PING AN SECURITIES GROUP (HOLDINGS) LIMITED
平安證券集團(控股)有限公司

(Carrying on business in Hong Kong as PAN Securities Group Limited)
(Incorporated in Bermuda with limited liability)
(Stock Code: 00231)

ANNUAL
REPORT
2018

This report, in both English and Chinese versions, is available on the Company's website at http://www.pingansecgp.com (the "Company Website").

Shareholders who have chosen or have been deemed consented to receive the corporate communications of the Company (the "Corporate Communications") via the Company Website and who for any reason have difficulty in receiving or gaining access to this report posted on the Company Website will promptly upon request be sent this report in printed form free of charge.

Shareholders may at any time change their choice of the means of receipt (either in printed form or via the Company Website) and/or language(s) (either English only or Chinese only or both languages) of Corporate Communications.

Shareholders may send their request to receive this report in printed form, and/or to change their choice of the means of receipt and/or language(s) of Corporate Communications by notice in writing to the Company's Hong Kong Share Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong or by sending an email to the Hong Kong Share Registrar of the Company at is-ecom@hk.tricorglobal.com.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Mr. Teng Wei *(Chairman)*
Mr. Gong Qingli *(Chief Executive Officer)*
Mr. Cheung Kam Fai
Mr. Lin Hongqiao

Non-executive Director:

Ms. Tao Yanyan *(Vice-chairman)*

Independent Non-executive Directors:

Mr. Tsang Wah Kwong
Dr. Leung Wing Cheung, William *SBS, BBS, JP*
Dr. Yang Tao

AUDIT COMMITTEE

Mr. Tsang Wah Kwong *(Chairman)*
Dr. Leung Wing Cheung, William *SBS, BBS, JP*
Dr. Yang Tao

REMUNERATION COMMITTEE

Dr. Leung Wing Cheung, William
SBS, BBS, JP (Chairman)
Mr. Tsang Wah Kwong
Dr. Yang Tao
Mr. Gong Qingli

NOMINATION COMMITTEE

Dr. Yang Tao *(Chairman)*
Mr. Tsang Wah Kwong
Dr. Leung Wing Cheung, William *SBS, BBS, JP*
Mr. Gong Qingli

AUTHORISED REPRESENTATIVES

Mr. Cheung Kam Fai
Mr. Chan Kwan Pak

COMPANY SECRETARY

Mr. Chan Kwan Pak

AUDITORS

CHENG & CHENG LIMITED
10/F., Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co. Ltd.
(Hong Kong Branch)
Bank of China

PRINCIPAL REGISTRARS AND TRANSFER OFFICES

MUFG Fund Services Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

18/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

WEBSITE

www.pingansecgp.com

STOCK CODE

00231

CEO Statement

On behalf of the board of directors (the "Board") of Ping An Securities Group (Holdings) Limited (carrying on business in Hong Kong as PAN Securities Group Limited) (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the annual results of the Group for the year ended 31 December 2018 ("FY2018").

RESULTS

For the year ended 31 December 2018 ("FY2018"), the Group recorded a turnover of HK$81,394,000, while the turnover for the year ended 31 December 2017 ("FY2017") was HK$26,774,000, representing an increase of 204%. The Group's audited consolidated loss for the current year was HK$1,276,536,000, representing an increase of approximately 7.6 times when compared with the loss of HK$148,102,000 for the last year.

BUSINESS REVIEW

For FY2018, the Company's principal activity continued to be investment holding, whilst its subsidiaries were mainly engaged in the business of provision of securities brokerage, securities underwriting and placements, asset management and financial advisory services, loan financing, insurance brokerage, and data verification services as well as property development.

The Group's audited consolidated loss for FY2018 amounted to HK$1,276,536,000, representing an increase of approximately 7.6 times when compared with the loss of HK$148,102,000 for FY2017. The substantial increase in loss was mainly attributable to (i) recognition of property tax expenses and other related surcharges in connection with pre-leasing of investment properties under development as expenses for FY2018, while the corresponding rental receipts could not be recognized as income simultaneously; (ii) a significant loss from changes in fair value of investment properties under development for FY2018 as compared to a gain for FY2017; (iii) significant increase in administrative expenses in FY2018 due to expansion of business with additional costs incurred in staffing and office expenses; (iv) impairment loss on loans and receivables arising in FY2018; (v) loss arising from mining and trading of crypto currencies in FY2018; and (vi) impairment losses on goodwill.

As mentioned above, the financial services segment provides a wide range of financial services including the provision of securities brokerage, securities underwriting and placements, asset management and financial advisory services in Hong Kong which recorded a turnover of HK$57,510,000 (FY2017: HK$26,774,000), representing an increase of approximately 115% when compared with FY2017. The satisfactory performance for the year under review was mainly attributable to the generation of the asset management fee income (the funds were terminated during the year) amounting to HK$38,270,000 in FY2018.

Moreover, the Group commenced its loan financing, data verification service and insurance brokerage service in FY2018, which generated turnover of HK$16,695,000, HK$5,039,000 and HK$2,150,000 respectively.

The Group's land in Foshan City, Guangdong Province, the PRC, the flagship investment property development project of the Group, is being developed into a complex of shops, offices and hotel (including some serviced apartments) with a total gross floor area of approximately 241,000 square metres. Pre-leasing of some serviced apartments has commenced from 2017 with approximately 76,000 square metres having been pre-leased for over 20 years and rental income amounting to approximately HK$598 million was received in advance. As an initial stage promotion policy, lessees have been granted the right to put their pre-leased units back to the Group at the initial contract price within one month immediately after the 10th anniversary. Accordingly, corresponding rental income from pre-leasing could not be recognised at this stage.

PROSPECTS AND OUTLOOK

2018 was a challenging year. Hong Kong's stock market had an exciting start, and the Hang Seng Index soared to a record high. However, the advance was hard hit by severe correction with the escalation in the US-China trade dispute, reduced monetary stimulus, downturn in the Chinese economy and global growth concerns. As a result, our financial services sector underperformed in the year.

Despite the volatile global stock market and uncertain economic outlook, the Group believes that opportunities will come in tandem with challenges. It has dedicated to position itself to be one of the leading institutions in providing one-stop, all round financial services in global asset allocation with its "two-core driver", i.e. intelligent investment advisor and wealth management.

Looking forward, being benefitted by its close tie with mainland China economy, Hong Kong is the most preferred offshore wealth management centre for high worth mainlanders. The Group is now in possession of Securities and Futures Commission licences for Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities, and licences for insurance brokerage and money lenders in Hong Kong, as well as the licences for securities-related and equity-related private fund management in mainland China acquired on 14 March 2019. Being equipped with this fully-licensed advantage, the Group is well positioned in providing advanced financial solutions to meet our customer needs and market demand, and that the business of the Group will be benefitted.

APPRECIATION

The Directors would like to express our sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as our shareholders, business partners, bankers and auditors for their support to the Group throughout the year.

Gong Qingli
Chief Executive Officer and Executive Director
Hong Kong, 28 March 2019

Management Discussion and Analysis

FINANCIAL REVIEW

As mentioned in the business review section, the increase in distribution costs from HK$194,075,000 to HK$227,593,000 in FY2018 was mainly attributable to the recognition of property tax and other related surcharges and penalty in connection with the pre-leasing of investment properties under development launched by a PRC subsidiary.

Due to the expansion of business in FY2018, additional costs incurred in staffing, information and system cost, depreciation and amortization of property, plant and equipment and intangible assets and other office expenses and hence administrative expenses increased from HK$74,419,000 to HK$217,607,000.

The investment properties under development located in Foshan City as held by a subsidiary of the Group recorded a loss from change in fair value of HK$137,818,000 at the end of FY2018 (FY2017: gain of HK$109,274,000).

Impairment losses on goodwill and financial assets amounting to HK$725,865,000 (FY2017: Nil) and HK$24,675,000 (FY2017: Nil) respectively were made by the Group in 2018 after assessing their recoverable amounts.

During FY2018, the Group recognized loss from mining and trading of crypto currencies of HK$3,241,000 (FY2017: Nil). Other than this operating loss, depreciation related to the equipment used in the above operation amounting to HK$37,671,000 (FY2017: Nil) was included in the administrative expenses of the Group. Moreover, loss on written off of equipment, relating to mining and trading of crypto currencies, amounting to HK$11,720,000 were recognized in 2018 (FY2017: Nil) as the Group decided to terminate this operation at the end of 2018.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS AND GEARING, CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2018, the Group's current assets and current liabilities were HK$646,536,000 and HK$709,009,000 respectively.

As at 31 December 2018, bank deposits of the Group amounting to HK$3,453,000 were charged.

The Group's gearing ratio as at 31 December 2018 was 71%, which is calculated on the Group's total liabilities divided by its total assets.

As at 31 December 2018, capital commitments contracted but not provided for were approximately HK$231,875,000.

As at 31 December 2018, the Group had no contingent liabilities.

USE OF PROCEEDS FROM PLACING

Reference is made to the announcement of the Company dated 22 June 2018 (the "Announcement") in relation to the Placing. Unless otherwise stated, terms used in this section shall have the same meanings as defined in the Announcement.

On 22 June 2018, the Company and the Placing Agent entered into the Placing Agreement for the placing of up to an aggregate of 2,500,000,000 new Shares to the Placees at the Placing Price of HK$0.08 per Placing Share. The completion of the Placing took place on 12 July 2018. The net proceeds from the Placing, after deduction of all relevant expenses, was approximately HK$137 million, which were used as below:

		HK$ million (approximately)
(i)	Investment in blockchain-related businesses	20
(ii)	Loan financing business	80
(iii)	General working capital	37

As at 31 December 2018, all net proceeds have been applied to the intended use and for general working capital purpose.

FOREIGN EXCHANGE RISK

The Group's operations are principally in the PRC and Hong Kong and all assets and liabilities were denominated either in Renminbi or Hong Kong dollars. The Directors consider that the Group does not have any material exposure to fluctuations in exchange. Therefore, no hedging measures have been taken at present.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had a total of approximately 173 employees (2017: approximately 100), who were remunerated according to nature of the job and market trend, as well as individual qualifications and performance. The Group has participated in the Mandatory Provident Fund Scheme. On the job training was provided to its staff from time to time.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Teng Wei, 52, has been an executive Director and the Chairman of the Board of the Company since 28 March 2018. Mr. Teng graduated from Shanghai Jiaotong University with a bachelor's degree in 1989. Mr. Teng has more than 28 years of experience in securities, insurance, asset management, non-performing asset investment and corporate management. In 2016, Mr. Teng took part in the preparation of the Hong Kong-licensed company Hong Kong Bridge Investments Limited, and served as the company's responsible officer holding type 4 & type 9 licences. From 2013 to 2015, Mr. Teng served as president of a small Canadian oil company. From 2007 to 2013, Mr. Teng worked for Pacific Asset Management Co., Ltd., a subsidiary of China Pacific Insurance (Group) Co., Ltd. (stock codes: SH601601, HK02601), as the chief investment officer of securities investment and responsible for the capital market investment business of Pacific Insurance Group, including domestic and overseas equity investment, fund investment, fixed income investment, investment research and all other capital market operations, as well as insurance portfolio management services, etc. During the period he was also responsible for the preparation of the establishment of CPIC Investment Management (HK) Co., Ltd., as the chief executive and responsible officer holding type 4 & type 9 licences. Dubbed as the first generation of securities practitioners since China's reform and opening up, Mr. Teng worked in Shanghai Wanguo Securities Co., Ltd. and had held several senior positions in the 1990's.

Mr. Gong Qingli, aged 51, has been an executive Director and the CEO since 1 December 2017. Mr. Gong obtained his accounting qualification from Shanghai Lixin Accounting College (立信會計專科學校) in 1989. Mr. Gong is a member of the Chinese Institute of Certified Public Accountants. Mr. Gong had over 28 years of experience in accounting, business advisory and risk management services, including some with an international accounting firm. From April 2017 to April 2018, Mr. Gong was an executive director of HongDa Financial Holding Limited (Stock Code: 1822), a 14% indirect shareholder of Well Up (Hong Kong) Limited, which holds 58% of the share capital of the Company. He was an executive director of Fufeng Group Limited (Stock Code: 546), a company listed on the main board of the Stock Exchange, from 2007 to 2011.

Mr. Cheung Kam Fai, aged 46, has been an executive Director since 23 January 2016, and was the managing director of the Company from 17 August 2016 to 30 November 2017. Mr. Cheung was the managing director of a finance company's China subsidiary before joining the Company, responsible for promoting the company's business in China. He has over 18 years of experience in the securities sector and has established extensive networks in the field.

Mr. Lin Hongqiao, aged 53, has been an executive Director since 8 September 2017. Mr. Lin obtained his Bachelor of Finance from the Shanghai University of Finance and Economics in July 1988, the Master of Economics from Fudan University in January 1997 and the securities practice qualification from China Securities Association of China in February 2008. Mr. Lin was a director of the business department of Orient Securities Company Limited (stock code: 3958), an integrated securities company whose shares are listed on the Main Board of the Stock Exchange, from June 2006 to April 2017. Since January 2017 he has been a director of King Focus International Limited and its wholly owned subsidiary Well Up (Hong Kong) Limited, which holds 58% of the share capital of the Company.

Biographical Details of Directors

NON-EXECUTIVE DIRECTOR

Ms. Tao Yanyan, aged 39, has been a non-executive Director, Chairman of the Board since 1 December 2017 and Vice-Chairman of the Board since 1 December 2017. She holds a Bachelor's degree in Economics and Management Economics from the School of Economics, Beijing Normal University, and Master's degree in Economics from the School of Finance, Graduate School of the Chinese Academy of Social Sciences. Ms. Tao has more than 16 years of experience in various positions. From July 2001 to September 2014, she worked with the "Banker" magazine and was its vice president before her departure. From September 2014 to July 2015, Ms. Tao was the deputy general manager of the strategic planning department of Hangzhou Bank. From July 2015 to January 2017, she was the chief financial officer and compliance officer of Netcom Group, as well as the chief executive officer of Netcom Fortune Group. Since January 2017, Ms. Tao has been the public relations director of HongDa Financial Holding Limited (Stock Code: 1822), a 14% indirect shareholder of Well Up (Hong Kong) Limited, which holds 58% of the share capital of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tsang Wah Kwong, aged 66, has been an independent non-executive Director since 16 February 2016. Mr. Tsang holds a bachelor degree in business administration from the Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Chartered Association of Certified Accountants, as well as a member of the Chinese Institute of Certified Public Accountants. Mr. Tsang was a former partner of PricewaterhouseCoopers in Hong Kong and China, where he worked from July 1978 to June 2011, and has over 30 years of experience in auditing and providing support for initial public offerings and acquisition transactions. Mr. Tsang is currently an independent non-executive director of a number of listed companies, namely China Merchants China Direct Investments Limited (Stock code: 133), Sihuan Pharmaceutical Holdings Group Limited (Stock code: 460), TK Group (Holdings) Limited (Stock code: 2283), and China Animation Characters Company Limited (Stock code: 1566). Mr. Tsang was an independent director of Agria Corporation (formerly listed on the New York Stock Exchange) from August 2011 to October 2017, a director of PGG Wrightson Limited (a company listed on the New Zealand Stock Exchange) from December 2014 to October 2017 and an independent non-executive director of PanAsialum Holdings Company Limited (Stock code: 2078) from January 2013 to January 2016.

Dr. Leung Wing Cheung, William *SBS, BBS, JP*, aged 64, has been an independent non-executive Director since 1 December 2017. Dr. Leung graduated from the Hong Kong Baptist University (then College) and obtained a Diploma in Arts in English Language and Literature in 1978. In 2017, He was conferred an honorary doctorate by the Hong Kong Academy for Performing Arts. He was appointed a Justice of the Peace in 2005 and honoured with a Bronze Bauhinia Star and a Silver Bronze Bauhinia Star by the HKSAR Government in 2009 and 2016 respectively. Dr. Leung has over 30 years of experience in the banking and financial services industry. He joined Hang Seng Bank Limited ("HS Bank") (Stock Code: 11) in 1994 as assistant general manager and head of credit card centre until his departure in December 2011 as executive director and head of personal banking. Prior to joining HS Bank in Hong Kong, he had worked with American Express International Inc., Standard Chartered Bank in Hong Kong, VISA International and Mastercard International in Sydney. He was an executive director of Sun Hung Kai & Company Limited (Stock Code: 86), a company listed on the Main Board of the Stock Exchange, from March 2012 to June 2015. Dr. Leung is the Chief Executive and executive director of WeLab Digital Limited, which has been granted a virtual banking licence by the Hong Kong Monetary Authority.

Dr. Leung ardently participates in public service and is involved in a number of Government and industry committees and non-profit organizations in Hong Kong, including being chairman of the Estate Agents Authority, chairman of the Jockey Club Creative Arts Centre, chairman of HKU SPACE Foundation Committee, chairman of the Business School's Advisory Committee of Hong Kong Baptist University, vice-chairman of Hong Kong Heart Foundation, treasurer of Concerted Efforts Resource Centre, advisor of Our Hong Kong Foundation,. He previously served Hong Kong Academy for Performing Arts and Hong Kong Dance Company as chairman, the Employee Retraining Board as chairman, Hong Kong Baptist University Council and Court as treasurer. He was also member of the HKSAR's Manpower Development Committee and Human Resources Planning Commission and the Consultative Panel of the West Kowloon Cultural District Authority, Hong Kong Sports Institute Strategic Initiative Task Force, Digital 21 Strategy Advisory Committee and Investor Education Advisory Committee of SFC.

Dr. Yang Tao, aged 45, has been an independent non-executive Director since 26 February 2017, Dr. Yang graduated from Nanjing University of Science and Technology in 1995 with a bachelor's degree in engineering, and obtained his master's degree in economics from the Graduate School of the Ministry of Finance Research Institute in 2000 and doctorate in economics from the Graduate School of Finance and Trade Department of the Chinese Academy of Social Sciences in 2003. Dr. Yang is a research fellow, a PhD supervisor, and a non-practising member of the Institute of Certified Public Accountants in Beijing and holds a China lawyer qualification certificate. Dr. Yang is currently the deputy director of the National Institute of Finance and Development (國家金融與發展實驗室) and the director of the Industrial Finance Research Institute of the Chinese Academy of Social Sciences (中國社會科學院產業金融研究基地). He also holds many senior positions in different high level committees and forums. Dr. Yang's major research areas include monetary and fiscal policies, financial markets; Internet finance, payment and settlement etc. On the academic contribution front, Dr. Yang has long been engaged in the study of financial theories, policies and practices, focusing on interdisciplinary research in economics, finance, sociology and information technology. In recent years, he has conducted research in financial markets, banking reform, payment and settlement, Internet finance, financial science and technology and made outstanding achievements.

Corporate Governance Report

The Company is committed to maintaining the highest standards of corporate governance that properly protect and promote the interests of all shareholders at all times. The Board believes that good corporate governance practices are the cornerstones for a successful business.

CODE OF CORPORATE GOVERNANCE PRACTICE

The Board regularly reviews the Group's corporate governance guidelines and practices. During the year, the Company has complied with the code provisions in the Code of Corporate Governance Practice (the "CG Code") contained in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code during the year and they all confirmed that they have fully complied with the required standard set out in the Model Code.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and performances. The senior management was delegated the authority and responsibilities by the Board of the day-to-day management and operations of the Group. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

All Directors have full and timely access to all relevant information in relation to the Company as well as the advice and services of the company secretary, if and when required, with a view ensuring that the Board procedures and all applicable rules and regulations are followed.

There are established procedures for Directors to seek independent professional advice for them to discharge their duties and responsibilities, where appropriate at the Company's expenses.

The Board currently comprises four executive Directors, namely, Mr. Teng Wei, Mr. Gong Qingli, Mr. Cheung Kam Fai and Mr. Ling Hongqiao; one non-executive Director, namely, Ms. Tao Yanyan; and three independent non-executive Directors, namely, Mr. Tsang Wah Kwong, Dr. Leung Wing Cheung, William and Dr. Yang Tao.

The Code Provisions require regular meetings of the Board be held at least four times a year at approximately quarterly intervals. Such Board meetings involve the active participation, either in person or by telephone conference.

