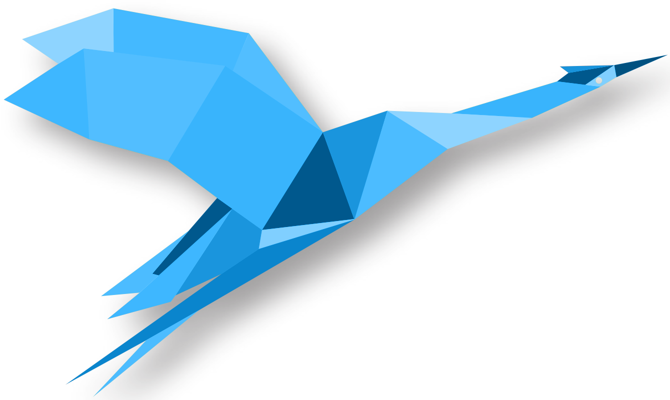
東銀國際 INTERNATIONAL HOLDINGS

DOYEN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability) Stock Code: 668



2018
ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors
Mr. Lo Siu Yu, *Chairman*
Mr. Tai Xing, *Chief Executive Officer*
Mr. Cho Chun Wai

Non-executive directors
Ms. Luo Shaoying, *Vice Chairman*
Mr. Pan Chuan
Mr. Qin Hong

Independent non-executive directors
Mr. Chan Ying Kay
Dr. Zhu Wenhui
Mr. Wang Jin Ling

AUDIT COMMITTEE
Mr. Chan Ying Kay, *Committee Chairman*
Dr. Zhu Wenhui
Mr. Wang Jin Ling

REMUNERATION COMMITTEE
Dr. Zhu Wenhui, *Committee Chairman*
Mr. Chan Ying Kay
Mr. Wang Jin Ling

NOMINATION COMMITTEE
Mr. Lo Siu Yu, *Committee Chairman*
Mr. Chan Ying Kay
Dr. Zhu Wenhui

COMPANY SECRETARY
Mr. Cho Chun Wai

AUTHORISED REPRESENTATIVES
Mr. Lo Siu Yu
Mr. Cho Chun Wai

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Wanchai, Hong Kong

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

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking
Corporation Limited
Bank of Communications Co., Ltd.
China Everbright Bank

SOLICITORS
Mason Ching & Associates

AUDITOR
RSM Hong Kong
Certified Public Accountants

STOCK CODE
668

WEBSITE
http://www.doyenintl.com

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "Board") of directors ("Director"), I hereby present the annual report of Doyen International Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2018.

MARKET AND BUSINESS REVIEW

In 2018, the global economy continued to grow and the economy of developed regions such as Europe and the United States of America ("USA") slowed down, while the gross domestic production growth rate of the emerging economies is generally higher than that of developed economies. Under the pressure of uncertainty and change of the external environment, striving for progress through stability has also become the main tone of development for various countries. The domestic economy of the People's Republic of China ("PRC") steadily grew in 2018 while the PRC was also in the critical phase of optimizing its economic structure as well as upgrading and transforming its industries. Under the macro environment of coexistence of political, economic opportunities, challenges globally and domestically, the Group will seek for prudent management in the changing market environment, steady development and full implementation of effective risk management strategies, actively developing loan financing business and seeking suitable investment or business opportunities, diversifying business of the Group to improve results and further broadening the revenue stream of the Group.

The growth of the loan financing industry slowed down in 2018, however, it is believed that driven by the stabilization of domestic economic development and a series of positive fiscal policies and steady monetary policies, the loan financing industry will develop steadily in 2019. Looking back to 2018, 東葵融資租賃(上海)有限公司 (for identification purpose, Dongkui Financial Leasing (Shanghai) Co. Ltd. ("Shanghai Dongkui")) of the Group was committed to developing loan financing business and will continue to actively select projects with reliable ratings, adequate guarantees and controllable risks while expanding business network for more development opportunities in the future.

