender has provided a confirmative positive response and indicated that they are willing to extend the loan.

(iii) Loan from an individual who is an independent third party, with principal amount of HK$18,000,000 together with the accrued interest of approximately HK$2,811,000 (2017: approximately HK$651,000), which is interest-bearing at 12% per annum, unsecured and became overdue since 13 September 2018. The Group intends to settle the loan payable from the proceeds of the Group's rights issue which is currently undertaken.

(iv) Loan from a financial institution with principal amount of US$35,000,000 (equivalent to approximately HK$273,450,000) together with the accrued interest of approximately US$216,000 (equivalent to approximately HK$1,687,000), which is interest-bearing at 6.80% per annum, guaranteed, secured by equity interest in subsidiaries of the Group and associates of the Group, charge over listed equities securities held by the Group together with equity pledges, receivables pledge and assignment of shareholder loans and receivables provided by independent third parties. US$5,000,000 (equivalent to HK$39,064,000) and US$30,000,000 (equivalent to HK$234,386,000) are repayable in November 2019 and November 2021 respectively.

25. LOANS PAYABLE (Continued)

(iv) (Continued)

Pursuant to the loan agreement, there is an overriding repayment on demand clause that gives the lender an unconditional right at any time to require immediate payment, the balance is classified as a "Current liabilities". Notwithstanding the above repayment on demand clause, the Group do not believe that the lender will exercise the on demand right within 12 months and the loans will be repaid in accordance with the maturity dates as set out in the agreements. This evaluation was made considering: the Group has made all previously scheduled repayments on time and, up to the date of approval of the financial statements, there is no indication from the lender that they will exercise the on demand right.

The total loan interest payable of approximately HK$19,578,000 as at 31 December 2018 (2017: approximately HK$3,141,000) was included in other payables and accruals.

26. NOTES PAYABLE

	2018 HK$'000	2017 HK$'000
Within 1 year (Note (i))	**312,596**	–
After 1 year but within 5 years (Note (i), (ii))	**172,959**	312,596
	485,555	312,596

As at 31 December 2018 and 2017, the Group had notes payable as follows:

(i) On 21 September 2017, the Company entered into a notes subscription agreement with an independent third party (the "Subscriber") pursuant to which the Company agreed to issue, and the Subscriber agreed to subscribe for, 8% per annum notes in the principal amount of up to US$40,000,000 (equivalent to approximately HK$312,596,000), which is guaranteed, secured by the security interest provided by a substantial shareholder of the Company, and repayable in September 2019 (extendable to 2020 subject to mutual agreements).

The first interest payment date shall be the date falling six months from the date of the issuance of the notes and the subsequent interest payment dates shall be the dates falling every six months thereafter up to the maturity date.

In September 2017, the 8% per annum notes with principal of US$40,000,000 were fully subscribed by the Subscriber.

The maturity date of the notes is within twelve months after the end of the reporting period, accordingly the notes is reclassified from "Non-current liabilities" to "Current liabilities" at the end of the reporting period. The Group is in the process of negotiating with the noteholder for extension of the notes. Up to the date of approval of the consolidated financial statements, the noteholder provided a confirmative positive response and indicated that they are willing to extend the notes.

26. NOTES PAYABLE (Continued)

(ii) On 16 November 2018, the Promissory Note in the principal amount of HK$196,000,000 was issued by the Company to Mega Ample Capital Limited (the "Vendor"), a company incorporated in the British Virgin Islands with limited liability, as consideration that the Group acquired 49% of the entire issued share capital of Multi-Fame Group Limited from the Vendor (note 15(b)(iii)). The Promissory Note may be redeemed by the Company at any time by giving the Vendor prior notice.

The details of the acquisition have been disclosed in the Company's circular dated 25 June 2018.

On 14 December 2018, the Promissory Note was transferred to an independent third party with the consent of the Group.