During the year under review, 9 board meetings and 2 general meetings were held during the year of 2018. The individual attendance records are as follows:

Director	Board Meetings attended/Eligible to attend	General Meetings attended/Eligible to attend
Executive Directors		
Mr. Teng Wei *(Note 1)*	5/5	2/2
Mr. Gong Qingli	8/9	2/2
Mr. Cheung Kam Fai	8/9	2/2
Mr. Lin Hongqiao	8/9	2/2
Non-executive Directors		
Ms. Tao Yanyan	3/9	0/2
Dr. Guan Huanfei *(Note 2)*	6/6	1/1
Mr. Wong Sai Hung *(Note 3)*	7/7	1/1
Independent Non-executive Directors		
Mr. Tsang Wah Kwong	9/9	2/2
Dr. Leung Wing Cheung, William	8/9	2/2
Dr. Yang Tao *(Note 4)*	6/7	1/2

Notes:

1. Mr. Teng Wei was appointed on 28 March 2018.

2. Dr. Guan Huanfei resigned on 22 June 2018.

3. Mr. Wong Sai Hung was appointed on 7 February 2018 and resigned on 18 July 2018.

4. Dr. Yang Tao was appointed on 26 February 2018.

The Board members have no financial, business, family or other material/relevant relationships with each other.

The biographical details of the Directors are set out in the section "Biographical Details of Directors" of this Annual Report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

To ensure that a balance of power and authority, in the year under review, the role of the Chairman and Chief Executive Officer is segregated. The Chairman of the Board is Mr. Teng Wei and the Chief Executive Officer is Mr. Gong Qingli. There is a clear distinction, the Chairman is responsible for overall strategic planning and management of the Board and the Chief Executive Officer is responsible for the management of day-to-day operations of the Group's business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has three independent non-executive Directors, representing one-third of the Board and at least one of whom has appropriate professional qualifications, or accounting or related financial management expertise.

The functions of independent non-executive Directors are primarily to bring an independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts at board meetings.

CONFIRMATION OF INDEPENDENCE

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

The Company has arranged appropriate liability insurance to indemnify its Directors and officers in respect of legal actions against the Directors and officers. Throughout the year under review, no claim had been made against the Directors and the officers of the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Appointment of any new Director is considered upon recommendation by the Nomination Committee and approved by the Board by taking into account criteria such as expertise, experience, integrity and commitment of a candidate as well as the diversity policy of the Company.

In accordance with the Bye-laws of the Company ("Bye-laws"), all Directors are subject to retirement by rotation and re-election at annual general meetings ("AGMs") of the Company. New Directors appointed by the Board are required to retire and submit themselves for re-election at the first general meeting immediately following their appointments. Further, at each AGM, one-third of the Directors, or if their number is not a multiple of three, then the number nearest to but not exceeding one-third, are required to retire from office.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company provides regular updates on the business development of the Group. The Directors are regularly provided information on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. All Directors have participated in appropriate continuous professional development and refreshed their knowledge and skills during the year for ensuring that their contribution to the Board remains informed and relevant and be kept abreast of the ever changing business environment. Such professional development was undergone either by way of attending briefings, conference, courses, forum and seminars, or through teaching, self-reading and participating in business-related researches which are relevant to the business of the Group or Directors' duties.

AUDIT COMMITTEE

The Audit Committee comprises all three independent non-executive Directors and is chaired by Mr. Tsang Wah Kwong, who has appropriate professional qualifications and experience as required by the Listing Rules. The Audit Committee's terms of reference are in conformity with the requirements of the Code Provisions. The primary duties of the Audit Committee include the following:

(a) monitoring and ensuring a proper relationship with the Company's external auditor;

(b) review of the Group's interim and annual reports and compliance with accounting standards, the Listing Rules, and legal requirements before submission to the Board; and

(c) oversight of the Company's financial reporting process and risk management and internal control systems.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2018 and recommended the same to the Board for its approval. With effect from 1 January 2016, the Audit Committee has extended its functions to oversee the Group's risk management system.

During the year under review, the Audit Committee held two meetings, to review the Group's interim and final financial statements, to meet and discuss with the external auditor about audit findings, and discuss with the management about appointment of the external auditor. The attendance records are as follows:

Committee Member	**Meetings attended/ Eligible to attend**
Mr. Tsang Wah Kwong	2/2
Dr. Leung Wing Cheung, William	2/2
Dr. Yang Tao *(Note)*	1/2

Note: Dr. Yang Tao was appointed on 26 February 2018.

REMUNERATION COMMITTEE

The Remuneration Committee comprises all three independent non-executive Directors and an executive Director Mr. Gong Qingli, and was chaired by Dr. Leung Wing Cheung, William.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Group's policy and structure for the Directors and senior management remuneration, make recommendations on the remuneration packages of individual Director and ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration. The terms of reference of the Remuneration Committee are in conformity with the requirements of the Code Provisions.

During the year under review, the Remuneration Committee held five meetings to review the remuneration package of the Directors and senior management. The attendance records are as follows:

Committee Member	Meetings attended/ Eligible to attend
Mr. Tsang Wah Kwong	5/5
Dr. Leung Wing Cheung, William	4/5
Dr. Yang Tao *(Note)*	2/3
Mr. Gong Qingli	4/5

Note: Dr. Yang Tao was appointed on 26 February 2018.

NOMINATION COMMITTEE

The Nomination Committee comprises all three independent non-executive Directors and an executive Director Mr. Gong Qingli, and was/is chaired by Dr. Leung Wing Cheung, William (until 26 February 2018) and Dr. Yang Tao (since 26 February 2018).

The primary duties of the Nomination Committee are to review the size, structure, composition and diversity of the Board, identify suitably qualified individuals for appointment to the Board, assess the independence of independent non-executive Directors and make recommendations to the Board on the election or re-election of the Directors and succession planning for the Directors. The terms of reference of the Nomination Committee are in conformity with the requirements of the Code Provisions.

Board Diversity Policy

The Company aims to build and maintain a Board with a diversity of Directors, including but not limited to gender, age, cultural and educational background, or professional experience. The Board has adopted a Board Diversity Policy which sets out the approach to achieve and maintain diversity on the Board.

The Nomination Committee will discuss and agree annually measurable objectives for implementing diversity on the Board and recommend them to the Board for adoption.

Director Nomination Policy

The Board has adopted this Policy to assist the Nomination Committee in nominating suitable candidates to the Board for it to consider and appoint as Director(s) to fill casual vacancies, and make recommendations to shareholders for election as Director(s) at general meetings.

The Nomination Committee shall consider, among others, the following criteria in evaluating and selecting candidates for directorships:

- Character and integrity;
- Personal attributes including professional qualifications, skills, knowledge, experience and expertise that are relevant to the Company's business and corporate strategy, and the ability to provide insights and practical wisdom based on those attributes;
- Willingness to devote adequate time to discharge duties as a Board member, other directorships, memberships of various committees and significant commitments;
- For independent non-executive directors to be appointed in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- Ability to develop a good working relationship with other Board members and contribute to the Board's working relationship with senior management of the Company;
- Board Diversity Policy and any measurable objectives adopted by the Committee for achieving diversity on the Board; and
- Any other perspectives appropriate to the Company's business.

The Nomination Committee held four meetings during the year to nominate candidates to the Board and review the composition of the Board and the suitability of the Directors proposed for re-election at the AGM. The attendance records are as follows:

Committee Member	**Meeting attend/ Eligible to attend**
Mr. Tsang Wah Kwong	4/4
Dr. Leung Wing Cheung, William	3/4
Dr. Yang Tao *(Note)*	1/2
Mr. Gong Qingli	3/4

Note: Dr. Yang Tao was appointed on 26 February 2018.

COMPANY SECRETARY

Mr. Chan Kwan Pak is the Company Secretary of the Company. He is an external service provider and was appointed by the Board. Mr. Chan supports the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. He also advises the Board on corporate governance matters and facilitates induction and professional development of the Directors. Mr. Chan reports directly to the Board. All the Directors have access to the advice and services of the Company Secretary at any time in relation to their duties and operation of the Board. The Company Secretary participated in no less than 15 hours of relevant professional training during the year.

RISK MANAGEMENT AND INTERNAL CONTROL

The board is responsible for overseeing the internal control system and risk management of the Group and for reviewing its effectiveness and adequacy on an ongoing basis.

In order to safeguard the Group's assets, effectiveness of business operation, ensure the reliability of financial report that the Company employs in its business or releases to the public and ensure compliance with relevant laws and regulations, the Company has established the risk management and internal control system and conducts regular reviews of the effectiveness of the such system through the Audit Committee, executive management, functional departments, external advisers and external auditors. The internal control system and risk management are designed to manage rather than eliminate the risk of to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year, in order to comply with the applicable CG Code to the Listing Rules, the Board has retained an external professional consultant to carry out the internal audit functions of the Company, with a view to facilitating adequacy of resources and quality of review to satisfy the Group's internal audit function as required by the Stock Exchange and to assist the Board in performing annual reviews on the effectiveness of the Group's internal control systems for the year ended 31 December 2018. The reviews cover material controls including financial, operational and compliance controls at entity and operational levels. The Audit committee and the Board have discussed and reviewed the relevant results of the review. The Board had conducted review of the effectiveness of the risk management. The Group will continuously enhance its internal control systems according to findings therein and recommendations made to the Group and risk management.

The Group has established procedures in handling and dissemination of inside information in an accurate and secure manner and to avoid possible mishandling of inside information within the Group.

Based on the risk management and internal control systems established and maintained by the Group, the review of the effectiveness of risk management and internal control systems performed by the management, respective Board Committees and the Board, the Board is of the view that the Group has maintained sound and effective risk management and internal control system during the year ended 31 December 2018.

AUDITOR'S REMUNERATION

Total auditor's remuneration in relation to statutory audit work of the Group for the year ended 31 December 2018 amounted to HK$1,300,000 (2017: HK$1,300,000). HK$870,000 was incurred for non-audit services provided by the auditor for the Group during the year (2017: HK$412,000).

The responsibilities of the auditor with respect to financial reporting are set out in the section of "Independent Auditor's Report" on page 31.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of accounts for each financial period with a view to ensuring such accounts give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently, and that judgments and estimates made are prudent and reasonable.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board has established a shareholders' communication policy to maintain an on-going dialogue with its shareholders and investors in a timely, open and transparent manner. The Board reviews the policy on a regular basis to ensure effective communication between the Company and its shareholders and investors.

The Board communicates with its shareholders and investors through various channels. The Board members meet and communicate with shareholders and investors at AGMs and other general meetings. Corporate communications (such as interim and annual reports, notices, circulars and announcements) are sent to shareholders in a timely manner and are available on the websites of the Company and the SEHK.

SHAREHOLDERS' RIGHTS

Procedures for Nomination of a Director

A notice in writing of the intention to propose a person for election as a director of the Company and a notice in writing by that person of his willingness to be elected together with his/her particulars (such as qualifications and experience) and information as required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities on the SEHK shall be lodged at the Company's head office and principal place of business (18/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong). The period for lodgment of the notices required will 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 7 days prior to the date of such general meeting, and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Shareholders to convene a Special General Meeting

Special general meetings shall be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board of Directors or the Secretary of the Company (18/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong) for the purpose of requiring a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may convene such meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. Such meeting shall be held within 3 months after the deposit of such requisition.

Report of the Directors

The Directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in detail in notes 42 to the financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 December 2018 is set out in note 7 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2018 and the state of affairs of the Group at that date are set out in the financial statements on pages 33 to 134.

The Directors do not recommend the payment of any dividends in respect of the year ended 31 December 2018 (2017: Nil).

DIVIDEND POLICY

The Company considers stable and sustainable returns to the shareholders of the Company to be our goal. Declaration and payment of dividends shall be determined at the sole discretion of the Board.

In proposing any dividend payout, the Board shall also take into account, inter alia, the operating results, cash flow, financial condition and capital requirements of the Group and the interests of the Shareholders of the Company as a whole. The Company's distribution of dividends shall also be subject to any restrictions under the Bermuda Companies Act and the Bye-laws of the Company as well as all applicable laws, rules and regulations.

The Dividend Policy allows the Board to declare special dividends from time to time in addition to the interim and/or annual dividends. There is no guarantee that any particular amount of dividends will be distributed for any specific periods.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the CEO Statement on pages 4 to 5 of this Annual Report. Description of the financial risk management objectives and policies of the Group can be found in Note 6 to the financial statements. An analysis of the Group's performance during the year using financial key performance indicators are provided in the Management Discussion and Analysis on pages 6 to 7 of this Annual Report. The Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Corporate Governance Report are discussed below.

Environmental Policy and Performance

The Group commits to the principle and practice of recycling and reducing. To help conserve the environment, it implements green office practices such as re-deployment of idle office furniture as far as possible, encourage use of recycled paper for printing and copying, double-sided printing and copying, setting up recycling bins, reduce energy consumption by switching off idle lightings, air conditioning and electrical appliances.

The Group will review its environmental practices from time to time and consider implementing further eco-friendly measures, sustainability targets and practices in the operation of the Group's businesses to embrace the principles of reducing, recycling and reusing, and further minimizing our already low impact on the natural environment.

Compliance with Relevant Laws and Regulations

For the year ended 31 December 2018, compliance procedures were in place to ensure adherence to applicable laws, rules and regulations, in particular those have significant impact on the Group. The employees to understand, comply with and keep themselves abreast of the laws, rules and regulations applicable to their positions and the operation of the businesses of the Group. The Company has employed suitable personnel and engaged professional advisers as and when appropriate to provide legal advice on the applicability, existence or interpretation of any laws, rules and regulations.

Relationship with Stakeholders

The Group is committed to create good internal and external corporate relationships, and build a harmonious enterprise to take its responsibilities for its various stakeholders, such as customers, employees, shareholders and community. The Board recognizes the importance of fostering loyalty and mutual trust with the Group's employees, customers, suppliers and business partners as this creates immense long-term benefits for the Group. To achieve the above purpose, the Group strives to promote constant and effective communications. The Board considers that the Group has overall maintained good relationship with employees, customers, suppliers and business partners for the operation of its businesses.

Environmental, Social and Governance

The details of environmental, social and governance policies and performance of the Group will be disclosed in a standalone Environmental, Social and Governance Report, which will be available on the Company's website (www.pingansecgp.com) and on the website of the Stock Exchange (www.hkexnews.hk).

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years ended 31 December 2018, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 135. The summary is not part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 17 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group are set out in note 18 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 37 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group are set out in note 44 to the financial statements and on page 37 respectively.

DISTRIBUTABLE RESERVES

At 31 December 2018 the Company did not have any reserves available for distribution to equity shareholders of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for more than 30% of the total sales for the year, and the purchases attributable of the five largest suppliers accounted for less than 30% of the Group's total purchases. Information about major customers are set out in note 7 to the financial statements.

DIRECTORS

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

Executive Directors

Mr. Teng Wei	*(Appointed on 28 March 2018)*
Mr. Gong Qingli	
Mr. Cheung Kam Fai	
Mr. Lin Hongqiao	

Non-executive Directors

Ms. Tao Yanyan	
Dr. Guan Huanfei	*(Resigned on 22 June 2018)*
Mr. Wong Sai Hung	*(Appointed on 7 February 2018 and Resigned on 18 July 2018)*

Independent Non-executive Directors

Mr. Tsang Wah Kwong	
Dr. Leung Wing Cheung, William	
Dr. Yang Tao	*(Appointed on 26 February 2018)*

At the forthcoming annual general meeting ("AGM"), Mr. Cheung Kam Fai, Ms. Tao Yanyan and Dr. Leung Wing Cheung, William shall retire in accordance with Bye-law 109(A). All of them being eligible, will offer themselves for re-election thereat.

DIRECTORS' SERVICE AGREEMENTS

Each of the executive Directors have entered into a service agreement with the Company for an initial term of three years and the agreements shall be renewed automatically thereafter unless terminated in accordance with the terms of the agreements. All of them shall be subject to retirement by rotation and be eligible for re-election at the AGMs of the Company pursuant to the Bye-laws.

Each of the non-executive Directors and independent non-executive Directors have entered into a letter of appointment with the Company. All of them are for an initial term of one year, renewable automatically for a successive term of one year upon expiry of every term of appointment. All of them shall be subject to retirement by rotation and be eligible for re-election at the AGMs of the Company pursuant to the Bye-laws.

No Director proposed for re-election at the forthcoming AGM has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There has been no transaction, arrangement or contract of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company or an entity connected with the Director is or was materially interested, either directly or indirectly, subsisting during or at the end of the year.

EQUITY-LINKED AGREEMENTS

Other than the convertible bonds and the share option scheme of the Company, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

At 31 December 2018, none of the Directors were interested in any business apart from the Group's businesses which competed or was likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 December 2018, the interests of the Directors and chief executives of the Company or their associates had any interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

Long position in underlying shares:

Name of Director	Nature of interests	Description of securities	Number of underlying shares	Approximate % of interests
Mr. Cheung Kam Fai	Beneficial owner	Convertible Bonds	31,250,000	0.60%

INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, the interests of substantial shareholders (other than the Directors or chief executives) in the Shares or the underlying shares of the Company which were required to be notified to the Company pursuant to Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in Shares:

(a) Interest in Shares:

Name of substantial shareholder	Nature of interests	Number or attributable number of shares held or short positions	Approximate percentage or attributable percentage of shareholding
Well Up (Hong Kong) Limited ("Well Up") *(Note)*	Beneficial owner	2,996,135,658	58.00%
King Focus International Limited ("King Focus") *(Note)*	Interests of controlled corporation	2,996,135,658	58.00%
Ever Step Holdings Limited ("Ever Step") *(Note)*	Interests of controlled corporation	2,996,135,658	58.00%
Chong Sing Holdings FinTech Group Limited ("Chong Sing") *(Note)*	Interests of controlled corporation	2,996,135,658	58.00%
Cui Xintong ("Ms. Cui") *(Note)*	Founder of discretionary trust who can influence how the trustee exercise his discretion	2,996,135,658	58.00%
Lee Ken-yi Terence ("Mr. Lee") *(Note)*	Interests of controlled corporation	2,996,135,658	58.00%
TMF (Cayman) Limited ("TMF") *(Note)*	Trustee	2,996,135,658	58.00%
Deep Wealth Holdings Limited ("Deep Wealth") *(Note)*	Interests of controlled corporation	2,996,135,658	58.00%
Charm Success Group Limited ("Charm Success") *(Note)*	Interests of controlled corporation	2,996,135,658	58.00%
Finest Achieve Limited ("Finest Achieve") *(Note)*	Interests of controlled corporation	2,996,135,658	58.00%
HongDa Financial Holdings Limited ("HongDa") *(Note)*	Interests of controlled corporation	2,996,135,658	58.00%

Note:

Well Up is wholly-owned by King Focu. King Focus, which is in turn owned as to 49% by Charm Success, 37% by Ever Step and 14% by Finest Achieve, respectively.

Charm Success is wholly-owned by Deep Wealth, which is in turn wholly-owned by TMF as a trustee. Ms. Cui is the founder of the Trust and Mr. Lee is the spouse of Ms. Cui.

Ever Step is wholly-owned by Chong Sing.

Therefore each of King Focus, Ever Step, Chong Sing, Charm Success, Deep Wealth, TMF, Ms. Cui and Mr. Lee is deemed to be interested in 58% of the entire issued share capital of the Company. Through such interests, each of them is therefore deemed to be interested in Shares in which Well Up is interested for the purpose of the SFO.

(b) Interests in underlying shares:

Name of substantial shareholder	Nature of interests	Description of securities	Number of underlying shares	Approximate % of interests
Topsource International Holding Co., Limited ("Topsource")	Beneficial owner	Convertible Bonds *(Note)*	520,833,333	10.08%
Shanghai Xinhua Distribution Group Co., Ltd. ("Shanghai Xinhui")	Interest of controlled corporation	Convertible Bonds *(Note)*	520,833,333	10.08%

Note: Since Topsouce is wholly-owned by Shanghai Xinhua, and Shanghai Xinhui is deemed to be interested in the same number of shares in which Topsource was interested under the SFO.

Save as disclosed above, as at 31 December 2018, there was no other person (other than the Directors or chief executives of the Company) who had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the SEHK.

SHARE OPTION SCHEME

At the AGM held on 23 June 2011, the terms of the share option scheme (the "Scheme") was adopted by providing incentive to eligible participants to work better for the interests of the Group, under which the Board may, at its discretion, offer to grant an option to any full-time or part-time employee and directors of the Company or any of its subsidiaries and service providers of the Group (collectively the "Grantees").