Since November 2016 to March 2017, the Group has granted loans of aggregate with a principal amount RMB420 million (equivalent to approximately HK$478.0 million) to 重慶東銀控股集團有限公司 (for identification purpose, Chongqing Doyen Holdings Group Co., Ltd. ("Chongqing Doyen")). As the maturity date of those loans is 18 January 2018, Chongqing Doyen has not repaid the principal of those loans on maturity date. The Company takes this event of default seriously, under active communication between the Group and Chongqing Doyen, on 28 December 2018, the Company, 重慶寶旭商業管理有限公司 (for identification purpose, Chongqing Baoxu Commercial Property Management Ltd. ("Chongqing Baoxu")), Shanghai Dongkui, Chongqing Doyen and 重慶東銀碩潤石化集團有限公司 (for identification purpose, Chongqing Doyen Shuorun Petrochemical Group Ltd. ("Shuorun Petrochemical")) entered into equity interest transfer agreements (the "Equity Interest Transfer Agreement"). Shuorun Petrochemical has conditionally agreed to transfer the equity interest of 重慶東銀殼牌石化有限公司 (for identification purpose, Chongqing Doyen Shell Petrochemical Co., Ltd. ("Doyen Shell")) (the "Equity Interest") to Chongqing Baoxu and Shanghai Dongkui as settlement of the outstanding loan amount (the "Transfer"). The value of the Equity Interest to be transferred shall be equivalent to the outstanding loan amount as at the reference date, being approximately RMB477.6 million (equivalent to approximately HK$543.5 million), of which approximately 74% and 26% shall be transferred to Chongqing Baoxu and Shanghai Dongkui, respectively. Shuorun Petrochemical has undertaken to, subsequent to completion of the Transfer (the "Completion"), repurchase the Equity Interest from Chongqing Baoxu and Shanghai Dongkui respectively on or before 31 December 2019. It is believed that the Group is able to recover the loans soon under mutual communications so that the benefits of shareholders can be better safeguarded.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to all of our staff for their invaluable efforts and dedication. I would also like to thank our clients and business partners for their continued trust, as well as our shareholders for their constant support. Looking forward to the year of 2019, the Group will continue to identify appropriate investment opportunities in order to create greater value for our shareholders, partners, staff members and stakeholders.

Lo Siu Yu
Chairman

Hong Kong, 27 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

FINANCIAL HIGHLIGHT

The results of the Group are summarized as follows:

	For the year ended 31 December 2018 HK$'000	For the year ended 31 December 2017 HK$'000
Revenue	**30,959**	34,920
(Loss)/Profit from operations	**(7,027)**	29,325
Finance income – net	**52,782**	14,256
Profit before tax	**45,755**	43,581
Income tax expense	**(17,774)**	(12,863)
Profit for the year	**27,981**	30,718

The assets and liabilities as at 31 December of the Group are summarized as follows:

	2018 HK$'000	2017 HK$'000
Non-current assets	**398,017**	409,724
Current assets	**809,545**	853,382
Current liabilities	**266,692**	81,323
Non-current liabilities	**52,549**	272,458
Equity attributable to owners of the Company	**694,114**	708,673

BUSINESS REVIEW

For the year ended 31 December 2018, the Group recorded revenue of approximately HK$31.0 million (2017: HK$34.9 million), representing a decrease of 11.34%. The Group recorded loss from operations of approximately HK$7.0 million (2017: profit HK$29.3 million), representing a decrease of 123.96%. The loss is mainly attributable to the depreciation of Renminbi ("RMB") in 2018. The profit attributable to owners of the Company for the year ended 31 December 2018 was approximately HK$17.1 million (2017: HK$24.4 million), representing a decrease of 30.20%.

Dongkui Business

Shanghai Dongkui, a subsidiary of which 77.58% equity interest is owned by the Company, is mainly engaged in provision of loan financing. Shanghai Dongkui will continue to select projects with relatively reliable grading, sufficient security and controllable risks through assessment of profit, financial and credit status of enterprises. The registered capital of Shanghai Dongkui amounted to US$51.3 million (equivalent to approximately HK$400.1 million).

On 28 June 2018, Shanghai Dongkui entered into a loan financing agreement with 淮安市洪澤區人民醫院 (for identification purpose, Hongze Huaian District People's Hospital ("Hongze Hospital")), a public institution legal person established in the PRC, an independent third party, pursuant to which Shanghai Dongkui agreed to grant a loan to Hongze Hospital in the amount of RMB30 million (equivalent to approximately HK$34.1 million) for a term of three years. The loan is secured by the machinery and equipment from Hongze Hospital. The obligation of Hongze Hospital under the loan financing agreement is guaranteed by 淮安市洪澤區城市資產經營有限公司 (for identification purpose, Huaian District Hongze City Asset Management Company Ltd.), a company established in the PRC with limited liability. On the same date, Shanghai Dongkui entered into a consultancy agreement with Hongze Hospital, pursuant to which Shanghai Dongkui agreed to provide consultancy services to Hongze Hospital in relation to the loan and Hongze Hospital has agreed to pay a fee of RMB1.5 million (equivalent to approximately HK$1.7 million) to Shanghai Dongkui.