The fair value of the Promissory Note at issue date was approximately HK$172,297,000, based on the valuation performed by an independent professional valuer. The Promissory Note will be matured in 3 years from the issue date (the "Maturity Date") which is 16 November 2021. The coupon interest, with 8% interest rate per annum, will be paid on the Maturity Date. The effective interest rate of the Promissory Note is determined to be approximately 12.15% per annum. The Promissory Note is classified under non-current liabilities and measured at amortised cost.

The movement of carrying amount of the Promissory Note is as follows:

	HK$'000
Carrying amount upon issuance	172,297
Imputed interest expense	2,638
Accrued interest expenses	(1,976)
Carrying amount at 31 December 2018	172,959

27. DEFERRED TAX LIABILITIES

The major deferred tax liabilities recognized and movements thereon during the current and prior years are summarized below:

	HK$'000
Promissory note	
Balance at 1 January 2017, 31 December 2017, 1 January 2018	–
Charge to profit or loss	3,802
Balance at 31 December 2018	3,802

As at 31 December 2018, the Group has unused tax losses of approximately HK$397,487,000 (2017: approximately HK$2,162,048,000) available for offsetting against future profits. No deferred tax assets have been recognised as the Company and certain subsidiaries of the Company have been loss making for several years and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

28. SHARE CAPITAL

	2018		2017	
	Number of shares '000	**HK$'000**	Number of shares '000	HK$'000
Issued and fully paid: At 1 January and 31 December	**1,401,917**	**2,824,801**	1,401,917	2,824,801

29. SHARE OPTION SCHEME

The share option scheme adopted by the Company on 8 November 2006 (the "2006 Share Option Scheme") was expired on 7 November 2016. At the end of the reporting period, no share option was outstanding under the 2006 Share Option Scheme as all share options granted were lapsed in accordance with the terms of the 2006 Share Option Scheme on 2 December 2017.

On 14 June 2016, the Company adopted a new share option scheme (the "2016 Share Option Scheme"). The primary purpose of the 2016 Share Option Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Further details of the 2016 Share Option Scheme are as disclosed in the circular of the Company dated 12 May 2016.

Pursuant to the 2016 Share Option Scheme, the Company may grant share options to all directors and employees of the Company or its subsidiaries and any other persons including consultants, advisors, agents, customers, suppliers, service providers, contractors, business partners or connected persons (as such term is defined in the Listing Rules) of any member of the Group who, in the sole discretion of the board of the directors of the Company, have contributed or will contribute to the Group to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted.

Share options granted should be accepted within 14 days from the offer date. Share options granted are exercisable during the period commencing on the date of grant and expiring on the date ten years after the date of grant. The maximum number of shares to be issued upon the exercise of options that may be granted under the 2016 Share Option Scheme and any other schemes of the Company was refreshed to be not exceeding 140,191,677 shares, representing 10% of the total number of shares in issue as at the date of the shareholders' approval of the refreshed limit. The total number of shares issued and to be issued upon exercise of the share options granted to each participant or grantee (as the case may be) (including both exercised and unexercised options) under the 2016 Share Option Scheme or any other share option schemes adopted by the Company in any 12 month period must not exceed 1% of the shares in issue unless otherwise approved by shareholders of the Company in accordance with the terms of the 2016 Share Option Scheme. The subscription price for the shares shall be no less than the highest of (i) the closing price of the shares as stated in the daily quotations sheets issued by The Stock Exchange on the date of grant; (ii) the average closing price of the shares as stated in the daily quotations sheets issued by The Stock Exchange for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share (if any) on the date of grant. The subscription price will be determined by the board of directors of the Company at the time the share option is offered to the relevant participant.

During the year ended 31 December 2018, no share option was granted and exercised under the 2016 Share Option Scheme. No share option was outstanding under the 2016 Share Option Scheme as at 31 December 2018.

At 31 December 2018, 140,191,667 shares are available for issue under the 2016 Share Option Scheme, which represents 10% of the issued shares of the Company as at the same date.