The maximum number of shares in respect of which options may be granted under the Scheme must not in aggregate exceed 10% of the total number of shares in issue on the date of adoption of the Scheme (as refreshed on 29 May 2014), being 1,184,264,739 shares. The total number of shares which may fall to be issued upon exercise of the share options granted under the Scheme to each Grantee in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive Directors. If the Board proposed to grant options to a substantial shareholder or any independent non-executive Director or their respective associates which will result in the number of shares to be issued upon exercise of the options granted and to be granted to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the shares in issue on the date of grant and having an aggregate value in excess of HK$5 million, based on the closing price of the shares at the date of each grant, such further grant of options will be subjected to the shareholders' approval in general meeting.

The offer of a grant of share options may be accepted within 28 days from the offer date or within such other period of time as may be determined by the Board. Upon acceptance of the options, the Grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

The subscription price of a share in respect of any option granted under the Scheme shall be priced as the Board in its absolute discretion shall determine, but must be at least the higher of (i) the closing price of the Company's shares as quoted on the SEHK on the date of grant; (ii) the average closing price of the Company's shares as quoted on the SEHK for the five consecutive business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

The period during which an option may be exercise will be determined by the Board in its absolute discretion. An option may be exercised in accordance with the terms of the Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The shares to be allotted upon the exercise of an option will not carry voting rights until the completion of the registration of the Grantee.

No share option under the Scheme were granted or exercised during the year nor remained outstanding as at 31 December 2018.

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY

Pursuant to the Bye-laws, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the Year. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the year.

MANAGEMENT CONTRACTS

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

RELATED PARTY TRANSACTIONS

Set out below are the details of the related party transactions of the Company:

(i) Pursuant to a loan agreement entered into on 14 September 2017 between the Company and Mr. Cheung Kam Fai ("Mr. Cheung"), a director of the Company. The loan amounting to HK$45,000,000 granted by Mr. Cheung was unsecured, interest free and fully repaid in 2018.

(ii) Pursuant to a loan agreement entered into on 14 September 2017 between the Company and Mr. Liang Wenguan ("Mr. Liang"), an ex-substantial shareholder of the Company. The loan amounting to HK$15,000,000 granted by Mr. Liang is unsecured, interest free and repayable in March 2020.

(iii) Pursuant to a loan agreement entered into on 20 December 2017 between the Company and Vigo HK Investment Limited ("Vigo HK"), a related company of the Company. The loan amounting to HK$30,000,000 granted by Vigo HK is unsecured, interest charged at 15% per annum and repayable in June 2018. During the year ended 31 December 2018, an agreement was entered into between the Company, an unsecured fixed-rate loan borrower (the "Borrower") and Vigo HK. The loan amount and respective interest was agreed to be waived. Upon the waiver, the Company was released from its obligation to Vigo HK to settle the loan.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no contingent liabilities.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date hereof, there is sufficient public float of not less than 25% of the Company's issued shares as required by the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed and approved the Group's annual results for the year ended 31 December 2018 in conjunction with the Company's external auditor prior to the approval of the annual results by the Board. Information on the work of the Audit Committee and its composition are set out in the Corporate Governance Report on pages 11 to 18.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2018 have been audited by CHENG & CHENG LIMITED ("CHENG & CHENG"). CHENG & CHENG will retire at the conclusion of the forthcoming AGM and, being eligible, offer itself for re-appointment at the forthcoming AGM. A resolution for re-appointment of CHENG & CHENG as auditor of the Company will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

Gong Qingli
Chief Executive Officer and Executive Director

Hong Kong, 28 March 2019

Independent Auditor's Report

CHENG & CHENG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
鄭鄭會計師事務所有限公司

TO THE SHAREHOLDERS OF PING AN SECURITIES GROUP (HOLDINGS) LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of PING AN SECURITIES GROUP (HOLDINGS) LIMITED (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 134, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

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 year. 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.

Goodwill and intangible assets valuation and impairment

Refer to notes 19 to 21 in the consolidated financial statements

The key audit matter

As at 31 December 2018, the Group had goodwill that arose from various acquisitions with an aggregate carrying amount of HK$701,000 (net of impairment), and impairment loss of goodwill of approximately HK$725,865,000 had been recognized during the year ended 31 December 2018. The group had intangible assets of approximately HK$306,630,000 as at 31 December 2018.

The management of the Company had conducted impairment assessment of the goodwill and intangible assets and had carried out valuation of the cash generating unit ("CGU") to which the goodwill and intangible assets belong. The recoverable amount of the CGU was determined by management to be its fair value less costs of disposal, which was estimated using income approach. The calculations of fair value using income approach are based on cash flow forecast estimation of the CGUs, using assumptions and estimates relating to revenue growth rate, terminal growth rate and discount rate of each CGU.

The valuation required significant judgements by management and involved high level of estimation uncertainty and hence had been identified by us as a key audit matter.

How the matter was addressed in the audit

Our audit procedures included evaluating management's assumptions applied in preparing the cash flow forecasts, taking into consideration our knowledge of the operation and performance of the CGU.

We also discussed with management and independent valuer in relation to the valuation methodology applied, basis being used in arriving the forecasts.

We assessed the reasonableness of the forecasts by comparing to actual results, where applicable.

We also compared the key inputs used in the discounted cash flow forecasts and valuations, such as growth rates and discount rates, to historical data and external market data, in order to assess the reasonableness of management's forecast.

We evaluated the valuer's competence, capabilities and objectivity.

We considered the goodwill impairment recognized, the goodwill balance and the related disclosures to be reasonable.

Valuation of investment properties under development

Refer to note 18 in the consolidated financial statements

The key audit matter	How the matter was addressed in the audit
As at 31 December 2018, the Group owned investment properties under development located in Foshan City, the People's Republic of China, with the fair value estimated by the management of the Company of HK$1,366,000,000. The Company had engaged an independent valuer to determine the fair value. Details are set out in note 18 to the consolidated financial statements. Given that the valuation was significant to the Group and that the fair value estimate itself is subjective, we have identified the valuation of the investment properties as a key audit matter.	We reviewed the valuation report prepared by the independent valuer engaged by the Company. We discussed with the management of the Company and the valuer the reasonableness of the valuation approach and key assumptions being used in determining the fair value of the investment properties as at 31 December 2018. We performed site visits to the investment properties accompanied by the management of the Company to assess the stage of completion of and the existence of the investment properties. We evaluated the valuer's competence, capabilities and objectivity.

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

The directors of the Company 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 auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on other information that we obtained prior to the date of this auditor's report, 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.

When we read the CEO Statement, the Management Discussion and Analysis, the Corporate Governance Report and the Report of the Directors, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Auditor Committee.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CHENG & CHENG LIMITED
Certified Public Accountants
Cheng Hong Cheung
Practising Certificate number P01802

Hong Kong

28 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	7 & 8	**81,394**	26,774
Cost of sales		**(6,296)**	–
Gross profit		**75,098**	26,774
Other income	8	**902**	6,852
Distribution costs		**(227,593)**	(194,075)
Administrative expenses		**(217,607)**	(74,419)
Finance costs	9	**(47,371)**	(55,680)
(Loss) gain from changes in fair value of investment properties under development	18	**(137,818)**	109,274
Fair value change on financial assets at fair value through profit or loss		**(19,500)**	11,593
Fair value change on derivative financial liabilities	32	**27,000**	36,650
Net losses on mining and trading of crypto currencies		**(3,241)**	–
Property, plant and equipment written off		**(11,761)**	(42)
Impairment losses on goodwill		**(725,865)**	–
Gain on disposals of subsidiaries, net	36	**–**	12,259
Expected credit losses on financial assets	10	**(24,675)**	–
Loss before tax		**(1,312,431)**	(120,814)
Income tax credit (expenses)	11	**35,895**	(27,288)
Loss for the year	12	**(1,276,536)**	(148,102)
Loss attributable to:			
– Owners of the Company		**(1,278,979)**	(148,102)
– Non-controlling interests		**2,443**	–
		(1,276,536)	(148,102)
			(Restated)
Loss per share	16		
– Basic and diluted (HK cents)		**(25.93 cent)**	(3.14 cent)

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		**(1,276,536)**	(148,102)
Other comprehensive (loss) income			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences arising on translation of financial statements of foreign operations		**(15,383)**	63,915
– Reclassification adjustment on translation reserve released on disposals of subsidiaries	36	**–**	4,762
Other comprehensive (loss) income for the year		**(15,383)**	68,677
Total comprehensive loss for the year		**(1,291,919)**	(79,425)
Other comprehensive (loss) income for the year attributable to:			
– Owners of the Company		**(15,410)**	68,677
– Non-controlling interests		**27**	–
		(15,383)	68,677
Total comprehensive (loss) income for the year attributable to:			
– Owners of the Company		**(1,294,389)**	(79,425)
– Non-controlling interests		**2,470**	–
		(1,291,919)	(79,425)

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	17	**12,504**	1,870
Investment properties	18	**1,366,000**	1,128,000
Goodwill	19	**701**	725,849
Intangible assets	21	**306,630**	324,512
Available-for-sale investments	22	**–**	–
Other deposits	23	**2,309**	273
Prepayment and deposit	27	**–**	137,450
Deferred tax assets	33	**30**	–
		1,688,174	2,317,954
CURRENT ASSETS			
Loan receivables	24	**256,365**	30,000
Financial assets at amortised cost	25	**93,701**	–
Tax recoverable		**1,206**	–
Financial assets at fair value through profit or loss	26	**282**	75,919
Trade and other receivables	27	**44,721**	47,904
Pledged bank deposit	28	**3,453**	–
Bank balances and cash – trust accounts	28	**86,848**	101,560
Bank balances and cash – general accounts	28	**159,960**	88,986
		646,536	344,369
CURRENT LIABILITIES			
Trade and other payables	29	**602,763**	335,020
Borrowings – current portion	30	**6,906**	30,000
Tax liabilities		**–**	593
Amount due to a director	31(a)	**–**	45,000
Amounts due to related parties	31(b)	**–**	3,883
Derivative financial liabilities	32	**1,400**	28,400
Convertible notes – current portion	32	**97,940**	–
		709,009	442,896
NET CURRENT LIABILITIES		**(62,473)**	(98,527)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,625,701**	2,219,427

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
CAPITAL AND RESERVES			
Share capital	37	**1,033,172**	944,752
Reserves		**(680,111)**	561,226
Equity attributable to the owners of Company		**353,061**	1,505,978
Non-controlling interests		**326,012**	–
TOTAL EQUITY		**679,073**	1,505,978
NON-CURRENT LIABILITIES			
Borrowings – non-current portion	30	**70,869**	69,547
Deferred tax liabilities	33	**94,216**	133,686
Convertible notes – non-current portion	32	**168,435**	234,994
Amount due to a related party	31(b)	**15,000**	15,000
Prepayment from customers	29	**598,108**	260,222
		946,628	713,449
TOTAL EQUITY AND NON-CURRENT LIABILITIES		**1,625,701**	2,219,427

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

The consolidated financial statements on pages 33 to 134 were approved and authorised for issue by the board of directors on 28 March 2019 and are signed on its behalf by:

Lin Hongqiao
Director

Gong Qingli
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total Equity HK$'000
At 1 January 2017	944,752	1,828,103	52	(82,742)	(1,104,762)	1,585,403	–	1,585,403
Loss for the year	–	–	–	–	(148,102)	(148,102)	–	(148,102)
Other comprehensive loss for the year	–	–	–	68,677	–	68,677	–	68,677
Total comprehensive loss for the year	–	–	–	68,677	(148,102)	(79,425)	–	(79,425)
At 31 December 2017 and 1 January 2018	944,752	1,828,103	52	(14,065)	(1,252,864)	1,505,978	–	1,505,978
Loss for the year	–	–	–	–	(1,278,979)	(1,278,979)	2,443	(1,276,536)
Other comprehensive loss for the year	–	–	–	(15,410)	–	(15,410)	27	(15,383)
Total comprehensive loss for the year	–	–	–	(15,410)	(1,278,979)	(1,294,389)	2,470	(1,291,919)
Issue of new shares	88,420	53,052	–	–	–	141,472	–	141,472
Acquisition of subsidiary *(note 35)*	–	–	–	–	–	–	1,855	1,855
Capital contribution from non-controlling interests	–	–	–	–	–	–	325,687	325,687
Dividends paid to non-controlling interest	–	–	–	–	–	–	(4,000)	(4,000)
At 31 December 2018	1,033,172	1,881,155	52	(29,475)	(2,531,843)	353,061	326,012	679,073

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(1,312,431)**	(120,814)
Adjustments for:		
Finance costs	**47,371**	55,680
Dividend income	**(23)**	–
Interest income	**(682)**	(501)
Depreciation for property, plant and equipment	**40,312**	621
Amortisation of intangible assets	**18,382**	18,282
Gain on disposals of subsidiaries, net	**–**	(12,259)
Property, plant and equipment written off	**11,761**	42
Loss/(Gain) from changes in fair value of investment properties under development	**137,818**	(109,274)
Fair value change of financial assets at fair value through profit or loss	**19,500**	(11,593)
Fair value change on derivative financial liabilities	**(27,000)**	(36,650)
Impairment losses on goodwill	**725,865**	–
Expected credit losses on financial assets	**24,675**	–
Operating cash flows before movements in working capital	**(314,452)**	(216,466)
Decrease in bank balances and cash – trust account	**14,712**	90,544
Increase in other deposits	**(2,036)**	(25)
Decrease (increase) in trade and other receivables	**3,849**	(21,632)
Increase in loan receivables	**(273,598)**	–
Increase in trade and other payables	**631,224**	298,060
Cash from operation	**59,699**	150,481
Tax paid	**(3,424)**	(5,550)
Net cash from operating activities	**56,275**	144,931

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
INVESTING ACTIVITIES			
Interest received		**682**	134
Dividends received		**23**	–
Additions of investment properties		**(343,385)**	(120,716)
Deposit paid for property, plant and equipment		**–**	(49,391)
Loan receivable advanced to a third party		**–**	(30,000)
Purchase of property, plant and equipment		**(13,352)**	(601)
Purchase of financial assets at fair value through profit or loss		**(500)**	(510)
Purchase of financial assets at amortised cost		**(100,000)**	–
Net cash inflow/(outflow) on acquisition of a subsidiary	34, 35	**5,820**	(436)
Net cash outflows arising on disposals of subsidiaries	36	**–**	(31)
Increase in pledged bank balances		**(3,581)**	–
Proceeds from disposal of listed securities at fair value through profit or loss		**56,637**	–
Net cash used in investing activities		**(397,656)**	(201,551)
FINANCING ACTIVITIES			
Net proceeds from the issuance of convertible notes		**–**	200,000
(Repayment to) proceeds from a director		**(45,000)**	45,000
New borrowings raised		**7,162**	30,000
Proceeds from related parties		**–**	18,814
Payments on redemption of convertible notes		**–**	(169,528)
Repayments of borrowings		**–**	(20,000)
Interest paid		**(14,392)**	(12,891)
Repayment of debenture		**–**	(10,000)
Capital injection of non-controlling interest		**325,687**	–
Dividends paid to non-controlling interest		**(2,000)**	–
Proceeds from issue of new shares		**141,472**	–
Net cash generated from financing activities		**412,929**	81,395
Net increase in cash and cash equivalents		**71,548**	24,775
Cash and cash equivalents at 1 January		**88,986**	63,737
Effect of foreign exchange rate changes		**(574)**	474
Cash and cash equivalents at 31 December represented by bank balances and cash – general accounts		**159,960**	88,986

1. GENERAL

Ping An Securities Group (Holdings) Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the People's Republic of China ("PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries (collectively referred to as the "Group") is HK$. The directors of the Company consider that it is more appropriate to present the consolidated financial statements in HK$ as the shares of the Company are listed on the Stock Exchange.

The Company is an investment holding company. The principal activities of the principal subsidiaries are set out in note 42.

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

New and Amendments to HKFRSs that are mandatory effective for the current year

The Group has applied the following mandatorily to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
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

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

(A) Application of HKFRS 9

HKFRS 9 and the amendments to HKFRS 9 have 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. As 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.

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

(A) Application of HKFRS 9 *(continued)*

(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.

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:

	Old classification under HKAS 39	New classification under HKFRS 9	Carrying amount under HKAS 39 HK$'000	Reclassification HK$'000	Remeasurement HK$'000	Carrying amount under HKFRS 9 HK$'000
Investments in listed equity securities (held for trading)	FVTPL	FVTPL	54,919	–	–	54,919
Loans receivables	Loans and receivables	Amortised cost	30,000	–	–	30,000
Investment in convertible notes	FVTPL	FVTPL	21,000	–	–	21,000
Trade and other receivables	Trade and other receivables	Trade and other receivables	41,619	–	–	41,619
Bank balances and cash – general accounts	Bank balances and cash – general accounts	Bank balances and cash – general accounts	88,986	–	–	88,986
Bank balances and cash – trust accounts	Bank balances and cash – trust accounts	Bank balances and cash – trust accounts	101,560	–	–	101,560

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

(A) Application of HKFRS 9 *(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:

- financial assets that are subsequently measured at amortised cost (including cash and cash equivalents, trade receivables and loans receivables);
- contract assets as defined in HKFRS 15; and
- investments in debt securities that are subsequently measured at FVTOCI;

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
Loss allowance recognised as at 31 December 2017 under HKAS 39	–
Additional loss allowance as a result of the application of the "expected loss model" under HKFRS 9	
– Trade receivables	–
– Contract assets	–
– Loans receivables	–
– FVTOCI investments in debt securities	–
Loss allowance recognised as at 1 January 2018 under HKFRS 9	–

(III) Classification and measurement of financial liabilities

The application of HKFRS 9 in respect of financial liabilities' classification and measurement has had no impact on the consolidated financial statements.

(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.

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

(B) Application of HKFRS 15

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 (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.

As mentioned in note 7, the Group is engaged in the following operations:

1) Commission and brokerage income;

2) Interest income from cash and margin clients;

3) Placing and underwriting commission;

4) Mining and trading of crypto currencies;

5) Asset management fee;

6) Corporate finance advisory services;

7) Interest income from loan receivables;

8) Interest income from investment;

9) Commission from client referral;

10) Insurance brokerage services; and

11) Data verification service income.

The application of HKFRS 15 has not had any material impact on the consolidated financial statements – revenue continues to be recognised when goods and services are delivered to customers and customers have accepted the goods and services.

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

(C) Application of HK (IFRIC) 22

HK (IFRIC) 22 provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency. The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The application of HK (IFRIC) 22 has not had any material impact on the consolidated financial position and the consolidated financial result.

New and revised HKFRSs in issue but not yet effective

A number of new standards and amendments to standards and interpretations that are relevant to the Group but not yet effective for the financial year beginning at 1 January 2018 and have not been early adopted by the Group are as follows:

HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[2]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to HKFRS 3	*Definition of a Business*[4]
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*[3]
Amendments to HKFRS 1 and HKFRS 8	*Definition of Material*[5]
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 HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*[1]

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for annual periods beginning on or after 1 January 2021.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

5 Effective for annual periods beginning on or after 1 January 2020.

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

HKFRS 16 *Leases*

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

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

HKFRS 16 *Leases (continued)*

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, 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, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$40,290,000 as disclosed in note 40. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, 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.

In addition, the Group currently considers refundable rental deposits paid of HK$5,595,000 and refundable rental deposits received of HK$491,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

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

HKFRS 16 *Leases (continued)*

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance (Cap. 622).

BASIS OF PREPARATION

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately HK$1,276,536,000 during the year ended 31 December 2018 and as of that date, the Group's current liabilities exceeded its current assets by approximately HK$62,473,000.

The directors of the Company consider that the Group will have sufficient cash resources to satisfy its future working capital and other resources to satisfy its future working capital and other financing requirements. Accordingly, the directors of the Company consider that is appropriate to prepare the consolidated financial statements on a going concern basis.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BASIS OF PREPARATION *(continued)*

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

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

The principal accounting policies 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.

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

Changes in the Group's interests in 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 relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. 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.

When the Group losses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interest (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, Financial instruments: recognition and measurement or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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 shared-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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BUSINESS COMBINATIONS *(continued)*

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 amount of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. 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.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

Acquisition of a subsidiary not constituting a business

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

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, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) 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 (or group of cash-generating units) 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 (or group of cash-generating units). 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 or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Revenue from contracts with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

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

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions), as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

REVENUE RECOGNITION (prior to 1 January 2018)

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from sales 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.

Commission and brokerage income is recorded as income when the trades are executed. Underwriting fee and commission income for securities listed in the Stock Exchange of Hong Kong Limited is recognised when services are rendered.

Dividend income from listed investments is recognised when the shareholders' rights to receive payment have been established.

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

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under redevelopment for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under development are capitalised as part of the carrying amount of the investment properties under development.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

INTANGIBLE ASSETS

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

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

IMPAIRMENT LOSSES ON ASSETS, INCLUDING INVESTMENT IN A JOINT VENTURE

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful life 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 relevant asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an asset individually, 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

IMPAIRMENT LOSSES ON ASSETS, INCLUDING INVESTMENT IN A JOINT VENTURE *(continued)*

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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised 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 loss 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.

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 lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

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 over the lease term.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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 each 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 recognised in profit or loss for the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

For the purpose 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. HK$) 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 the translation reserve (attributed to non-controlling interest 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 in profit or loss.

BORROWING COSTS

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

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

RETIREMENT BENEFIT COSTS

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

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 loss before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such 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 and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodies in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

CASH AND CASH EQUIVALENTS

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

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 the 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. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of the subsequent reporting period, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37, Provisions, contingent liabilities and contingent assets and the amount initially recognised less cumulative amortisation recognised in accordance with HKAS 18, Revenue.

FINANCIAL INSTRUMENTS

Initial recognition under HKAS39 and HKFRS9

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

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.

Before the adoption of HKFRS9 on 1 January 2018

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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 asset, 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.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) 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 incorporates 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 6.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(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 (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of available-for-sale debt instruments relating to interest income calculated using the effective interest method 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 in 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.

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 investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

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, loan receivable and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see the 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.

Impairment losses on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. The 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 an available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its costs is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets (continued)

Impairment losses on financial assets *(continued)*

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.

For certain categories of financial assets, such as trade and other 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, and 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other 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 and other 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 losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets (continued)

Impairment losses on financial assets *(continued)*

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 investment revaluation 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.

Financial liabilities and equity instruments

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

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 Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

The Group's financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or it is those designated at FVTPL on initial recognition.

A financial liability other than a financial liability 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 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 HKAS 39, Financial instruments: recognition and measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured 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 includes any interest paid on the financial liability and is included in the 'other gains and losses' line item.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Other financial liabilities

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

Convertible notes

Convertible note issued by the Company that contains both a liability and embedded derivative is classified separately into these respective items on initial recognition. Conversion right that will be settled other than by the exchange of a fixed amount of cash or other financial assets for a fixed number of the Company's shares is conversion right derivative. Redemption right at the option of the Company which is not closely related to the host contract is also embedded derivative. At the date of issue of the convertible note, the embedded derivative is recognised at fair value, the host liability is recognised at the residual amount after deducting the fair value of embedded derivative from the fair value of the convertible note as a whole.

In subsequent periods, the liability component of the convertible note is carried at amortised cost using the effective interest method. The embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated income statement.

If the convertible note is converted before maturity date, the respective conversion right derivative in the convertible note, together with the carrying value of the liability component at the time of conversion, are transferred to share capital and share premium as consideration for the shares issued.

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.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group 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 is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Derecognition (continued)

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

After the application of HKFRS9

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

Financial assets 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.

Financial assets 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.

All other financial assets are measured subsequently at fair value through profit or loss ("FVTPL").

Financial assets at amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a financial assets or financial liabilities and of allocating interest income and expenses over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the financial assets or financial liabilities, or, where appropriate, a shorter period, to the gross carrying amount 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured 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. All recognised financial assets of the Group that are within the scope of HKFRS 9 (including trade receivables, other receivables, bank balances and cash) are subsequently measured at amortised costs.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date.

The Group always recognises lifetime ECL for trade receivables and contract assets and measures the lifetime ECL for portfolios of trade receivables and contract assets that share similar economic risk characteristics. The ECL on these financial assets are estimated using an analysis of assets by risk level of customers and apply a probability-weighted estimate of the credit losses within the relevant risk type. The probability-weighted estimate of the credit losses is determined 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 measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

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; and

- 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 i) the financial instrument has a low risk of default; ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and iii) 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 internal or external credit rating of "investment grade" as per the globally understood definitions.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that 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 collaterals 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.

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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are past due over two years, 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.

Measurement and recognition of ECL

The measurement of ECL 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Measurement and recognition of ECL (continued)

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

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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.

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 party.

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.

Financial liabilities and equity

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

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.

Financial liabilities at amortised cost

The Group's financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial liabilities at amortised cost (continued)

Classification of financial liabilities and equity instruments

Financial liabilities 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.

Financial liabilities

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

Financial liabilities subsequently measured 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 measured as at FVTPL, are 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 periods. 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.

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.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the financial statements when the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Related parties

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

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

  (ii) has significant influence over the Group; or

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

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

  (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow 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) The entity and the Group are joint ventures of the same third party.

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

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

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

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

  (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of 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 JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(i) Control over Super Harvest Global Fund SPC "SH Global Fund")

Note 42 describes that SH Global Fund is a subsidiary of the Group although the Group does not share any ownership interest in SH Global Fund.

The directors of the Company assessed whether or not the Group has control over SH Global Fund based on whether the Group has the practical ability to direct the relevant activities of SH Global Fund unilaterally. In making the judgement, the directors of the Company considered the Group's voting rights and the other shareholders' rights and power over SH Global Fund. The Group has contractual right to appoint all directors to the board of directors of SH Global Fund, whom has rights including but not limited to appointment of investment manager which made decisions concerning investments of the fund. Further, the investment manager appointed by the board is a wholly owned subsidiary of the Group. After assessment, the directors of the Company concluded that the Group has absolute power to direct the relevant activities of SH Global Fund and therefore the Group has control over SH Global Fund.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(i) Useful lives and amortisation of intangible assets

Items of intangible assets are amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives and residue value of the assets at each balance sheet date in order to determine the amount of amortisation expense to be recorded during the year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(ii) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at their fair value. The fair value was based on a valuation on these properties conducted by AP Appraisal Limited (formerly known as Hung Association Appraisal And Professional Services Limited) ("AP Appraisal"), a professional independent valuer not connected to the Group, using property valuation techniques which involve making assumptions on certain market conditions and or by reference to combined result of the different property valuation techniques, if necessary. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the gain or loss recognised in the consolidated statement of profit or loss. As at 31 December 2018, the Group's investment properties are stated at fair value of approximately HK$1,366,000,000 (2017: approximately HK$1,128,000,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(iii) Impairment of intangible assets

Intangible assets are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to impairment loss. The recoverable amount is the value in use. The value-in-use calculation requires the directors of the Company to estimate the future cash flows expected to arise from the relevant cash generating unit and a suitable discount rate is used in order to calculate the present value. As at 31 December 2018, the carrying amount of the Group's intangible assets was approximately HK$306,630,000 (2017: approximately HK$324,512,000).

(iv) Impairment of trade and other receivables

The Group maintains an allowance for estimated loss arising from the inability of its trade and other receivables to make the required payments. The Group makes its estimates based on the history of its client, such as financial difficulties or default payments and current market conditions. If the financial condition of its trade and other receivables was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. As at 31 December 2018, the carrying amount of the Group's trade and other receivables was approximately HK$44,721,000 (2017: approximately HK$185,354,000).

(v) Income taxes and deferred taxation

The Group is subject to income taxes in the 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.

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.

(vi) Impairment of goodwill

Determining whether the goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and suitable discount rate in order to calculate the present value. The fair value less costs of disposal require management to determine the fair value by taking reference to the valuation report conducted by independent valuer. As at 31 December 2018, the carrying amount of the Group's goodwill was approximately HK$701,000 (2017: approximately HK$725,849,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(vii) Fair value of derivatives and other financial instruments

As described in note 32, the directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The carrying amount of the derivative financial liabilities and debt component of convertible notes as at 31 December 2018 is approximately HK$1,400,000 (2017: approximately HK$28,400,000) and approximately HK$266,375,000 (2017: approximately HK$234,994,000) respectively. Details of the assumptions used are disclosed in note 32. The directors believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments.

(viii) Property, plant and equipment

The Group has assessed the basis of depreciation of the crypto currencies mining computer hardware at 25% per month on a diminishing value basis.

The crypto currencies mining computer hardware is used to generate crypto currencies. The rate at which the Group generates crypto currencies and, therefore, consumes the economic benefits of its crypto currencies computer mining hardware is influenced by a number of factors including the following:

– the complexity of the mining process which is driven by the algorithms contained within the crypto currencies open source software;

– the general availability of appropriate computer processing capacity on a global basis (commonly referred to in the industry as hashing capacity which is measured in Petahash units); and

– technological obsolescence reflecting rapid development in the crypto currencies mining computer hardware industry such that more recently developed hardware is more economically efficient to run in terms of crypto currencies mined as a function of operating costs, primarily power costs i.e. the speed of hardware evolution in the industry is such that later hardware models generally have faster processing capacity combined with lower operating costs and a lower cost of purchase.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(viii) Property, plant and equipment (continued)

Because of both the Group and the industry's relatively short life cycle to date management has only limited data available to it. Furthermore the data available also includes data derived from the use of economic modelling to forecast future crypto currencies generation and the assumptions included in such forecasts, including crypto currencies price and network difficulty, are derived from management assumptions which are inherently judgemental. Based on current data available management has determined that 25% diminishing value best reflects the current expected useful life of crypto currencies computer mining hardware, the diminishing value determined for financial year ended 31 December 2018. Management will review this estimate at each reporting date and will revise such estimates as and when data comes available. Whilst it is currently expected that the Group will sale the crypto currencies mining hardware at the end of its useful life. However, the crypto currencies computer mining hardware has been assumed to have no residual value at the end of its useful life due to the small volume of mining transactions. Management will review the appropriateness of its assumption of nil residual value at each reporting date.

5. CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern in order to support its business and maximise shareholders' value.

The capital structure of the Group consists of net debt, which included the borrowings, amount due to related parties, convertible notes, cash and cash equivalents, disclosed in notes 30, 31, 32, and 28 respectively, and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

There is no change in the capital risk management policy adopted by the Company during the years ended 31 December 2018 and 31 December 2017.

Ping An Securities Limited ("Ping An"), a wholly-owned subsidiary of the Group, is registered with Securities and Futures Commission ("SFC") for the business it operates in. Ping An is subject to liquid capital requirements under Securities and Futures (Financial Resources) Rules ("SF(FR)R") adopted by the SFC. Under the SF(FR)R, Ping An must maintain their liquid capital in excess of HK$3 million or 5% of their total adjusted liabilities, whichever is the higher. The required information is filed with SFC on a monthly basis.

6. FINANCIAL INSTRUMENTS

(a) CATEGORIES OF FINANCIAL INSTRUMENTS

	2018 HK$'000	2017 HK$'000
Financial assets		
Fair value through profit or loss		
– Listed securities at fair value	**98**	54,919
– Unlisted investment funds at fair value	**184**	–
– Convertible notes at fair value	**–**	21,000
	282	75,919
Loans and receivables at amortised cost		
– Loan receivables	**256,365**	30,000
– Other financial assets	**93,701**	–
– Trade and other receivables	**41,042**	41,619
– Pledged bank deposit	**3,453**	–
– Bank balances and cash - general accounts	**159,960**	88,986
– Bank balances and cash - trust accounts	**86,848**	101,560
	641,369	262,165
	641,651	338,084
Financial liabilities		
Fair value through profit or loss		
– Derivative financial liabilities – embedded conversion option	**1,400**	28,400
	1,400	28,400
Other financial liabilities at amortised cost		
– Trade payables	**99,808**	127,868
– Other payables	**502,955**	145,697
– Borrowings	**77,775**	99,547
– Amount due to a director	**–**	45,000
– Amounts due to related parties	**15,000**	18,883
– Convertible notes – debt component	**266,375**	234,994
	961,913	671,989
	963,313	700,389

6. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include loan receivable, trade and other receivables, financial assets at fair value through profit or loss, financial assets at amortised cost, bank balances and cash, trade payables, other payables, amount due to related parties, borrowings, convertible notes and derivative financial liabilities. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (foreign currency risk and interest rate risk), credit risk, liquidity risk and equity price risk.

The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign currency risk

The functional currency of certain subsidiaries is RMB since part of the revenue of the Group are derived from operations in the PRC. In relation to the fluctuation on RMB against HK$, the Group considers that exchange risk arising from those currencies does not have significant financial impact to the Group. No hedging or other alternatives have been implemented during the year. The Group will consider hedging significant foreign currency exposure should the need arise. Other than the above, the Group did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

As at 31 December 2018, the Group did not have significant monetary assets and monetary liabilities which were denominated in currencies other than the functional currency of the relevant group companies.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate borrowings (see note 30), fixed rate loan receivables (see note 24), and cash flow interest rate risk in relation to variable-rate bank balances (see notes 28). The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The directors of the Company consider the Group's exposure of the short-term bank deposits and bank balances, to interest rate risk is not significant as interest bearing bank balances are within short maturity periods.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Market risk (continued)

(ii) Interest rate risk *(continued)*

Total interest revenue/income from financial assets that are measured at amortised cost is as follows:

	2018 HK$'000
Interest revenue	
Financial assets at amortised cost	**23,101**
Other income	
Financial assets at amortised cost	**151**
Total interest income	**23,252**

	2017 HK$'000
Interest revenue	
Loans and receivables (including bank balances and cash)	1,526
Other income	
Loans and receivables (including bank balances and cash)	134
Total interest income	1,660

Interest expense on financial liabilities not measured at fair value through profit or loss:

	2018 HK$'000	2017 HK$'000
Financial liabilities at amortised cost	**47,371**	55,680

Interest rate sensitivity

The sensitivity analysis below is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis points (2017: 25 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

As at 31 December 2018 and 2017, the Group has no significant variable-rate bank deposits and borrowing as at the end of reporting period.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising 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 directors of the Company have delegated its finance team to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The finance team uses publicly available financial information and the Group's own historical repayment records to rate its major customers and 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. In addition, the Group performs impairment assessment under ECL model upon application HKFRS 9 (2017: incurred loss model) on trade balances individually or provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group has a certain degree of concentration of credit risk as 20% (2017: 8%) and 53% (2017: 18%) of the total trade receivables were due from the Group's largest customer and the five largest customers, respectively. However, the directors of the Company consider the credit risk is under control since the management exercise due care in granting credit and check the financial background of these customers on a regular basis.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk (continued)

The credit risk on loan receivable is managed through regular analysis of the ability of borrowers to meet interest and principal repayment obligations. The Group reviews the recoverable amount of loan receivable at the end of the reporting period. The directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is in Hong Kong and the PRC, which accounted for all of the Group's trade receivables as at 31 December 2018 and 2017.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/other Items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12 month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

6. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk (continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2018	*Note*	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount
					HK$'000
Financial assets at amortised costs					
Loan receivables	24	N/A	Low risk	12-month ECL	273,598
Financial assets at amortised cost	25	N/A	Low risk	12-month ECL	100,000
Pledged bank deposits	28	AA	N/A	12-month ECL	3,453
Bank balances	28	AA	N/A	12-month ECL	159,705
Other receivables	27	N/A	*Note 1*	12-month ECL	9,971
Interest receivable	27	N/A	Low risk	12-month ECL	17,697
Trade receivables	27	N/A	Low risk	12-month ECL	14,517

Note:

1. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due	Not past due/No fixed repayment terms	Total
	HK$'000	HK$'000	HK$'000
Other receivables	–	9,971	9,971

Liquidity risk

In the management of the liquidity risk, the Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it meets the liquidity requirements in the short and long term.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk (continued)

The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

As at 31 December 2018

	Weighted average interest rate	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
AMORTISED COST							
Trade payables	–	99,808	–	–	–	99,808	99,808
Other payables	–	502,955	–	–	–	502,955	502,955
Amounts due to related parties	–	–	15,000	–	–	15,000	15,000
Convertible notes (debt component)	3.46%	110,000	215,000	–	–	325,000	266,375
Borrowings	6.42%	11,621	18,045	61,660	–	91,326	77,775
		724,384	248,045	61,660	–	1,034,089	961,913

As at 31 December 2017

	Weighted average interest rate	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
AMORTISED COST							
Trade payables	–	127,868	–	–	–	127,868	127,868
Other payables	–	145,697	–	–	–	145,697	145,697
Amount due to a director	–	45,000	–	–	–	45,000	45,000
Amounts due to related parties	–	3,883	15,000	–	–	18,883	18,883
Convertible notes (debt component)	3.46%	–	110,000	215,000	–	325,000	234,994
Borrowings	8.37%	36,643	4,393	79,705	–	120,741	99,547
		359,091	129,393	294,705	–	783,189	671,989

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as financial asset at fair value through profit or loss (note 26) and derivative financial liabilities (note 32). The directors consider that the equity price risk is low because the exposure is limited.

Equity price risk sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate is 10% in current year as a result of the volatile financial market. If the prices of the respective equity underlying the instruments had been 10% (2017: 10%) higher/lower, post-tax loss for the year ended 31 December 2018 would decrease/increase by approximately HK$872,000 (2017: decrease/increase by approximately HK$992,000) as a result of the changes in fair value of financial assets at FVTPL (2017: held-for-trading investments) and derivative financial liabilities.

(c) FAIR VALUE

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

The following table gives information about how the fair values of the Group's financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

	Fair values as at 31 December		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	2018 HK$'000	2017 HK$'000			
Listed equity securities classified as financial assets at fair value through profit or loss	Assets – HK$98	Assets – HK$54,919	Level 1	Quoted bid prices in an active market	N/A
Convertible note classified as financial assets at fair value through profit or loss	Nil	Assets – HK$21,000	Level 3	Binomial option pricing model Key inputs are share price, exercise price, option life, risk free rate, volatility, dividend yield and bond yield rate	The estimation of risk free rate has been made with reference to the yields to maturity of respective Hong Kong Exchange Fund Notes as at the valuation date Volatility is the annualised standard deviation of the continuously compounded rates of return on the daily adjusted share price of the Company
Derivative financial instruments	Liabilities – HK$1,400	Liabilities – HK$28,400	Level 3	Binomial option pricing model Key inputs are share price, exercise price, option life, risk free rate, volatility, bond yield rate and dividend yield	The estimation of risk free rate has been made with reference to the yields to maturity of respective Hong Kong Exchange Fund Notes as at the valuation date Volatility is the annualised standard deviation of the continuously compounded rates of return on the daily adjusted share price of the Company
Unlisted investment fund	Assets – HK$184	Nil	Level 1	Quoted bid prices in an active market	N/A

6. FINANCIAL INSTRUMENTS *(continued)*

(c) FAIR VALUE *(continued)*

There were no transfers between all levels in both years.

Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

	As at 31 December 2018		As at 31 December 2017	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Financial liabilities				
Convertible notes				
– debt component	**266,375**	**259,093**	234,994	232,295

The fair value of the debt component of convertible notes is determined assuming redemption on maturity date and using a 5% interest rate.

Reconciliation of Level 3 fair value measurements of financial assets and liabilities

	Financial asset – convertible notes HK$'000	**Derivative financial liabilities – Embedded conversion option of convertible notes** HK$'000	**Total** HK$'000
At 1 January 2017	(63,700)	11,289	(52,411)
Additional	–	53,761	53,761
Converted into ordinary shares	40,500	–	40,500
Arising on changes in fair value	2,200	(36,650)	(34,450)
At 31 December 2017 and 1 January 2018	(21,000)	28,400	7,400
Disposal	15,000	–	15,000
Arising on changes in fair value	6,000	(27,000)	(21,000)
At 31 December 2018	–	1,400	1,400

6. FINANCIAL INSTRUMENTS *(continued)*

(c) FAIR VALUE *(continued)*

Reconciliation of Level 3 fair value measurements of financial assets and liabilities (continued)

Included in profit or loss for the year were, approximately HK$19,500,000 (loss) and HK$27,000,000 (gain) related to financial assets and derivative financial liabilities (2017: approximately HK$11,593,000 (gain) and HK$36,650,000 (gain), respectively.

The significant unobservable input used in the level 3 fair value measurements is the expected volatility of the shares, which range from 46.19% to 58.29% (2017: 42.51% to 62.68%). The fair value measurement is positively correlated to the expected volatility. As at 31 December 2018, it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 5% would have increase/decrease the group's loss by approximately HK$1,000,000 (2017: approximately HK$5,500,000).