At the date of approval of the consolidated financial statements, every 10 issued shares had been consolidated into 1 consolidated share resulting on 14,019,167 consolidated shares available for issue under the 2016 Share Option Scheme, which represents 10% of the issued consolidated shares of the Company.

30. OPERATING LEASE ARRANGEMENTS

As lessee

	2018 HK$'000	2017 HK$'000
Minimum lease payments paid under operating leases during the year		
— Land and buildings	**10,516**	10,665
— Other assets	**311**	165
	10,827	10,830

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

	2018 HK$'000	2017 HK$'000
Within one year	**11,468**	8,526
In the second to fifth years, inclusive	**16,465**	3,524
Over five years	**–**	–
	27,933	12,050

Operating lease payments represent rentals payable by the Group for the Group's office premises and other assets. Leases are negotiated for an average term of two years with fixed rentals (2017: two years).

31. COMMITMENTS

Save as disclosed in this report, the Group has no significant capital commitments as at 31 December 2018 (2017: Nil).

32. PLEDGE OF ASSETS

As at 31 December 2018, the Group's financial assets at fair value through profit or loss with an aggregate carrying amount of approximately HK$406,517,000 (2017: approximately HK$704,294,000) were pledged to securities brokers and two financial institutions to secure certain margin financing and loans granted to the Group. The equity interest of associates with an aggregate carrying amount of approximately HK$389,888,000 (2017: approximately HK$543,294,000) was also pledged to secure loans from two financial institutions.

33. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs not exceeding HK$1,500 per month for each eligible employee to the scheme monthly.

The employees of the Group's subsidiaries established in the PRC are members of state-managed retirement benefits schemes operated by the local government. The subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefits schemes to fund the benefits. The only obligations of the Group with respect to the retirement benefits schemes are to make the specified contributions.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the years ended 31 December 2018 and 2017 are disclosed in Note 10.

34. CONTINGENT LIABILITIES

A subsidiary of the Company principally engaged in securities brokerage is subject to possible claims of HK$8,000,000 and a possible maximum penalty of HK$10,000,000 in respect of allegedly irregular transactions conducted by a former employee in prior years.

During the year ended 31 December 2016, the Group obtained legal opinion from law firms in Hong Kong and the PRC which considered that the causes of action of the individuals in the above matter are time-barred and the time limitation had lapsed by 31 December 2016.

In the opinion of the directors, it is not probable that the individuals will issue claims against the Group and the possible claims of HK$8,000,000 is regarded as contingent liabilities as at 31 December 2018 (2017: HK$8,000,000).

In addition, pursuant to a legal advice, such subsidiary may also be subject to a maximum penalty of HK$10,000,000 to the enforcement agency for the allegedly irregular transactions conducted by the former employee. In the opinion of the directors, since the investigation of the matters by the enforcement agency is still in progress, up to the end of the reporting period no penalty against the subsidiary has been received and further, the directors cannot reasonably estimate the outcome of the matters and thus, the Group did not provide any provision on such potential penalty as at 31 December 2018 (2017: Nil). The possible maximum penalty of HK$10,000,000 is therefore regarded as a contingent liability of the Group as at 31 December 2018 (2017: HK$10,000,000).

Save as disclosed in this report, at the end of each reporting period, the Group and the Company did not have any significant contingent liabilities.

35. SIGNIFICANT MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

During the year ended 31 December 2018, the Group had remuneration paid to the directors and other members of key management of the Group as follows:

	2018 **HK$'000**	2017 HK$'000
Directors:		
Salaries and other benefits	**4,669**	5,740
Discretionary bonuses	**270**	–
Retirement benefits schemes contributions	**36**	33
	4,975	5,773
Other members of key management:		
Salaries and other benefits	**715**	715
Discretionary bonuses	**55**	–
Retirement benefits schemes contributions	**18**	18
	788	733
	5,763	6,506

Save as disclosed in this report, the Group did not have any other significant transactions and balances with related parties during the year and/or at the end of each reporting period.