7. SEGMENT INFORMATION

The Group's operating segments are determined based on information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performances.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Data verification service	Provision of data verification service
Financial services	Securities dealing and financial services
Insurance brokerage segment	Provision of insurance referral services
Loan financing	Provision of financing services
Mining and trading of crypto currencies	Mining and trading of crypto currencies
Property development	Development of primarily hotel and commercial properties

SEGMENT REVENUES AND RESULTS

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

For the year ended 31 December 2018

	Data verification service HK$'000	Financial services HK$'000	Insurance brokerage HK$'000	Loan financing HK$'000	Mining and trading of crypto currencies HK$'000	Property development HK$'000	Total HK$'000
Revenue	5,039	57,510	2,150	16,695	–	–	81,394
Segment loss	(1,908)	(723,471)	(5,149)	(1,747)	(53,054)	(388,252)	(1,173,581)
Unallocated corporate expenses							(119,209)
Unallocated other income							27,730
Finance costs							(47,371)
Loss before tax							(1,312,431)

7. SEGMENT INFORMATION *(continued)*

SEGMENT REVENUES AND RESULTS *(continued)*

For the year ended 31 December 2017

	Financial services HK$'000	Property development HK$'000	Total HK$'000
Revenue	26,774	–	26,774
Segment loss	(741)	(109,368)	(110,109)
Unallocated corporate expenses			(19,775)
Unallocated other income			64,750
Finance costs			(55,680)
Loss before tax			(120,814)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended 31 December 2018 and 31 December 2017.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit or loss represents the profit or loss from each segment without allocation of central administration costs, directors' emoluments, share of result of a joint venture, interest income, finance costs, gain on disposal of intangible asset, gain on disposal of subsidiaries, fair value change on financial assets at fair value through profit or loss, fair value change on derivative financial liabilities and fair value change on contingent consideration. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

7. SEGMENT INFORMATION *(continued)*

SEGMENT REVENUES AND RESULTS *(continued)*

Disaggregation of revenue

Types of goods or service	2018 HK$'000	2017 HK$'000
Financial services segment		
Commission and brokerage income	**5,865**	5,005
Interest income from cash and margin clients	**156**	1,526
Placing and underwriting commission	**6,519**	14,593
Asset management fee income	**38,270**	–
Corporate financial advisory service income	**450**	5,650
Interest income from investment	**6,250**	–
	57,510	26,774
Loan financing segment		
Interest income from loans receivables	**16,695**	–
Insurance brokerage segment		
Commission from insurance brokerage	**143**	–
Commission from client referral	**2,007**	–
	2,150	–
Data verification service segment		
Service income	**5,039**	–
Total	**81,394**	26,774

7. SEGMENT INFORMATION *(continued)*

SEGMENT ASSETS AND LIABILITIES

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

	2018 HK$'000	2017 HK$'000
Segment assets		
Loan financing	**272,439**	–
Financial services	**498,261**	1,258,895
Property development	**1,370,315**	1,216,706
Insurance brokerage	**1,390**	–
Data verification service	**4,006**	–
Total segment assets	**2,146,411**	2,475,601
Unallocated corporate assets	**188,299**	186,722
Total consolidated assets	**2,334,710**	2,662,323
Segment liabilities		
Loan financing	**2**	–
Financial services	**156,377**	129,245
Property development	**992,085**	427,270
Insurance brokerage	**918**	–
Data verification service	**4,553**	–
Mining and trading of crypto currencies	**18,039**	–
Total segment liabilities	**1,171,974**	556,515
Unallocated corporate liabilities	**483,663**	599,830
Total consolidated liabilities	**1,655,637**	1,156,345

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

– All assets are allocated to operating segment assets other than certain other receivables, property, plant and equipment of head office and bank balances and cash.

– All liabilities are allocated to operating segment liabilities other than certain other payables, borrowings, tax liabilities, deferred tax liabilities, amounts due to related parties, amount due to a director, derivative financial liabilities and convertible notes.

7. SEGMENT INFORMATION *(continued)*

OTHER SEGMENT INFORMATION

For the year ended 31 December 2018

	Loan financing HK$'000	Insurance brokerage HK$'000	Data verification service HK$'000	Financial services HK$'000	Property development HK$'000	Mining and trading of crypto currencies HK$'000 (Note)	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment (profit) or loss or segment assets:								
Additions of property, plant and equipment and investment properties	34	–	–	134	431,895	49,391	12,733	494,187
Depreciation of property, plant and equipment	3	–	–	449	185	37,671	2,004	40,312
Fair value loss on investment properties	–	–	–	–	137,818	–	–	137,818
Amortisation of intangible assets	100	–	–	18,282	–	–	–	18,382
Dividend								
Net losses on mining and trading of crypto currencies *(note)*	–	–	–	–	–	3,241	–	3,241
Property, plant and equipment written off	–	–	–	–	–	11,720	41	11,761
Amounts regularly provided to the CODM but not included in the measure of segment (profit) or loss or segment assets:								
Impairment on goodwill	–	–	–	725,330	–	–	535	725,865
Interest income	–	–	(5)	(92)	(52)	–	(2)	(151)
Convertible note interest income	–	–	–	(531)	–	–	–	(531)
Dividend income	–	–	–	(23)	–	–	–	(23)
Fair value change on derivative financial liabilities	–	–	–	–	–	–	(27,000)	(27,000)
Fair value change on financial assets at fair value through profit or loss	–	–	–	19,500	–	–	–	19,500
Interest expenses	–	–	–	–	277	–	47,094	47,371
Income tax (credit) expenses	–	–	–	(1,441)	(34,454)	–	–	(35,895)

7. SEGMENT INFORMATION *(continued)*

OTHER SEGMENT INFORMATION *(continued)*

Note:

During the year ended 31 December 2018, the Group commenced to engaged in mining and trading of crypto currencies activities operated by Might Pinnacle Limited ("Mighty"), a wholly owned subsidiary of the Company, which ceased its operation during the year.

The result of the mining and trading of crypto currencies activities of Mighty for the year, which were included in the consolidated statement of profit or loss, were as follows:

	2018 HK$'000
Proceeds	14,209
Direct cost, excluding depreciation	(17,450)
Net loss on trading and mining of crypto currencies	(3,241)

For the year ended 31 December 2017

	Financial services HK$'000	Property development HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment (profit) or loss or segment assets:				
Additions of property, plant and equipment and investment properties	433	342,834	31	343,298
Depreciation of property, plant and equipment	404	61	156	621
Fair value gain on investment properties	–	(109,274)	–	(109,274)
Amortisation of intangible assets	18,282	–	–	18,282
Gain on disposal of subsidiaries	–	–	(12,259)	(12,259)
Amounts regularly provided to the CODM but not included in the measure of segment (profit) or loss or segment assets:				
Interest income	(28)	(106)	(148)	(282)
Convertible note interest income	(219)	–	–	(219)
Fair value change on derivative financial liabilities	–	–	(36,650)	(36,650)
Fair value change on financial assets at fair value through profit or loss	(11,593)	–	–	(11,593)
Interest expenses	–	–	55,680	55,680
Income tax (credit) expenses	(30)	27,318	–	27,288

7. SEGMENT INFORMATION *(continued)*

GEOGRAPHICAL INFORMATION

The Group operates in two principal geographical areas – the PRC (excluding Hong Kong) and Hong Kong (country of domicile).

Information about the Group's revenue from external customers and information about its specified non-current assets which exclude financial instruments are presented based on the geographical location.

The geographic location of customers is based on the location of the operations of the Group. The geographic location of the specified non-current assets is based on the physical location of the assets and the location of the operation to which they are allocated.

	Revenue from external customers		Specified non-current assets	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**5,039**	–	**1,367,096**	1,216,691
Hong Kong	**76,355**	26,774	**321,078**	1,101,263
	81,394	26,774	**1,688,174**	2,317,954

INFORMATION ABOUT MAJOR CUSTOMERS

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

	Reportable and operating segment	2018 HK$'000	2017 HK$'000
Customer A	Financial services *(Note 1)*	**21,465**	–
Customer B	Financial services *(Note 1)*	**16,805**	–
Customer C	Financial services *(Note 2)*	**–**	5,235
Customer D	Financial services *(Note 2)*	**–**	3,684
Customer E	Financial services *(Note 2)*	**–**	3,014
Customer F	Financial services *(Note 2)*	**–**	2,898

Note 1: The corresponding amount is less than 10% of the total sales for the year ended 31 December 2017.

Note 2: No revenue is generated for the year ended 31 December 2018

8. REVENUE AND OTHER INCOME

The Group's revenue from interest income from loan, interest income from investment, interest income from cash and margin clients, corporate finance advisory services, asset management, insurance brokerage, commission from client referral service income, data verification service income commission and brokerage income and underwriting income for the year is as follows:

	2018 **HK$'000**	2017 HK$'000
Revenue		
Interest income from loan receivables	**16,695**	–
Interest income from investment	**6,250**	–
Commission and brokerage income	**5,865**	5,005
Interest income from cash and margin clients	**156**	1,526
Placing and underwriting commission	**6,519**	14,593
Corporate finance advisory services fee income	**450**	5,650
Asset management fee income	**38,270**	–
Insurance brokerage income	**143**	–
Commission from client referral	**2,007**	–
Data verification service income	**5,039**	–
	81,394	26,774
Other income		
Interest income	**151**	134
Investment interest income	**–**	148
Sundry income	**197**	6,351
Dividend income	**23**	–
Convertible note interest income	**531**	219
	902	6,852

9. FINANCE COSTS

	2018 **HK$'000**	2017 HK$'000
Interests on:		
– Bank and other borrowings	**5,990**	6,418
– Convertible notes	**41,381**	49,262
	47,371	55,680

10. EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS

	2018 HK$'000	2017 HK$'000
Impairment losses recognized on:		
– Loan receivables	**17,233**	–
– Interest receivables	**1,143**	–
– Financial assets at amortised cost	**6,299**	–
	24,675	–

11. INCOME TAX (CREDIT) EXPENSES

	2018 HK$'000	2017 HK$'000
Current tax		
– Hong Kong Profits Tax	**1,625**	2,973
Deferred tax		
– (Credit) Charge for the year	**(37,520)**	24,315
Income tax (credit) expenses	**(35,895)**	27,288

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

Accordingly, starting from the current year, the Hong Kong profit tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

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%.

11. INCOME TAX (CREDIT) EXPENSES *(continued)*

The tax expenses (credit) for the years 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	**(1,312,431)**	(120,814)
Tax calculated at a tax rate of 16.5%	**(216,551)**	(19,934)
Effect of different applicable tax rate for operations in Mainland China	**(34,105)**	(8,422)
Tax effect of deductible temporary difference not recognised	**(310)**	–
Tax effect of expenses not deductible for tax purpose	**152,695**	13,470
Tax effect of income not taxable for tax purpose	**(8,773)**	(10,043)
Tax losses not recognised	**71,169**	52,247
Others	**(20)**	(30)
Income tax (credit)/expenses for the year	**(35,895)**	27,288

At the end of the reporting period, the Group has unused tax losses of approximately HK$534,786,000 (2017: approximately HK$234,220,000), of which tax loss arising in the PRC is approximately HK$437,386,000 (2017: approximately HK$234,220,000), available for offsetting against future profits. No deferred tax asset has been recognised in respect of such unused tax losses due to the unpredictability of future profits streams.

As at 31 December 2018, the Group's remaining unrecognised tax losses will expire in the following years:

	2018 **HK$'000**	2017 HK$'000
2018	**–**	–
2019	**–**	–
2020	**3,677**	3,830
2021	**12,961**	13,502
2022	**208,219**	216,888
2023	**212,529**	–
	437,386	234,220

Other losses may be carried forward indefinitely.

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	2018 **HK$'000**	2017 HK$'000
Staff costs:		
– Directors' emoluments *(note 13)*	**8,100**	3,095
– Other staff costs:		
– Salaries and other benefits	**42,727**	11,991
– Retirement benefit scheme contributions	**2,236**	508
Total staff costs	**53,063**	15,594
Amortisation of intangible assets	**18,382**	18,282
Depreciation for property, plant and equipment	**40,312**	621
Total depreciation and amortisation	**58,694**	18,903
Commission expenses paid for agents for pre-leasing	**81,728**	137,970
Compensation paid to tenants	**6,941**	–
Auditor's remuneration		
– audit services	**1,300**	1,300
– other services	**870**	412
Minimum lease payments under operating lease	**15,923**	2,611
Entertainment expenses	**14,145**	9,372
Legal and professional fees	**9,599**	7,324
Consultancy fee	**8,342**	463
Information and system cost	**16,698**	1,012
Advertising expenses	**7,287**	3,185
Value added tax and surtaxes expenses *(note 18)*	**29,408**	34,433
Property tax *(note 18)*	**49,200**	–
Penalty *(note 18)*	**53,839**	19,722
Land use tax	**852**	–
Blockchain expenses	**2,524**	–
Travelling	**2,856**	283

13. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

DIRECTORS' EMOLUMENTS

The emolument paid or payable to each of the 10 (2017: 12) directors of the Company were as follows:

For the year ended 31 December 2018

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary and performance related incentive payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors					
Teng Wei (Chairman) *(note (a))*	–	1,522	–	15	1,537
Cheung Kam Fai	–	900	–	18	918
Gong Qingli *(note (b))*	–	1,500	–	20	1,520
Lin Hongqiao *(note (c))*	–	1,295	–	–	1,295
	–	5,217	–	53	5,270

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary and performance related incentive payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Non-executive directors					
Tao Yanyan *(note (d))*	792	–	–	–	792
Guan Huanfei *(note (e))*	376	–	–	–	376
Wong Sai Hung *(note (f))*	355	–	–	–	355
	1,523	–	–	–	1,523

The non-executive director's emoluments shown above was for their services as directors of the Company or its subsidiaries.

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary and performance related incentive payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Independent non-executive directors					
Yang Tao *(note (g))*	404	–	–	–	404
Tsang Wah Kwong	423	–	–	–	423
Dr. Leung Wing Cheung, William *(note (h))*	480	–	–	–	480
	1,307	–	–	–	1,307
	2,830	5,217	–	53	8,100

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

13. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(continued)*

DIRECTORS' EMOLUMENTS *(continued)*

For the year ended 31 December 2017

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary and performance related incentive payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors					
Zhang Guodong *(note (i))*	–	85	–	–	85
Nijssen Victoria *(note (j))*	–	825	–	–	825
Cheung Kam Fai	–	899	–	18	917
Gong Qingli *(note (b))*	–	125	–	–	125
Lin Hongqiao *(note (c))*	–	310	–	–	310
	–	2,244	–	18	2,262

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary and performance related incentive payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Non-executive directors					
Tao Yanyan (Chairman) *(note (d))*	66	–	–	–	66
Guan Huanfei *(note (e))*	66	–	–	–	66
Cui Xintong *(note (k))*	63	–	–	–	63
	195	–	–	–	195

The non-executive director's emoluments shown above was for their services as directors of the Company or its subsidiaries.

	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary and performance related incentive payments HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Independent non-executive directors					
Dong Ansheng *(note (l))*	174	–	–	–	174
Wong Yee Shuen, Wilson *(note (m))*	174	–	–	–	174
Tsang Wah Kwong	250	–	–	–	250
Dr. Leung Wing Cheung, William *(note (h))*	40	–	–	–	40
	638	–	–	–	638
	833	2,244	–	18	3,095

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

13. DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION *(continued)*

DIRECTORS' EMOLUMENTS *(continued)*

Notes:

(a) Mr. Teng Wai was appointed as an executive director and chairman of the Company with effect from 28 March 2018.

(b) Mr. Gong Qingli was appointed as an executive director of the Company with effect from 1 December 2017.

(c) Mr. Lin Hongqiao was appointed as an executive director of the Company with effect from 8 September 2017.

(d) Ms. Tao Yanyan was appointed as a non-executive director of the Company with effect from 1 December 2017.

(e) Dr. Guan Huanfei was appointed as a non-executive director of the Company with effect from 1 December 2017 and resigned as a non-executive director with effect from 22 June 2018.

(f) Mr. Wong Sai Hung was appointed as a non-executive director of the Company with effect from 7 February 2018 and resigned as a non-executive director with effect from 18 July 2018.

(g) Dr. Yang Tao was appointed as a non-executive director of the Company with effect from 26 February 2018.

(h) Dr. Leung Wing Cheung, William was appointed as an independent non-executive director of the Company with effect from 1 December 2017.

(i) Mr. Zhang Guodong resigned as an executive director of the Company with effect from 12 January 2017.

(j) Mrs. Nijssen Victoria resigned as an executive director of the Company with effect from 1 December 2017.

(k) Ms. Cui Xintong was appointed as a non-executive director of the Company with effect from 8 September 2017 and resigned as a non-executive director with effect from 29 December 2017.

(l) Dr. Dong Ansheng resigned as an independent non-executive director of the Company with effect from 1 December 2017.

(m) Mr. Wong Yee Shuen, Wilson resigned as an independent non-executive director of the Company with effect from 1 December 2017.

All the fees, salaries and other benefits and retirement benefit scheme contributions were paid or payable by the Company.

None of the directors of the Company waived or agreed to waive any emoluments paid by the Group during the year ended 31 December 2018 (2017: nil). No emoluments have been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group during the two years ended 31 December 2018 (2017: nil) and no compensation for loss of office were paid for both years ended 31 December 2018 (2017: nil).

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, 3 (2017: 2) were directors of the Company whose emoluments are included in the disclosure in note 13 above. The emoluments of the remaining 2 (2017: 3) individuals are as follows:

	2018 HK$'000	2017 HK$'000
Salaries, allowance and other benefits	3,546	1,885
Retirement benefit scheme contributions	27	53
	3,573	1,938

Their emoluments were within the following band:

	Number of individuals 2018	2017
Nil to HK$1,000,000	–	3
HK$1,000,001 to HK$1,500,000	1	–
HK$1,500,001 to HK$2,000,000	–	–
HK$2,000,001 to HK$2,500,000	1	–
	2	3

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

15. DIVIDENDS

No dividend was paid, declared or proposed during 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

16. LOSS PER SHARE

(a) BASIC LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company are based on the following data:

	2018 HK$'000	2017 HK$'000
Loss for the year attributable to the owners of the Company	1,278,979	148,102

16. LOSS PER SHARE *(continued)*

(a) BASIC LOSS PER SHARE *(continued)*

	2018 **'000**	2017 '000 (Restated)
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**4,723,763**	4,723,763
Effect of shares issued by placing	**209,543**	–
Weighted average number of ordinary shares for the year	**4,933,306**	4,723,763

(b) DILUTED LOSS PER SHARE

The diluted loss per share for the years ended 31 December 2018 and 31 December 2017 is equivalent to the basic loss per share for both years as the potential shares arising from the conversion of the convertible notes would decrease the loss per share of the Group for both years, and this is regarded as anti-dilutive.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	**Furniture and equipment** HK$'000 (Note)	**Motor vehicles** HK$'000	**Total** HK$'000
COST				
At 1 January 2017	1,918	1,419	2,496	5,833
Exchange adjustments	29	21	44	94
Derecognised on disposal of Fortune Target Group	–	(79)	(961)	(1,040)
Written off	–	(70)	–	(70)
Additions	–	601	–	601
At 31 December 2017 and 1 January 2018	1,947	1,892	1,579	5,418
Exchange adjustments	(14)	(20)	(15)	(49)
Written off	(771)	(49,553)	–	(50,324)
Additions	10,591	51,880	272	62,743
At 31 December 2018	11,753	4,199	1,836	17,788

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Leasehold improvements HK$'000	Furniture and equipment HK$'000 (Note)	Motor vehicles HK$'000	Total HK$'000
DEPRECIATION AND IMPAIRMENT				
At 1 January 2017	1,002	804	1,848	3,654
Exchange adjustments	–	9	24	33
Charge for the year	183	306	132	621
Eliminated upon disposal of Fortune Target Group	–	(78)	(654)	(732)
Written off	–	(28)	–	(28)
At 31 December 2017 and 1 January 2018	1,185	1,013	1,350	3,548
Exchange adjustments	–	(8)	(5)	(13)
Charge for the year	1,948	38,208	156	40,312
Written off	(771)	(37,792)	–	(38,563)
At 31 December 2018	2,362	1,421	1,501	5,284
CARRYING VALUES				
At 31 December 2018	9,391	2,778	335	12,504
At 31 December 2017	762	879	229	1,870

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

– Leasehold improvements	Over the lease terms of 3 years
– Furniture and equipment	3-10 years
– Motor vehicles	5-10 years
– Crypto currencies mining computer equipment	Diminishing value at 25% per month, with the remaining carrying value of the equipment being fully depreciated in the month where the carrying value is 10% or less than the asset's original cost price.

Note: The crypto currencies mining computer equipment were included in furniture and equipment. Depreciation expense for the year ended 31 December 2018 amounted to HK$11,720,000 (2017: Nil) are included in administrative expenses in the consolidated statement of profit or loss.

As the Group ceased the mining and trading of crypto activities in September 2018, the crypto currencies mining computer equipment was no longer in use by the Group and therefore was written off during the year ended 31 December 2018.

18. INVESTMENT PROPERTIES

	Investment properties under development in the PRC HK$'000
FAIR VALUE	
As at 1 January 2017	605,000
Additions	342,697
Exchange adjustments	71,029
Increase in fair value recognised in profit or loss	109,274
As at 31 December 2017 and 1 January 2018	1,128,000
Additions	431,444
Exchange adjustments	(55,626)
Decrease in fair value recognised in profit or loss	(137,818)
	1,366,000

The Group's investment properties as at 31 December 2018 and 2017 were situated in the PRC. As at 31 December 2018, the investment properties held by the Group were located at Foshan City (the "Xiqiao Properties"). The Xiqiao Properties was classified as investment properties under development in the PRC as at 31 December 2018 and 2017.

The investment properties under developments comprised properties being developed on a piece of land located in Xiqiao Town, Foshan City, Guangdong Province (the "Properties") which was acquired through the acquisition of a subsidiary on 28 August 2015. The fair value for the Properties as at 31 December 2018 and 2017 had been arrived at on the basis of a valuation carried out by AP Appraisal, a professional independent valuer not connected to the Group. As the Properties were under development, the residual method was adopted by making reference to recent comparable sales transactions as available in the relevant property market (i.e. direct comparison approach) and taking into account the construction costs to reflect the quality of the completed development and developers' margin.

All of the Group's property interests held under operating leases to earn rentals or capital appreciation are measured using the fair value model and are classified and accounted for as investment properties. The Group started signing agreements of pre-leasing the Properties in 2017 (details as described below) and approximately 35% of total area of the Properties was contracted out as at 31 December 2018.

18. INVESTMENT PROPERTIES *(continued)*

The pre-lease agreements are of lease term over 30 years and as an initial stage promotion policy, lessees have been granted the right to put their pre-leased units back to the Group at the initial contract price at the 10th anniversary (the "10-year right"). As at 31 December 2018, approximately 32% of the total area of the properties was contracted out with the 10-year right. The total carrying amount of investment properties which have pre-leasing agreements with the 10-year right amounted to approximately RMB599,196,000 (equivalent to approximately HK$689,682,000)

According to regulations from PRC tax authority, the Group is liable to value added tax, property tax and surtaxes upon receipt of the prepayment from tenants. The management considered such tax payments may not be recoverable under the 10-year right and therefore, the respective tax paid/payable were expensed (see note 12). As a result of delay reporting of value added tax, property tax and surtaxes for prepayment received from tenants of the Properties, the Group provided late penalty based on 50% of taxes payable as at 31 December 2018.

During the year, certain area of the Properties was pledged for other borrowings from independent third parties. Details disclosed in note 30 (b).

Fair value measurement of the Group's investment properties

Independent valuations were performed by the valuer, AP Appraisal, a professional independent valuer not connected to the Group, to determine the fair values of investment properties held by Group as at 31 December 2018 (2017: AP Appraisal). The gains or losses from changes in fair values of the investment properties are included in the profit or loss.

The following table gives information about how the fair values of the Group's investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Carrying value of investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s)	Range of unobservable input(s)	Relationship of unobservable inputs to fair value
At 31 December 2018 Xiqiao Properties HK$1,366,000,000	Level 3	Residue method	Adjusted market price (RMB/Sq.m)	RMB6,824 – RMB17,000	The higher the market price, the higher the fair value
			Budgeted construction cost to be incurred (RMB/Sq.m)	RMB6,063	The higher the budgeted construction cost to be incurred, the lower the fair value
			Anticipated developer's profit margin	15%	The higher the anticipated developer's profit margin, the lower the fair value

18. INVESTMENT PROPERTIES *(continued)*

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

The Group's policy is to recognise transfers between levels of fair value hierarchy as of the date of the event or change in circumstances that caused the transfer.

During the year ended 31 December 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Carrying value of investment properties held by the Group in the consolidated statement of financial position	Fair value hierarchy	Valuation technique(s)	Significant unobservable input(s)	Range of unobservable input(s)	Relationship of unobservable inputs to fair value
As at 31 December 2017 Xiqiao Properties HK$1,128,000,000	Level 3	Residue method	Adjusted market price (RMB/Sq.m)	RMB6,600 - RMB18,200	The higher the market price, the higher the fair value
			Budgeted construction cost to be incurred (RMB/Sq.m)	RMB5,253	The higher the budgeted construction cost to be incurred, the lower the fair value
			Anticipated developer's profit margin	15%	The higher the anticipated developer's profit margin, the lower the fair value

19. GOODWILL

	2018 HK$'000	2017 HK$'000
COST		
As at 1 January	**725,849**	725,330
Arising from business combination – 聯潤 *(as defined in note 35(b))*	**182**	–
Arising from business combination – 天津 *(as defined in note 35(a))*	**516**	–
Exchange adjustment on 天津	**19**	–
Arising from business combination – Super Harvest *(as defined in note 35(c))*	**–**	519
As at 31 December	**726,566**	725,849
IMPAIRMENT		
As at 1 January	**–**	–
Impairment	**(725,865)**	–
As at 31 December	**(725,865)**	–
CARRYING VALUES		
As at 31 December	**701**	725,849

Particulars regarding impairment testing on goodwill are disclosed in note 20.

20. IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill with indefinite useful lives set out in note 19 has been allocated to the cash generating units of Financial Services (the "CGU-FS"), Insurance Brokerage (the "CGU-IB") and data verification services and data integration ("CGU-DV"). The goodwill arose from the Group's acquisition of Grand Ahead Limited ("Grand Ahead") and its subsidiary in 2015 and acquisition of Super Harvest (as defined in note 35) in previous year and acquisition of 聯潤 in the current year (see note 35). The principal activities of CGU-FS were securities dealing and financial services, constituting the financial services segment and the principal activity of CGU-IB was insurance brokerage services. After the acquisition of Grand Ahead, the business focus of the Group became securities dealing and financial services, and after the acquisition of Super Harvest and 聯潤, the business focus of the Group also included insurance brokerage services and data verification services. Accordingly, management of the Company had determined that it was the CGU-FS, CGU-IB and CGU-DV that were expected to benefit from the synergies of the acquisitions of Grand Ahead, Super Harvest and 聯潤 respectively.

	2018 **HK$'000**	2017 HK$'000
Carrying values of goodwill as at 31 December:		
CGU-FS	**–**	725,330
CGU-IB	**519**	519
CGU-DV	**182**	–
	701	725,849

Financial services segment

The aggregate carrying amount of the CGU, before deducting for any impairment loss to be recognised as at 31 December 2018, comprised goodwill of HK$725,330,000 (2017: HK$725,330,000), trademark of HK$302,042,000 (2017: HK$320,074,000) and License of HK$4,188,000 (2017: HK$4,438,000). The basis of estimating the recoverable amount of the CGU and its major underlying assumptions are summarized below:

The recoverable amount of the CGU has been determined by the fair value less cost of disposal in respect of the CGU. The fair value less cost of disposal was assessed by the management based on a business valuation performed by an independent professional qualified valuer using the income approach which uses cash flow projections covering a 5-year period and discount rate of 16.34%, which is within level 3 fair value hierarchy. The management has changed the valuation method from market approach adopted in the impairment assessment of the CGU in the previous year to income approach due to lack of recent market prices of comparable transactions in the current year or subsequent to the end of the current year. The market approach considers prices recently paid for similar assets or business. The cash flow projections used in the income approach has taken into account the past financial performance of the financial services operation of the GCU. The cash flows beyond the 5-year period are extrapolated assuming 3% growth rate. This growth rate is based on the past performance and future development plan. The projected cash flows and discount rate reflect assumptions that market participants would use when pricing the CGU. Other key assumptions for the cash flow projections relate to the estimation of cash inflows/outflows which include estimated income generated from the CGU, such estimation is based on the past performance of the CGU and the expectation on the market development.

Assumptions were used in the income approach calculation of CGU-FS for year ended 31 December 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rate – The discount rate used is 16.34%, which is a pre-tax rate which reflects specific risks relating to the relevant CGU.

20. IMPAIRMENT TESTING ON GOODWILL *(continued)*

Financial services segment *(continued)*

Growth rates – The growth rates used for the existing businesses in the projections within the five-year projection period are based on the past performance and future development plan with reference to the industrial and market data. The projections also include the expected revenues to be generated by the Group, and the related expenses to be incurred, in respect of new lines of business to be entered into by the Group. The new lines of business related to management fees projected to be earned by CGU-FS for structured products and leveraged products. The management of CGU-FS planned to launch these products in early of April 2019. The management has engaged a PRC sales team (an independent third party) to promote those products. Those products will be sold to potential investors by setting up new management funds which will be managed by the CGU. Management assessed and discussed with the PRC sales team, by taking reference to the past experience and the market response in the current testing status, and consider these new lines of business will bring favorable returns to the CGU and the Group.

Changes in revenue and direct costs – The changes are based on past practices and expectations of future changes in the market, including expectations of the management of the Group concerning the future performance of the new lines of business.

Terminal growth rate – The growth rates used are based on the normal GDP growth as adopted by the market participants.

Discount for Lack of Marketability ("DLOM") – The DLOM used is 5% and is based on the restricted stock sourced DLOM database.

The values assigned to the key assumptions on the market development of the financial services industry and discount rates are consistent with external information sources.

For the purpose of impairment assessment, the management determined that the recoverable amount of the CGU is estimated to be approximately to HK$428,000,000, which is less than the aggregate carrying amount of the GCU. Accordingly an impairment loss of HK$725,330,000 (2017: nil) in respect of goodwill is recognised in profit or loss during the year ended 31 December 2018. In the opinion of the directors of the Company, the impairment loss on goodwill of HK$725,330,000 was recognised due to unfavourable change in the market.

In the opinion of the directors of the Company, the impairment loss on the goodwill of HK$725,330,000 arose due to unfavourable market conditions affecting the businesses and operations of CGU-FS in 2018. In 2017 and early 2018, the market conditions for asset management services in the environment in which the CGU-FS operate were favourable and on upwards trend and the assets management services newly launched by the CGU-FS generated, and were expected to continue generating significant asset management fee income for the Group. However, the capital market conditions deteriorated subsequently and continued to deteriorate until the end of 2018. As a result, the funds launched and managed by CGU-FS were terminated in the second half of 2018 and plans for launching of new funds were cancelled. The management considers the drop of Hang Seng Index by more than 5,000 points in 2018, impact of the China and global unfavourable economic conditions and the US-China trade dispute to be the key factors that led to the recognition of the impairment loss on the goodwill of HK$725,330,000 in 2018.

Moreover, the management believes that these same factors resulted in no recent market transactions of similar businesses, thus the fair value of CGU-FS as at 31 December 2018 could not be estimated using the market approach when performing the impairment assessment review.

Insurance Brokerage and data verification services

The recoverable amount of CGU-IB and CGU-DV were determined based on the value-in-use calculation. This calculation uses cash flow projection which represents what management believes is the best estimate of what CGU-IB and CGU-DV are able to achieve in their business life. The directors determined the cash flow projection based on its expectation for market development. The directors believed any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of any of the CGUs to exceed the aggregate recoverable amount. Management of the Group determined that no impairment loss was considered necessary for the year ended 31 December 2018 as the result of impairment assessment performed.

21. INTANGIBLE ASSETS

	Trademark HK$'000	License HK$'000	Total HK$'000
COST			
At 1 January 2017 and 1 January 2018	360,646	5,000	365,646
Addition	–	500	500
At 31 December 2018	360,646	5,500	366,146
AMORTISATION			
At 1 January 2017	22,540	312	22,852
Charge for the year	18,032	250	18,282
At 31 December 2017	40,572	562	41,134
Charge for the year	18,032	350	18,382
At 31 December 2018	58,604	912	59,516
CARRYING VALUES			
At 31 December 2018	302,042	4,588	306,630
At 31 December 2017	320,074	4,438	324,512

On 25 September 2015, the Group acquired 100% of Grand Ahead. One of the intangible assets that arose from the acquisition of the subsidiary represented the trademark. The management assessed the trademark to be 20 years useful lives.

Another intangible asset that arose from the acquisition of Grand Ahead represented the licence under Securities and Futures Ordinance, CAP.571, namely Type 1 Dealing in securities, Type 4 Advising on Securities, Type 6 Advising on Corporate Finance and Type 9 Asset Management with the estimated useful life of 20 years allied with the useful life of trademark. The valuation of the intangible assets in amount of approximately HK$5,000,000 at the time of acquisition was carried out by the independent firm of professional valuer, Asset Appraisal Limited.

Trademark and licence from the acquisition of Grand Ahead have definite useful lives and are amortised over 20 years using the straight-line method.

On 24 January 2018, the Group acquired 100% of Super Harvest Finance Limited ("SH Finance"), formerly known as Xin Da Finance Limited. Intangible asset that arose from the acquisition of SH Finance represented the money lending license under the Money Lenders Ordinance, Chapter 163, Law of Hong Kong. The management assessed the license to be 5 years useful lives. The valuation of the intangible asset in amount of approximately HK$500,000 at the time of acquisition was carried out by the independent firm of professional valuer, AP Appraisal.

The money lending license has definite useful lives and are amortised over 5 years using the straight-line method.

The trademark was assessed for impairment as part of the impairment assessment of the CGU-FS as the trademark belonged to the CGU-FS for impairment testing purposes.

22. AVAILABLE-FOR-SALE INVESTMENTS

	2018 **HK$'000**	2017 HK$'000
Unlisted equity securities	**–**	–
Less: Impairments	**–**	–
	–	–

The amounts represented investments in unlisted equity securities issued by private entities incorporated overseas. They are measured at cost less impairment, if any.

In prior years, the carrying amounts of the investments were written down to nil through the recognition of impairment losses during the year ended 31 December 2017.

23. OTHER DEPOSITS

	2018 **HK$'000**	2017 HK$'000
Statutory and other deposits	**2,309**	273

Statutory and other deposits represent deposits with various exchanges and clearing houses. They are non-interest bearing.

24. LOANS RECEIVABLES

	2018 **HK$'000**	2017 HK$'000
Fixed-rate loans receivables - unsecured	**256,365**	30,000
Analysed as		
Current	**256,365**	30,000

The Group's fixed-rate loans receivables have remaining contractual maturity date as follows:

	2018 **HK$'000**	2017 HK$'000
Fixed-rate loans receivables		
Within one year	**256,365**	30,000

24. LOANS RECEIVABLES *(continued)*

Movement in the loss allowance account in respect of loans receivables during the year is as follows:

	2018 **HK$'000**	2017 HK$'000
Balance at 1 January under HKAS 39	**–**	–
Impact on initial application of HKFRS 9	**–**	–
Adjusted balance at 1 January	**–**	–
Impairment losses provided during the year	**17,233**	–
Balance at 31 December	**17,233**	–

As at 31 December 2018, loans receivables amounted HK$256,365,000 (2017: HK$30,000,000) were unsecured and expected to be recovered in coming year. As at 31 December 2018 and 2017, no loans receivables were past due.

The management of the Group assessed the expected credit loss on these loans receivables by taking into account the financial position and operation of the borrowers, the Group's assessment of borrowers' risk level and credit rating with reference to recovering data from international rating institutes and forward-looking factors such as the GDP and inflation impact to the provision of expected credit loss.

Included in the carrying amount of loans receivables as at 31 December 2018 is accumulated impairment losses of approximately HK$17,233,000 (31 December 2017: nil). Details of impairment assessment for the year ended 31 December 2018 are set out in note 6.

The fixed-rate loans receivables carry interest at 15% (2017: 15%) per annum. No ageing analysis is disclosed, as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business of loan financing.

As at 31 December 2017, the balance represented an unsecured fixed-rate loan to a third party (the"Borrower"). During the year ended 31 December 2018, an agreement was entered into between the Company, the Borrower and Vigo HK Investment Limited ("Vigo HK", see note 30), which was recorded as other unsecured borrowings as at 31 December 2017 and amounted to HK$30,000,000. The principal amount, i.e. HK$30,000,000 and respective interest was agreed to be waived. Upon the waiver, the Company was also released from its obligation to Vigo HK to settle the loan and its right to receive loan receivable from the Borrower.

25. FINANCIAL ASSETS AT AMORTISED COST

	2018 HK$'000	2017 HK$'000
Fixed rate senior notes	**93,701**	–
Represented by:		
Current portion	**93,701**	–

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'000	2017 HK$'000
Equity securities held for trading, at fair value		
– Listed in Hong Kong	**98**	54,919
– Unlisted investment fund	**184**	–
Convertible notes at fair value, designated as at fair value through profit or loss	**–**	21,000
	282	75,919
Represented by:		
Current portion	**282**	75,919

27. TRADE AND OTHER RECEIVABLES

	Notes	2018 HK$'000	2017 HK$'000
Trade receivables from			
– Clearing house and cash clients	(a)	**9,818**	29,116
– Others	(b)	**4,699**	1,196
Less: Allowances		**–**	–
		14,517	30,312
Interest receivables	(c)	**16,554**	–
Other receivables, prepayment and deposit	(d)	**13,650**	155,042
		44,721	185,354
Represented by:			
Non-current portion		**–**	137,450
Current portion		**44,721**	47,904
		44,721	185,354

Notes:

(a) Trade receivables – clearing house and cash clients

The settlement terms of trade receivables are two days after trade date.

(b) Trade receivables – others

There is no credit period granted to the trade receivables from underwriting and financial advisory income, insurance brokerage and referral commission and assets management income.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	2018 HK$'000	2017 HK$'000
Within 3 months	**14,513**	30,312
4 to 6 months	**4**	–
Over 6 months	**–**	–
Total	**14,517**	30,312

The Group does not hold any collateral over these balances.

27. TRADE AND OTHER RECEIVABLES *(continued)*

Notes: (continued)

(b) Trade receivables – others *(continued)*

Ageing of trade receivables which are past due but not impaired

	2018 **HK$'000**	2017 HK$'000
Overdue by:		
Within 3 months	**296**	1,196
4 to 6 months	**–**	–
Over 6 months	**–**	–
Total	**296**	1,196

Trade receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

(c) Interest receivables

During the year, the Group commenced loan financing operation and generating interest income. Interest receivables represented the Group's rights to receive loan interest according to the payment terms on the agreements.

(d) Other receivables, prepayment and deposit

As at 31 December 2017, the amount of approximately RMB73,442,000 (equivalent to approximately HK$88,059,000) (2018: nil) classified as non-current asset represents the prepayment of construction costs for the first phase of development of the investment properties for the Xiqiao Properties in the PRC. Pursuant to the construction contract, the development cost of the investment properties is approximately RMB812,000,000 (equivalent to approximately HK$973,621,000). The development of investment properties commenced in 2017. As at 31 December 2018, first phase of development of the investment properties was substantially completed and the prepayment of construction costs was utilized.

As at 31 December 2017, the amount of approximately HK$49,391,000 (2018: nil) classified as non-current asset represents the deposit paid for purchase of a bitcoin miner. The asset was delivered to the Group in 2018.

As at 31 December 2018, the amount of approximately HK$4,179,000 (2017: approximately HK$11,307,000) represents other receivables which are stated at amortised cost. The amount of approximately HK$5,792,000 (2017: approximately HK$1,359,000) represents refundable deposits and remaining amount of approximately HK$3,679,000 (2017: approximately HK$4,926,000) represents prepayment and non-refundable deposits.