These transactions were not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

36. CHANGES IN 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 statement of cash flow as cash flows from financing activities.

	Notes	Short-term loans payable HK$'000	Long-term loans payable HK$'000	Notes payable HK$'000	Interest payable including in trade and other payable HK$'000	Total HK$'000
At 1 January 2017		**41,000**	**581,175**	**–**	**3,090**	**625,265**
Changes from financing cash flows						
Proceeds from loan		**18,000**	**–**	**–**	**–**	**18,000**
Repayment of loan		**(41,000)**	**–**	**–**	**–**	**(41,000)**
Loan interest paid		**–**	**–**	**–**	**(77,110)**	**(77,110)**
Proceeds from Issue of notes		**–**	**–**	**312,596**	**–**	**312,596**
Total changes from financing cash flows		**(23,000)**	**–**	**312,596**	**(77,110)**	**212,486**
Exchange adjustments		**–**	**4,944**	**–**	**–**	**4,944**
Other changes						
Interest expenses		**–**	**–**	**–**	**83,748**	**83,748**
At 31 December 2017 and 1 January 2018		**18,000**	**586,119**	**312,596**	**9,728**	**926,443**
Changes from financing cash flows						
Proceeds from loans		**463,450**	**–**	**–**	**–**	**463,450**
Repayment of loan		**(190,000)**	**(196,250)**	**–**	**–**	**(386,250)**
Loan interest paid		**–**	**–**	**–**	**(101,111)**	**(101,111)**
Bank charges paid		**–**	**–**	**–**	**(7,509)**	**(7,509)**
Total changes from financing cash flows		**273,450**	**(196,250)**	**–**	**(108,620)**	**(31,420)**
Exchange adjustments		**–**	**876**	**–**	**–**	**876**
Non-Cash item						
Issuance of promissory note	26(ii)	**–**	**–**	**172,297**	**–**	**172,297**
Imputed interest expense on promissory note	9	**–**	**–**	**662**	**–**	**662**
Total changes from non-cash items		**–**	**–**	**172,959**	**–**	**172,959**
Other changes						
Interest expenses		**–**	**–**	**–**	**120,010**	**120,010**
Bank charges		**–**	**–**	**–**	**7,509**	**7,509**
Reclassification	25(ii)	**390,745**	**(390,745)**	**–**	**–**	**–**
Total other changes		**390,745**	**(390,745)**	**–**	**127,519**	**127,519**
At 31 December 2018		**682,195**	**–**	**485,555**	**28,627**	**1,196,377**

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Interests in subsidiaries	(a)	–	–
Loan and interest receivable from a subsidiary	(b)	–	473,993
		–	473,993
Current assets			
Other receivables		62	62
Loan and interest receivable from a subsidiary	(b)	417,838	–
Amounts due from subsidiaries	(c)	703,873	982,035
Bank balances and cash		6,476	190
		1,128,249	982,287
Current liabilities			
Accruals and other payables		28,813	11,575
Amounts due to subsidiaries	(c)	204,520	11,215
Short-term loans payable		390,745	–
Notes payable		312,596	–
		936,674	22,790
Net current assets		191,575	959,497
Total assets less current liabilities		191,575	1,433,490
Non-current liabilities			
Long-term loans payable	25	–	586,118
Notes payable	26	172,959	312,596
Deferred tax liabilities		3,802	–
		176,761	898,714
Net assets		14,814	534,776
Capital and reserves			
Share capital		2,824,801	2,824,801
Reserves	(d)	(2,809,987)	(2,290,025)
Total equity		14,814	534,776

The statement of financial position of the Company was approved and authorised for issue by the Board of Directors of the Company on 29 March 2019 and are signed on its behalf by:

Li Dong
Director

Ng Shin Kwan, Christine
Director

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(a) Particulars of the Company's principal subsidiaries at 31 December 2018 and 2017 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital held by the Company				Principal activities
			Directly		Indirectly		
			2018	2017	**2018**	2017	
Art Ring Limited	Hong Kong	HK$1	**–**	–	**100%**	100%	Investment holding
Charter Pearl Limited	BVI	US$1	**–**	–	**100%**	100%	Investment holding
Global Giant Development Limited	BVI	US$1	**100%**	100%	**–**	–	Investment holding
Global Wealth Finance Limited	Hong Kong	HK$1	**–**	–	**100%**	100%	Provision of finance
GT Capital Limited	Hong Kong	HK$60,000,000	**–**	–	**100%**	100%	Securities brokerage
GT Financial Holdings Limited	BVI	US$1	**–**	–	**100%**	100%	Investment holding
Max Leap Asia Limited	BVI	US$1	**–**	–	**100%**	100%	Investment holding
Poly Minerals Holdings Limited	BVI	US$1	**–**	–	**100%**	100%	Investment holding
Star Bravo Development Limited	BVI	US$1	**–**	–	**100%**	100%	Investment holding
Upperclass Developments Limited	Hong Kong	HK$1	**–**	–	**100%**	100%	Securities investment
Yunnan Tin (Australia) Holdings Pty Ltd	Australia	AUD1,717,500	**–**	–	**100%**	100%	Investment holding

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

None of the subsidiaries had any debt securities outstanding during the year or at the end of the reporting period.

(b) The Company entered into a loan agreement with a subsidiary on 21 March 2016. Pursuant to the loan agreement, the Company agreed to provide a loan of US$50,000,000 (equivalent to approximately HK$390,745,000) to the subsidiary. The loan was interest-bearing at 12% per annum, unsecured and repayable on 20 March 2019. Upon initial application of HKFRS 9, impairment loss of HK$94,799,000 was recognised on loan and interest receivable from a subsidiary on 1 January 2018. Further impairment loss of HK$9,660,000 was recognised on loan and interest receivable from a subsidiary during the year ended 31 December 2018.

(c) Amounts due from/(to) subsidiaries

	2018 HK$'000	2017 HK$'000
Amounts due from subsidiaries	**3,143,108**	3,110,929
Less: Impairment losses recognised	**(2,439,235)**	(2,128,894)
	703,873	982,035
Amounts due to subsidiaries	**204,520**	11,215

The amounts due from/(to) subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes: (Continued)

(c) Amounts due from/(to) subsidiaries (Continued)

The movements in impairment losses in respect of amounts due from subsidiaries are set out as follows:

	2018 HK$'000	2017 HK$'000
Balance at beginning of the year	**2,128,894**	1,612,000
Impairment losses recognised during the year	**310,341**	516,894
Balance at end of the year	**2,439,235**	2,128,894

Because the related recoverable amounts of the amounts due from subsidiaries were estimated to be less than their carrying amounts, an impairment loss of approximately HK$310,341,000 (2017: approximately HK$516,894,000) was recognised during the year ended 31 December 2018.

(d) The reserves of the Company as at 31 December 2018 and 31 December 2017 are as follows:

	Capital reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
1 January 2017	3,547	52,865	(1,782,444)	(1,726,032)
Loss and total comprehensive expense for the year	–	–	(563,993)	(563,993)
Lapsed of share options (Note 29)	–	(52,865)	52,865	–
At 31 December 2017	3,547	–	(2,293,572)	(2,290,025)
Recognition of expected credit loss on loan and interest receivable from a subsidiary	–	–	(94,799)	(94,799)
Adjusted balance at 1 January 2018	3,547	–	(2,388,371)	(2,384,824)
Loss and total comprehensive expense for the year	–	–	(425,163)	(425,163)
At 31 December 2018	3,547	–	(2,813,534)	(2,809,987)

The Company has no distributable reserve as at the end of the reporting period.

The capital reserve of the Company represented the amount of initial payment from certain shareholders to subscribe for new shares in the Company and the amount was subsequently forfeited as a result of non-payment of the remaining committed contribution in prior years.

38. EVENTS AFTER THE REPORTING PERIOD

The followings are the significant events which have taken place subsequent to the end of the reporting period:

a. On 15 January 2019, the Company intends to put forward a proposal to the shareholders of the Company to effect the share consolidation which involves the consolidation of every ten (10) issued shares into one (1) consolidated share. Conditional upon the share consolidation becoming effective, the Company proposes to raise gross proceeds of approximately HK$314.03 million (before expenses) on the basis of four (4) rights shares for every one (1) consolidated share held on the record date by issuing 560,766,708 rights shares at the subscription price of HK$0.56 per rights share. (Details of which are set out in the announcement of the Company dated 15 January 2019.) On 28 March 2019, the ordinary resolutions to approve the share consolidation and rights issue, as set out in the notice of extraordinary general meeting of the Company (the "EGM") dated 8 March 2019, were duly passed by way of poll at the EGM. The share consolidation was become effective on 29 March 2019. Details of the share consolidation and rights issue are set out in the circular of the Company dated 8 March 2019 and the announcement of the Company dated 28 March 2019.

b. On 22 January 2019, Global Wealth Finance Limited ("Global Wealth", an indirect wholly-owned subsidiary of the Company) entered into a revolving loan agreement whereby Global Wealth provided an unsecured revolving loan in the principal amount of up to HK$21,000,000 to an individual third party for a term of 12 months. Details of the transaction are set out in the announcement of the Company dated 22 January 2019.

c. On 23 January 2019, Global Wealth entered into a loan agreement whereby the Global Wealth provided an unsecured loan in the principal amount of HK$20,000,000 to an individual third party for a term of 12 months. Details of the transaction are set out in the announcement of the Company dated 23 January 2019.

d. On 1 February 2019, New Premium Development Limited, an indirect wholly-owned subsidiary of the Company entered into the sixth supplemental agreement relating to the acquisition agreement dated 7 August 2017 in respect of the acquisition of the entire issued share capital of Well City Enterprises Limited, to extend the long-stop date to 8 November 2019. Details of which are set out in the announcement of the Company dated 1 February 2019.

e. On 28 March 2019, the ordinary resolutions to approve the share consolidation and rights issue, as set out in the notice of extraordinary general meeting of the Company (the "EGM") dated 8 March 2019, were duly passed by way of poll at the EGM. The share consolidation was become effective on 29 March 2019. Details of the share consolidation and rights issue are set out in the circular of the Company dated 8 March 2019 and the announcement of the Company dated 28 March 2019.

Save as disclosed above, there were no other significant events took place subsequent to the end of the reporting period.

39. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

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

FIVE YEAR FINANCIAL SUMMARY

	2014 HK$'000 (restated)	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
RESULTS					
Turnover	(41,295)	179,653	(248,754)	(274,849)	**(100,426)**
(Loss)/profit for the year	180,861	446,184	(993,106)	(566,826)	**(744,708)**
(Loss)/profit attributable to:					
Owners of the Company	180,856	446,179	(993,106)	(566,826)	**(744,708)**
Non-controlling interests	5	5	–	–	**–**
	180,861	446,184	(993,106)	(566,826)	**(744,708)**
ASSETS AND LIABILITIES					
Total assets	1,488,596	2,367,360	2,172,926	1,897,258	**1,385,826**
Total liabilities	(98,002)	(138,715)	(751,276)	(1,019,833)	**(1,254,657)**
	1,390,594	2,228,645	1,421,650	877,425	**131,169**
Equity attributable to owners of the Company	1,387,209	2,225,255	1,421,650	877,425	**131,169**
Non-controlling interests	3,385	3,390	–	–	**–**
	1,390,594	2,228,645	1,421,650	877,425	**131,169**