28. PLEDGED BANK DEPOSIT/BANK BALANCES AND CASH

	Notes	2018 HK$'000	2017 HK$'000
Bank balances and cash – general accounts	(a)	**159,960**	88,986
Bank balances and cash – trust accounts	(b)	**86,848**	101,560
Pledged bank deposit	(c)	**3,453**	–
		250,261	190,546

Notes:

(a) At 31 December 2018, the balances that were placed with banks in the PRC amounted to approximately HK$17,679,000 (2017: approximately HK$9,542,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government. Bank balances carry interest at floating rates based on daily bank deposit rates for both years.

(b) The Group maintains segregated accounts with authorised institutions to hold client money in the normal course of business.

(c) Pledged bank deposits represent deposits pledged to banks to secure borrowings from the tenants of a PRC subsidiary of the Group amounting to RMB3,000,000 (equivalent to approximately HK$3,453,000) (2017: nil).

29. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Account payables		
– Clearing house and cash clients	**96,115**	127,868
– Others	**3,693**	–
Construction cost payables, other payables, accrued charges and others	**498,099**	201,987
Deposits received	**4,856**	5,165
Prepayment from customers	**598,108**	260,222
	1,200,871	595,242
Represented by:		
Non-current portion	**598,108**	260,222
Current portion	**602,763**	335,020
	1,200,871	595,242

The following is an aged analysis of accounts payable presented based on the invoice date.

	2018 HK$'000	2017 HK$'000
0-60 days	**99,808**	127,868

As at 31 December 2018, the amount of approximately RMB519,636,000 (equivalent to approximately HK$598,108,000) (2017: RMB217,000,000 equivalent to approximately HK$260,222,000) classified as non-current liability represents the prepayment received from customers as the Group started signing agreements of pre-leasing the investment property since 2017. As an initial stage promotion policy, lessees have been granted the right to put their pre-leased units back to the Group at initial contract price at 10th anniversary. Therefore, the prepayment from customers was classified as non-current.

As at 31 December 2018, the amount of construction cost payables, other payables, accrued charges and others was approximately HK$498,099,000 (2017: approximately HK$201,987,000). The amount of approximately HK$160,214,000 (2017: HK$56,174,000) represents valued added tax and other tax payables. The amount of approximately HK$214,715,000 (2017: HK$56,812,000) represents the construction payables for Xiqiao Projects. As acting as the fund manager of the funds, there are approximately HK$46,451,000 (2017: Nil) current accounts with the funds. And the amount of approximately HK$9,028,000 (2017: Nil) represents the amounts received in advance as subscription monies of the fund which were to be invested in fixed-rate senior notes to be issued by the Company, the underlying investments of the fund, which were subsequently issued on 2 January 2019. Also, the amount of approximately HK$14,998,000 (2017: HK$14,998,000), represents the PRC tax payable which arose from a disposal of subsidiary recognised in a previous year. The amount of approximately HK$18,039,000 (2017: Nil) represents the management fee payable to the service provider of crypto currencies mining machine. The remaining other payables amounted to approximately HK$34,654,000 (2017: HK$74,803,000).

30. BORROWINGS

	Notes	**2018 HK$'000**	2017 HK$'000
Other borrowings			
– unsecured	(a)	**–**	30,000
– secured	(b)	**6,906**	–
Unsecured debentures	(c)	**70,869**	69,547
		77,775	99,547
The carrying amount is repayable:			
Within one year, or on demand		**6,906**	30,000
More than two years, but not more than five years		**70,869**	69,547
		77,775	99,547
Less: Amount due within one year shown under current liabilities		**(6,906)**	(30,000)
		70,869	69,547

Notes:

(a) Unsecured other borrowings

As at 31 December 2017, the amount represented the Group's unsecured other borrowings granted by Vigo HK Investment Limited ("Vigo HK"), a related company of the Company, which is unsecured, interest charged at 15% per annum and repayable in June 2018. For details of the movement during the year, please see note 24.

(b) Secured other borrowings

As at 31 December 2018, the amount represented the Group's secured other borrowing granted by independent third parties which is secured by certain investment properties of the Group with the carrying amount of approximately HK$9,428,000, interest charged at 1% per month and repayable ranging from March 2019 to June 2019.

(c) Unsecured debentures

As at 31 December 2018 and 2017, the amounts represented the Group's unsecured debentures issued to certain independent third parties which were interest-bearing at fixed rates ranging from 5% to 6% (2017: from 5% to 6%) per annum with 2 to 3 years (2017: with 3 to 4 years) maturity.

31. AMOUNT DUE TO A DIRECTOR AND AMOUNTS DUE TO RELATED PARTIES

(a) Amount due to a director

The amount due to a director represents an advance granted by a director, Mr. Cheung Kam Fai which was unsecured, interest-free and fully repaid in 2018.

(b) Amounts due to related parties

The amounts due to related parties as at 31 December 2018 represent advances granted by Mr. Liang, who is the ex-shareholder of the Company, of HK$15,000,000 (2017: HK$15,000,000), which is unsecured, interest-free and repayable in March 2020. Amount due to Mr. Liang Zhenye of approximately HK$3,883,000 (2017: HK$3,883,000) was classified as other payables in 2018 as he was no longer a related party of the Company.

32. CONVERTIBLE NOTES AND DERIVATIVE FINANCIAL INSTRUMENT

On 8 September 2015, the Company issued Hong Kong dollar denominated convertible notes with the aggregate principal amount of HK$242,960,000 (the "2015 CB1"). The 2015 CB1 entitles the holders to convert them into ordinary shares of the Company at any time after the date of issuance of the 2015 CB1 and their maturity date on 7 March 2017, being eighteen months from the date of its issuance, in multiples of HK$100,000 at a conversion price of HK$0.163 per convertible share subject to adjustments in certain events. The shares to be issued and allotted upon conversions shall rank pari passu in all respects among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue. If the notes have not been converted, they will be redeemed on 7 March 2017 at a redemption amount equal to 100% of the principal amount of the outstanding convertible notes. Interest of 5% per annum will be paid on the maturity date 7 March 2017. During the year ended 31 December 2016, 2015 CB1 noteholders converted part of the 2015 CB1 into 273,619,630 ordinary shares of HK0.05 each in the Company at the conversion price of HK$0.163 per share. During the year ended 31 December 2017, the remaining outstanding notes were redeemed at a redemption amount equal to 100% of the principal amount of the outstanding convertible notes together with interest, amounting to approximately HK$91,375,000 in aggregate.

On 25 September 2015, the Company issued zero-coupon convertible notes (the "Ping An CB") with a nominal value of approximately HK$100,000,000 as part of the consideration for the acquisition of Grand Ahead and its subsidiaries (the "Grand Ahead Group") from Jayden Wealth Holdings Limited ("Jayden"). The Ping An CB is denominated in Hong Kong dollars. The Ping An CB entitles the holders to convert them into ordinary shares of the Company on any Business Day during a period commencing from the date of this Note and ending on the Maturity Date (both days inclusive), the whole by trenches of at least one-twentieth of the principal amount of the Note into Shares at any time and from time to time at the Conversion Price of HK$0.2 per convertible share subject to adjustments in certain events. The maturity date of Ping An CB is 24 September 2020.

During the years ended 31 December 2018 and 2017, no Ping An CB was converted into share by noteholders.

On 20 November 2015, the Company issued Hong Kong dollar denominate convertible notes with the aggregate principal amount of HK$100,100,000 (the "2015 CB2"). The 2015 CB2 entitles the holders to convert them into ordinary shares of the Company at any time after the date of issuance of the 2015 CB2 and their maturity date on 19 May 2017, being eighteen month from the date of its issuance, in multiples of HK$100,000 at a conversion price of HK$0.163 per convertible share subject to adjustments in certain events. The shares to be issued and allotted upon conversions shall rank pari passu in all respects among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue. If the notes have not been converted, they will be redeemed on 19 May 2017 at a redemption amount equal to 100% of the principal amount of the outstanding convertible notes. Interest of 5% per annum will be paid on the maturity date 19 May 2017. During the year ended 31 December 2016, 2015 CB2 noteholders converted part of the 2015 CB2 into 61,963,189 ordinary shares of HK0.05 each in the Company at the conversion price of HK$0.163 per share. During the year ended 31 December 2017, the remaining outstanding notes were redeemed at a redemption amount equal to 100% of the principal amount of the outstanding convertible notes together with interest, amounting to approximately HK$78,153,000 in aggregate.

32. CONVERTIBLE NOTES AND DERIVATIVE FINANCIAL INSTRUMENT *(continued)*

On 27 February 2017, the Company issued Hong Kong dollar denominated convertible notes with the aggregate principal amount of HK$100,000,000 (the "2017 CB1"). The 2017 CB1 entitles the holders to convert them into ordinary shares of the Company at any time after the date of issuance of the 2017 CB1 and their maturity date on 26 February 2019, being two years from the date of its issuance, in multiples of HK$100,000 at a conversion price of HK$0.096 per convertible share subject to adjustments in certain events. The shares to be issued and allotted upon conversions shall rank pari passu in all respects among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue. If the notes have not been converted, they will be redeemed on 26 February 2019 at a redemption amount equal to 100% of the principal amount of the outstanding convertible notes. Interest of 5% per annum shall accrue on daily basis on the outstanding principal amount of the bonds and payable on 20 June and 20 December in each year. During the years ended 31 December 2018 and 2017, no 2017 CB1 was converted into share by noteholders.

On 27 February 2017, the Company also issued another Hong Kong dollar denominated convertible notes with the aggregate principal amount of HK$100,000,000 (the "2017 CB2"). The 2017 CB2 entitles the holders to convert them into ordinary shares of the Company at any time after the date of issuance of the 2017 CB2 and their maturity date on 26 February 2020, being three years from the date of its issuance, in multiples of HK$100,000 at a conversion price of HK$0.096 per convertible share subject to adjustments in certain events. The shares to be issued and allotted upon conversions shall rank pari passu in all respects among themselves and with all other ordinary shares in issue by the Company on the date of such allotment and issue. If the notes have not been converted, they will be redeemed on 26 February 2020 at a redemption amount equal to 100% of the principal amount of the outstanding convertible notes. Interest of 5% per annum shall accrue on daily basis on the outstanding principal amount of the bonds and payable on 20 June and 20 December in each year. During the years ended 31 December 2018 and 2017, no 2017 CB2 was converted into share by noteholders.

At the date of issuance of the 2017 CB1 and 2017 CB2 and at 31 December 2018 and 2017, the conversion option component of the 2017 CB1, 2017 CB2, and Ping An CB were valued by the directors of the Company with reference to valuation report issued by AP Appraisal, an independent professional valuer not connected to the Group.

The principal amounts of 2017 CB1, 2017 CB2 and the Ping An CB are divided into straight debt component and embedded conversion option on initial recognition. The debt component are recognised in the consolidated statement of financial position as non-current liability for 2017 CB2 and Ping An CB as at 31 December 2018 and for 2017 CB1, 2017 CB2 and Ping An CB as at 31 December 2017 as the holders of 2017 CB1, 2017 CB2 and the Ping An CB cannot require the Company to settle the convertible notes before the maturity of the convertible notes. The embedded conversion options are recognised in the consolidated statement of financial position as current liabilities.

At initial recognition, the derivative components of convertible notes were measured at fair value. Subsequently, the debt components are measured at amortised cost. The effective interest rate of the debt component is from 12.42% to 21.25%. Embedded conversion option are measured at fair value with changes in fair value recognised in profit or loss.

The debt component of 2017 CB1, 2017 CB2 and Ping An CB classified as non-current liabilities and current liabilities as at 31 December 2018 amounted to approximately HK$168,435,000 and HK$97,940,000 respectively.

The debt component of 2017 CB1, 2017 CB2 and Ping An CB with carrying amount of approximately HK$234,994,000 as at 31 December 2017 was classified as non-current liabilities.

32. CONVERTIBLE NOTES AND DERIVATIVE FINANCIAL INSTRUMENT *(continued)*

The movements of the debt component and derivatives components of the convertible notes for the year are set out as below:

	Debt component HK$'000	Derivative financial liabilities – Embedded conversion option HK$'000	Total HK$'000
As at and 1 January 2017	217,158	11,289	228,447
Issue of convertible notes during the year	146,239	53,761	200,000
Interest charge *(note 9)*	49,262	–	49,262
Interest paid	(8,137)	–	(8,137)
Gain arising on changes of fair value	–	(36,650)	(36,650)
Settlement of convertible notes	(169,528)	–	(169,528)
As at 31 December 2017 and 1 January 2018	234,994	28,400	263,394
Interest charge *(note 9)*	41,381	–	41,381
Interest paid	(10,000)	–	(10,000)
Gain arising on changes of fair value	–	(27,000)	(27,000)
As at 31 December 2018	266,375	1,400	267,775

As at 31 December 2018, the Company had carrying amounts of approximately HK$266,375,000 (2017: approximately HK$234,994,000) of outstanding Convertible Notes with aggregate principal amounts of HK$300,000,000 (2017: HK$300,000,000). As at 31 December 2018, upon conversion in full of the outstanding Convertible Notes, the Company will issue 645,833,333 ordinary shares (2017: 2,583,333,334 ordinary shares) of HK$0.2 (2017: HK$0.05) each in the Company at the conversion price of HK$0.384 to 0.80 per share (2017: HK$0.096 to 0.20 per share).

32. CONVERTIBLE NOTES AND DERIVATIVE FINANCIAL INSTRUMENT *(continued)*

The fair values of the derivative financial assets and liabilities are calculated using the binomial model. The inputs into the model were as follows:

	Ping An CB	2017 CB1	2017 CB2
31 December 2018			
Fair value of option	HK$100,000	–	HK$1,300,000
Share price	HK$0.237	HK$0.237	HK$0.237
Conversion price *(note (d))*	HK$0.80	HK$0.384	HK$0.384
Expected volatility *(note (a))*	46.19%	58.29%	48.29%
Expected life *(note (b))*	1.73 years	0.16 years	1.16 years
Risk free rate *(note (c))*	1.75%	1.75%	1.75%
31 December 2017			
Fair value of option	HK$5,000,000	HK$3,300,000	HK$20,100,000
Share price	HK$0.079	HK$0.079	HK$0.079
Conversion price	HK$0.20	HK$0.096	HK$0.096
Expected volatility *(note (a))*	62.68%	42.51%	60.50%
Expected life *(note (b))*	2.73 years	1.16 years	2.16 years
Risk free rate *(note (c))*	1.465%	1.098%	1.335%

Notes:

(a) Expected volatility was determined by calculating the historical volatility of the Company's share price.

(b) Expected life was the expected remaining life of the convertible notes.

(c) The risk free rate is determined by reference to the yield of the Hong Kong Exchange Fund Bills and Notes.

(d) The change in conversion price was due to a share consolidation on 2 August 2018.

33. DEFERRED TAX ASSETS/(LIABILITIES)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2018 HK$'000	2017 HK$'000
Deferred tax assets	**30**	–
Deferred tax liabilities	**(94,216)**	(133,686)
	(94,186)	(133,686)

33. DEFERRED TAX LIABILITIES *(continued)*

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Amortisation of intangible assets HK$'000	Total HK$'000
At 1 January 2017	6	47,476	56,561	104,043
Charged (credited) to profit or loss	13	27,319	(3,017)	24,315
Exchange adjustments	–	5,328	–	5,328
At 31 December 2017 and 1 January 2018	19	80,123	53,544	133,686
Charged (credited) to profit or loss	(49)	(34,454)	(3,017)	(37,520)
Exchange adjustments	–	(1,980)	–	(1,980)
At 31 December 2018	(30)	43,689	50,527	94,186

The deferred tax liabilities for the years ended 31 December 2018 and 2017 are mainly arising from fair value changes on investment properties and amortisation of intangible assets of the Group.

34. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

During the year ended 31 December 2018, the Group entered into a sale and purchase agreement with Ms. Cheung Ching Ching Daisy ("Ms. Cheung") in relation to the acquisition of the entire share capital of Super Harvest Finance Limited (formerly known as "Xin Da Finance Limited") ("Super Harvest Finance"), a company incorporated in the Hong Kong, for a consideration of approximately HK$500,000. Super Harvest Finance has not yet commenced its business. Ms. Cheung, who is an independent third party, owns 100% shares of Super Harvest Finance before the acquisition. The completion date of the acquisition was 24 January 2018.

Assets acquired and liabilities recognised at the date of acquisition:

	Fair value HK$'000
Intangible asset	500
Satisfied by:	
Cash and bank	500
Net cash outflow arising from acquisition:	
Bank balances and cash	(500)

The directors of the Company are of the opinion that the acquisition of Super Harvest Finance is in substance an acquisition of asset, instead of an acquisition of business, as Super Harvest Finance has an intangible asset of money lending license without operation as at the acquisition date.

35. BUSINESS COMBINATION

(a) During the year ended 31 December 2018, the Group entered into a sale and purchase agreement with independent third party in relation to the acquisition of the entire share capital of 天津瑞楓菁華企業管理諮詢有限公司 ("天津瑞楓"), a company incorporated in PRC at a consideration of RMB150,000 (equivalent to approximately HK$173,000). The amount of goodwill arising as a result of the acquisition was approximately HK$516,000 and was impaired during the year. The completion date of the acquisition was 2 July 2018.

Assets acquired and liabilities recognised at the date of acquisition:

	Fair value HK$'000
Cash at bank	29
Other payables	(372)
Net liabilities assumed	(343)
Satisfied by:	
Cash and bank	173
Goodwill arising on acquisition	516
Bank balances and cash in a subsidiary acquired	29
Net cash outflow arising from acquisition:	
Bank balances and cash	(144)

As a result of the acquisition, the Group is expected to increase its sources of income for the group in future. Goodwill of approximately HK$516,000 arising from the acquisition and impaired during the year as the purpose of the acquisition is mainly for investment holding in 天津瑞楓. None of goodwill recognised is expected to be deductible for income tax purposes.

Transaction cost of the acquisition is immaterial.

Included in the loss for the year, before impairment losses on goodwill, is HK$118,000 loss attributable to the additional business incurred by 天津瑞楓. No revenue generated from 天津瑞楓.

Had the acquisition been completed on 1 January 2018, total group revenue and loss for the year would remain unchanged and loss for the year from continuing operations would have been HK$1,276,506,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is it intended to be a projection of future results.

35. BUSINESS COMBINATION *(continued)*

(b) During the year ended 31 December 2018, the Group entered into a sale and purchase agreement with independent third party in relation to the acquisition of 60% of the entire share capital of 聯潤(上海)信息科技有限責任公司 ("聯潤"), a company incorporated in PRC at a consideration of RMB5,000,000 (equivalent to approximately HK$5,755,000). 聯潤 is principally engaged in data verification services and data integration in PRC. The amount of goodwill arising as a result of the acquisition was approximately HK$182,000. The completion date of the acquisition was 18 October 2018.

Assets acquired and liabilities recognised at the date of acquisition:

	Fair value HK$'000
Trade and other receivables	2,089
Cash at bank	6,464
Other payables	(1,125)
Net assets assumed	7,428
Satisfied by:	
Other payables	5,755
Goodwill arising on acquisition:	
Consideration transferred	5,755
Plus: Non-controlling interests (40% in 聯潤)	1,855
Less: Net assets acquired	(7,428)
Goodwill arising on acquisition	182
Bank balances and cash in a subsidiary acquired	6,464
Net cash inflow arising from acquisition:	
Bank balances and cash	6,464

As a result of the acquisition, the Group is expected to increase its sources of income for the group in future. Goodwill of approximately HK$182,000 arising from the acquisition is attributable to the workforce and economies of scale expected from operations of the Group and 聯潤. None of goodwill recognised is expected to be deductible for income tax purposes.

Transaction cost of the acquisition is immaterial.

Included in the loss for the year is HK$1,904,000 loss attributable to the additional business incurred by 聯潤. Revenue for the year includes approximately HK$5,039,000 generated from 聯潤.

Had the acquisition been completed on 1 January 2018, total group revenue from continuing operations for the year would be HK$100,627,000, and loss for the year from continuing operations would have been HK$1,278,234,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is it intended to be a projection of future results.

35. BUSINESS COMBINATION *(continued)*

(c) During the year ended 31 December 2017, the Group entered into a sale and purchase agreement and a supplemental agreement with three parties, Mr. Cheung Kam Fai, Wong Ka Chun and Chiu Kin Shing in relation to the acquisition of the entire share capital of Super Harvest Insurance Broker Limited (formerly known as" Tenma Wealth Management Limited") ("Super Harvest"), a company incorporated in the Hong Kong. Super Harvest is principally engaged in insurance broker services in Hong Kong. Mr. Cheung Kam Fai is the director of the Company who owns 30% shares of Super Harvest and the other two parties, Wong Ka Chun and Chiu Kin Shing, are independent third parties who own 50% and 20% shares of Super Harvest respectively. The completion date of the acquisition was 15 December 2017.

Assets acquired and liabilities recognised at the date of acquisition:

	Fair value HK$'000
Cash at bank	65
Other payables	(83)
Net liabilities assumed	(18)
Satisfied by:	
Cash and bank	501
Goodwill	519
Bank balances and cash in a subsidiary acquired	65
Net cash outflow arising from acquisition:	
Bank balances and cash	(436)

As a result of the acquisition, the Group is expected to increase its sources of income for the group in future. Goodwill of approximately HK$519,000 arising from the acquisition is attributable to the workforce and economies of scale expected from operations of the Group and Super Harvest. None of goodwill recognised is expected to be deductible for income tax purposes.

Transaction cost of the acquisition is immaterial.

Included in the loss for the year of 2017 was HK$18,000 loss attributable to the additional business incurred by Super Harvest. No revenue generated from Super Harvest.

Had the acquisition been completed on 1 January 2017, total group revenue of year 2017 would remain unchanged, and loss for the year of 2017 would have been HK$148,223,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

36. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2017, the Group had the following disposals of subsidiaries:

The Group entered into a sale and purchase agreement with an independent third party on 16 January 2017 to dispose of the Group's equity interest in Fairyoung Technology Holdings Limited ("Fairyoung"), Primefield Limited ("Primefield") and Upperland Limited ("Upperland") for a consideration of US$1 each (subject to adjustment of any changes in the external debts). The transaction was completed on 16 January 2017.

The Group entered into a sale and purchase agreement with an independent third party on 5 June 2017 to dispose of the Group's equity interest in Fortune Target Limited ("Fortune Target") for a consideration of US$100 (subject to adjustment of any changes in the external debts). The transaction was completed on 5 June 2017.

Disposal of subsidiaries	HK$'000
Gain on disposal of Fairyoung	555
Gain on disposal of Fortune Target	7,821
Gain on disposal of Primefield	23
Gain on disposal of Upperland	3,860
Total gain on disposal of subsidiaries	12,259

Consideration received

	Fairyoung HK$'000	**Fortune Target** HK$'000	**Primefield** HK$'000	**Upperland** HK$'000	**Total** HK$'000
Consideration received in cash and cash equivalents	–*	1	–*	–*	1

Analysis of assets and liabilities over which control was lost

	Fairyoung HK$'000	**Fortune Target** HK$'000	**Primefield** HK$'000	**Upperland** HK$'000	**Total** HK$'000
Property, plant and equipment	–	308	–	–	308
Trade and other receivables	7	1,791	1	–	1,799
Bank balances and cash	–	32	–	–	32
Other payables	(562)	(14,454)	(24)	(3,909)	(18,949)
Taxation	–	(210)	–	–	(210)
	(555)	(12,533)	(23)	(3,909)	(17,020)

36. DISPOSAL OF SUBSIDIARIES *(continued)*

Gain on disposal of subsidiaries

	Fairyoung HK$'000	Fortune Target HK$'000	Primefield HK$'000	Upperland HK$'000	Total HK$'000
Consideration received	–*	1	–*	–*	1
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss in respect of loss of control of subsidiaries	–	4,713	–	49	4,762
Net liabilities disposed of	(555)	(12,533)	(23)	(3,909)	(17,020)
Gain on disposal of subsidiaries	555	7,821	23	3,860	12,259

Net cash outflows arising on disposals of subsidiaries

	Fairyoung HK$'000	Fortune Target HK$'000	Primefield HK$'000	Upperland HK$'000	Total HK$'000
Consideration received in cash and cash equivalents	–*	1	–*	–*	1
Less: bank balances and cash disposed of	–	(32)	–	–	(32)
Net cash outflows arising on disposals of subsidiaries	–	(31)	–	–	(31)

* Consideration received in cash and cash equivalents amounts US$1.

37. SHARE CAPITAL

	2018			2017		
	No. of share	**Per Share HK$**	**Amount HK$'000**	No. of share	Per Share HK$	Amount HK$'000
Authorised						
At 1 January	**60,000,000,000**	**0.05**	**3,000,000**	60,000,000,000	0.05	3,000,000
Ordinary shares of HK$0.05 each	**–**	**–**	**–**	–	–	–
Share consolidation *(note a)*	**(45,000,000,000)**	**–**	**–**	–	–	–
At 31 December	**15,000,000,000**	**0.2**	**3,000,000**	60,000,000,000	0.05	3,000,000
Issued and fully paid						
At 1 January	**18,895,052,012**	**0.05**	**944,752**	18,895,052,012	0.05	944,752
Issue of new shares by placing *(note b)*	**1,768,400,000**	**0.05**	**88,420**	–	–	–
Share consolidation *(note a)*	**(15,497,589,009)**	**–**	**–**			
At 31 December	**5,165,863,003**	**0.2**	**1,033,172**	18,895,052,012	0.05	944,752

During the years ended 31 December 2017 and 31 December 2018, the movements of the authorised and issued share capital of the Company are as following:

(a) On 2 August 2018, the ordinary shares of the Company was consolidated on the basis of every four issued and unissued existing shares of a par value of HK$0.05 each in the share capital of the company be consolidated into one consolidated share of a par value of HK$0.20 each in the share capital of the Company.

(b) On 22 June 2018, the Company entered into a placing agreement with a placing agent in respect of the placement of 1,768,400,000 ordinary shares of HK$ 0.05 each to investors at a price of HK$ 0.08 per share. The placement was completed on 12 July and the premium on the issue of shares amounting to approximately HK$53,052,000 was credited to the Company's share premium account.

The new shares rank pari passu in all respects with the existing shares.

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Borrowings HK$'000	Amount due to a director HK$'000	Amounts due to related parties HK$'000	Derivative financial liabilities HK$'000	Convertible notes HK$'000	Total HK$'000
At 1 January 2017	98,031	–	69	11,289	217,158	326,547
Changes from financing cash flows	(4,754)	45,000	18,814	53,761	(31,426)	81,395
Interest expenses	6,270	–	–	–	49,262	55,532
Fair value change on derivative financial liabilities	–	–	–	(36,650)	–	(36,650)
At 31 December 2017 and 1 January 2018	99,547	45,000	18,883	28,400	234,994	426,824
Changes from financing cash flows	2,770	(45,000)	–	–	(10,000)	(52,230)
Interest expenses	5,714	–	–	–	41,381	47,095
Exchange difference	(256)	–	–	–	–	(256)
Fair value change on derivative financial liabilities	–	–	–	(27,000)	–	(27,000)
Waiver of loan receivables	(30,000)	–	–	–	–	(30,000)
Reclassified to other payables	–	–	(3,883)	–	–	(3,883)
At 31 December 2018	77,775	–	15,000	1,400	266,375	360,550

39. RELATED PARTY TRANSACTIONS

(a) Except as disclosed elsewhere in the consolidated financial statements, during the years ended 31 December 2018 and 2017, the Group entered into the following transactions with its related parties:

(i) Pursuant to a tenancy agreement entered into on 1 November 2016 between Winford Asia Pacific Limited ("Winford"), a wholly owned subsidiary of the Group, and New China IQ Limited ("New China"). Mr. Liang Zhenye, who is the son of a former substantial shareholder of the Company, is the executive director of New China. New China agreed to rent a property owned by New China at a monthly rent of HK$140,000 for the period from 1 September 2016 to 31 December 2018. During the year ended 31 December 2017, that former substantial shareholder of the Company disposed the shares of the Company and the rental payment thereafter ceased to be related party transaction. During the year ended 31 December 2017, total rent of HK$1,120,000 as paid to New China was clarified as related transaction.

(ii) Pursuant to a loan agreement entered into on 20 December 2017 between Vigo HK, a related company of the Company, and the Company amounting to HK$30,000,000 The loan granted by Vigo HK is unsecured, interest charged at 15% per annum and repayable in June 2018. For details of the movement during the year, please see note 24.

39. RELATED PARTY TRANSACTIONS *(continued)*

(b) Compensation of directors of the Company and key management personnel of the Company:

Remuneration for key management personnel including amounts paid to the Company's directors as disclosed in note 13 and the highest paid employees as disclosed in note 14 is as follows:

	2018 HK$'000	2017 HK$'000
Salaries and other short-term employee benefits	**11,593**	4,962
Retirement benefit scheme contributions	**80**	71
	11,673	5,033

The remuneration of directors of the Company and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(c) Finance arrangement

	2018 HK$'000	2017 HK$'000
Unsecured other borrowings (note 30(a))	**–**	30,000
Amount due to a director (note 31(a))	**–**	45,000
Amounts due to related parties (note 31(b))	**15,000**	18,883
	15,000	93,883

40. COMMITMENTS

(a) OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 December 2018 and 2017, the Group had total future minimum lease payments under the non-cancellable operating leases falling due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**18,158**	1,816
In the second to fifth year	**22,132**	–
	40,290	1,816

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average of 1 to 3 years (2017: 1 to 3 years) and rentals are fixed for average of 1 to 3 years (2017: 1 to 3 years).

The Group as lessor

At 31 December 2018 and 2017, the Group had total future minimum lease payments under the non-cancellable operating leases falling due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**93,712**	1,816
In the second to fifth year	**61,385**	–
	155,097	1,816

(b) CAPITAL COMMITMENTS

	2018 HK$'000	2017 HK$'000
Contracted but not provided for	**231,875**	890,791

41. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000, contributions to the MPF Scheme vest immediately. Contributions paid or payable to the MPF scheme are charged to the statement of profit or loss.

The employees of the Group's subsidiaries in the PRC are members of a state-sponsored retirement plan organised by the municipal government under the regulations of the PRC and these subsidiaries make mandatory contributions to the state-sponsored retirement plan to fund the employees' retirement benefits. The retirement contributions paid by the PRC subsidiaries are based on a percentage of the eligible employees' salaries and are charged to the statement of profit or loss as incurred. The Group discharges its retirement obligations upon payment of the retirement contributions to the state-sponsored retirement plan organised by the municipal government in the PRC.

The Group does not have any other pension schemes for its employees in respect of the subsidiaries outside Hong Kong and the PRC. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2017 in respect of the retirement of its employees.

The total cost charged to the consolidated statement of profit or loss of approximately HK$2,236,000 (2017: approximately HK$508,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

42. PRINCIPAL SUBSIDIARIES

(a) Particulars of the Group's principal subsidiaries as at 31 December 2018 and 2017 are as follows:

Name	Place of incorporation/ principle place of business	Particular of issued and fully paid capital/ registered capital	Proportion of ownership interest and voting power held by the Company indirectly		Principal activities
			2018	2017	
Ping An Securities Limited	Hong Kong	HK$100,000,000 (ordinary share)	**100%**	100%	Securities dealing and financial services
佛山盛明置業有限公司	PRC	RMB20,000,000 (paid-up registered capital)	**100%**	100%	Property development, property trading and leasing of properties
Ascent Castle Limited	Hong Kong	HK$1 (paid-up registered capital)	**100%**	100%	Investment holding

42. PRINCIPAL SUBSIDIARIES *(continued)*

(a) Particulars of the Group's principal subsidiaries as at 31 December 2018 and 2017 are as follows: *(continued)*

Name	Place of incorporation/ principle place of business	Particular of issued and fully paid capital/ registered capital	Proportion of ownership interest and voting power held by the Company indirectly 2018	2017	Principal activities
Chain Billion Limited	Hong Kong	HK$1 (paid-up registered capital)	**100%**	100%	Investment holding
Delicate Gem Limited	BVI	US$1 (paid-up registered capital)	**100%**	100%	Investment holding
Earnest Wish Limited	BVI	US$1 (paid-up registered capital)	**100%**	100%	Investment holding
First Pioneer Holdings Limited	BVI	US$1 (paid-up registered capital)	**100%**	100%	Investment holding
Grand Ahead Finance Limited	BVI	US$100 (paid-up registered capital)	**100%**	100%	Investment holding
Mighty Pinnacle Limited	BVI	US$1 (paid-up registered capital)	**100%**	100%	Investment holding
Super Harvest Asset Management Limited	BVI	US$1 (paid-up registered capital)	**100%**	–	Asset Management
Super Harvest Asset Management Limited	Cayman	US$1 (paid-up registered capital)	**100%**	–	Asset Management
Super Harvest Finance Limited	Hong Kong	HK$1 (paid-up registered capital)	**100%**	–	Loan financing
Super Harvest Insurance Broker Limited	Hong Kong	HK$1,000,000 (paid-up registered capital)	**100%**	100%	Insurance brokerage

42. PRINCIPAL SUBSIDIARIES *(continued)*

(a) Particulars of the Group's principal subsidiaries as at 31 December 2018 and 2017 are as follows: *(continued)*

Name	Place of incorporation/ principle place of business	Particular of issued and fully paid capital/ registered capital	Proportion of ownership interest and voting power held by the Company indirectly 2018	2017	Principal activities
Super Harvest International Wealth Management Limited	Hong Kong	HK$1 (paid-up registered capital)	**100%**	–	Wealth Management
Super Harvest Securities and Futures Limited	Hong Kong	HK$$10,000,000 (paid-up registered capital)	**100%**	–	Securities and futures dealing and financial services
Super Harvest Technology Group Limited	Hong Kong	HK$1 (paid-up registered capital)	**100%**	–	AI & Wealth Management
Super Harvest Wealth Management Limited	BVI	US$1 (paid-up registered capital)	**100%**	–	Wealth Management
Triumph Eternal Limited	BVI	US$1 (paid-up registered capital)	**100%**	100%	Investment holding
Winford Asia Pacific Limited	Hong Kong	HK$1 (paid-up registered capital)	**100%**	100%	Group service provider

42. PRINCIPAL SUBSIDIARIES *(continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests held by non controlling interests 2018	Proportion of voting rights held by non-controlling interests 2018	Profit (loss) allocated to non-controlling interests 2018 HK$'000	Accumulated non-controlling interests 2018 HK$'000
聯潤(上海)信息科技有限責任公司	PRC	40%	40%	(761)	1,121
Super Harvest Global Fund SPC (i)	Cayman Island	100%	–	3,204	324,891

(i) The Group has nil ownership of Super Harvest Global Fund SPC as at 31 December 2018. The directors of the Company concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Super Harvest Global Fund SPC on the basis of the Group has overall authority over, and responsibility for, the operations and management of the fund. The sub-funds of the fund invested mainly in fixed rate senior notes issued by the Company.

Summarized financial information of consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows in respect of Super Harvest Global Fund SPC, non-wholly-owned subsidiary of the Group that has material non-controlling interests is set out below represents amounts before intragroup eliminations.

42. PRINCIPAL SUBSIDIARIES *(continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

	2018 HK$'000
Super Harvest Global Fund SPC	
NCI percentage	**100%**
Assets	**344,611**
Liabilities	**(19,720)**
Net assets	**324,891**
Carrying amount of NCI	**324,891**
Revenue	**13,395**
Expenses	**(10,191)**
Profit for the year	**3,204**
Total comprehensive income	**3,204**
Profit allocated to NCI	**3,204**
Dividend paid to NCI	**4,000**
Cash flows from operating activities	**19,165**
Cash flows from investing activities	**(325,687)**
Cash flows from financing activities	**323,687**

	2018 HK$'000
聯潤(上海)信息科技有限責任公司	
NCI percentage	**40%**
Assets	**9,743**
Liabilities	**(4,151)**
Net assets	**5,592**
NCI to be contributed	**(1,861)**
Carrying amount of NCI	**1,121**
Revenue	**5,044**
Expenses	**(6,948)**
Loss for the year	**(1,904)**
Total comprehensive loss	**(1,904)**
Loss allocated to NCI	**(761)**
Dividend paid to NCI	**–**
Cash flows from operating activities	**(1,071)**
Cash flows from investing activities	**–**
Cash flows from financing activities	**–**

43. EVENTS AFTER THE END OF THE REPORTING PERIOD

As announced by the Company on 26 February 2019, the Company proposed to amend the terms and conditions of convertible bonds due 2019 (2017 CB1), the amendments are amendments to principal amount, interest rate, maturity date and conversion price of 2017 CB1 (the "Amendments"). The Amendments had been effective at 26 March 2019. Further details of the Amendments are set out in the Company's announcements dated 26 February 2019 and 28 February 2019 and 26 March 2019.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2018 HK$'000**	2017 HK$'000
Non-current asset			
Interest in subsidiaries		**1,040,673**	1,041,671
Amounts due from subsidiaries	(a)	**1,246,366**	907,050
		2,287,039	1,948,721
Less: Impairment		**(1,290,292)**	(49,083)
Interest in subsidiaries		**996,747**	1,899,638
Fixed assets		**9,542**	–
		1,006,289	1,899,638
Current assets			
Loan receivable		**–**	30,000
Prepayment, deposit and other receivables		**11,848**	1,494
Bank balances and cash		**47,462**	11,373
		59,310	42,867
Current liabilities			
Accruals and other payables		**32,077**	20,719
Amounts due to subsidiaries	(a)	**104,956**	997
Amount due to a related party		**–**	3,883
Amount due to a director		**–**	45,000
Borrowings – current portion		**–**	30,000
Convertible notes – current portion		**97,940**	–
Derivative financial liabilities		**1,400**	28,400
USD Notes		**225,687**	–
		462,060	128,999
Net current liabilities		**(402,750)**	(86,132)
Total assets less current liabilities		**603,539**	1,813,506
Capital and reserves			
Share capital		**1,033,172**	944,752
Reserves	(b)	**(683,937)**	549,213
Total equity		**349,235**	1,493,965
Non-current liabilities			
Borrowings – non current portion		**70,869**	69,547
Convertible notes – non current portion		**168,435**	234,994
Amount due to a related party		**15,000**	15,000
		254,304	319,541
		603,539	1,813,506

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes:

(a) AMOUNTS DUE TO/FROM SUBSIDIARIES

The amounts due to/from subsidiaries are unsecured, interest-free and repayable on demand.

(b) RESERVES

	Share premium HK$'000	**Contributed surplus reserve** HK$'000 *(note)*	**Capital redemption reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2017	1,828,103	115,419	52	(1,468,204)	475,370
Loss and total comprehensive expense for the year	–	–	–	73,843	73,843
At 31 December 2017 and 1 January 2018	1,828,103	115,419	52	(1,394,361)	549,213
Loss and total comprehensive expense for the year	–	–	–	(1,286,202)	(1,286,202)
Placing of shares	53,052	–	–	–	53,052
At 31 December 2018	1,881,155	115,419	52	(2,680,563)	(683,937)

Note: The contributed surplus arose in 1989 as a result of the Group's reorganisation and represented the difference between the nominal value of the Company's shares allotted under the reorganisation scheme and the then consolidated net asset value of the acquired subsidiaries. According to the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances. The Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

Five Year Financial Summary

The summarised consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, are as set out below:

	2018 **HK$'000**	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
RESULTS					
Revenue	**81,394**	26,774	51,730	50,465	33,107
Loss for the year	**(1,276,536)**	(148,102)	(7,231)	(232,007)	(573,620)
Attributable to:					
Owners of the Company	**(1,278,979)**	(148,102)	(7,231)	(232,007)	(573,620)
Non-controlling interests	**2,443**	–	–	–	–
	(1,276,536)	(148,102)	(7,231)	(232,007)	(573,620)
ASSETS AND LIABILITIES					
Total assets	**2,334,710**	2,662,323	2,286,591	4,728,286	2,945,096
Total liabilities	**(1,655,637)**	(1,156,345)	(701,188)	(3,109,005)	(1,992,498)
Equity	**679,073**	1,505,978	1,585,403	1,619,281	952,598
Attributable to:					
Owners of the Company	**353,061**	1,505,978	1,585,403	1,619,281	952,598
Non-controlling interests	**326,012**	–	–	–	–
Total equity	**679,073**	1,505,978	1,585,403	1,619,281	952,598

Schedule of Investment Properties

Description	Use	Area	Percentage of attributable interest
Lot No. 0414191933, South side of the lot, Qiao Gao Road, Xiqiao Town, Nanhai District, Foshan, Guangdong, The People's Republic of China	Commercial	Gross area – approximately 86,938 sq. metre	100