On 25 October 2018, Shanghai Dongkui entered into a loan financing agreement with 陝西太白山投資集團有限公司 (for identification purpose, Shaanxi Taibai Mountain Investment Group Company Ltd. ("Shaanxi Taibai")), a company established in the PRC with limited liability, an independent third party, pursuant to which Shanghai Dongkui agreed to grant a loan to Shaanxi Taibai in the amount of RMB40 million (equivalent to approximately HK$45.5 million) for a term of three years. The loan is secured by the machinery and equipment from Shaanxi Taibai. The obligation of Shaanxi Taibai under the loan financing agreement is guaranteed by 寶雞市文化旅遊產業發展集團有限公司 (for identification purpose, Baoji City Cultural Tourism Industry Development Group Company Ltd.), a company established in the PRC with limited liability. At the same time, Shanghai Dongkui entered into a consultancy agreement with Shaanxi Taibai whereby Shanghai Dongkui agreed to provide consultancy services to Shaanxi Taibai in relation to the loan and Shaanxi Taibai agreed to pay a fee of RMB2.4 million (equivalent to approximately HK$2.7 million) to Shanghai Dongkui.

Shanghai Dongkui had provided loan financing to six hospitals, namely 桃江縣人民醫院 (for identification purpose, Taojiang County People's Hospital) with project amount of RMB40 million (equivalent to approximately HK$45.5 million); 射洪縣人民醫院 (for identification purpose, Shehong People's Hospital) with project amount of RMB35 million (equivalent to approximately HK$39.8 million); 祿豐縣人民醫院 (for identification purpose, Lufeng People's Hospital) with project amount of RMB12 million (equivalent to approximately HK$13.7 million); 泗縣人民醫院 (for identification purpose, Sixian People's Hospital) with project amount of RMB30 million (equivalent to approximately HK$34.1 million); 鳳慶縣人民醫院 (for identification purpose, The People's Hospital of Fengqing) with project amount of RMB20 million (equivalent to approximately HK$22.8 million) and Hongze Hospital with project amount of RMB30 million (equivalent to approximately HK$34.1 million).

The effective interest rate of Shanghai Dongkui's loan financing ranged from 11.3% to 13.9% (2017: 11.9% to 13.9%). Among the loan financing of the above hospitals, one will expire in 2019, two will expire in 2020 and three will expire in 2021. During the year, all the customers have excellent repayment records and each project amount and interest are collected on time. Decrease in loan financing income was mainly attributable to increasingly severe regulatory environment in the PRC's financial market which resulted in difficulties of the Group in securing bank factoring finance for potential loan financing project. As such, the number of completed sizeable loan financing project reduced this year. Strict regulatory policy also led to temporary insufficient liquidity so the Group reduced its reliance on bank factoring and raised the overall market interest cost.

Short-term Loan Business

On 24 October 2018, Shanghai Dongkui entered into a loan agreement with 大興燁揚(上海)資產管理有限公司 (for identification purpose, Daxing Ye Yang (Shanghai) Asset Management Co., Ltd. ("Daxing Ye Yang")), a company established in the PRC with limited liability, an independent third party, pursuant to which Shanghai Dongkui agreed to grant a loan to Daxing Ye Yang in the amount of RMB35 million (equivalent to approximately HK$39.8 million) for a term of 12 months at the interest rate of 11% per annum. The loan is guaranteed by 三亞大興集團有限公司 (for identification purpose, Sanya Daxing Group Co., Ltd.), a company established in the PRC with limited liability, which holds 40% of the equity interests of Daxing Ye Yang.

For the year ended 31 December 2018, the Group's loan financing segment recorded revenue of approximately HK$16.8 million (2017: HK$23.4 million) and profit after tax of approximately HK$26.4 million (2017: HK$22.9 million).

Property Investment Holding

Chongqing Baoxu, a subsidiary of which 70% equity interest is owned by the Company, is principally engaged in the investment holding of Dong Dong Mall ("Dong Dong Mall"), a shopping arcade for commercial use and located at No. 2, Second Lane, Nanping East Road, Nanan District, Chongqing in the PRC with a total gross floor area of 18,043.45 square meters. Dong Dong Mall is adjacent to a main pedestrian street and a number of shopping malls, where is a hot-spot of fashion, shopping, entertainment and business for residents around south Chongqing due to its convenient public transportation.

For the year ended 31 December 2018, the Group's property investment segment has contributed revenue of approximately HK$14.1 million (2017: HK$11.5 million), representing an increase of 22.54%. Meanwhile, this segment has recorded a profit after tax of approximately HK$16.7 million for the year ended 31 December 2018 (2017: HK$3.8 million).

Advancement of the Loans

On 8 November 2016, the Company granted a loan ("Doyen Loan") with a principal amount of RMB80 million (equivalent to approximately HK$91.0 million) to Chongqing Doyen. On the same date, Chongqing Baoxu granted a loan ("Baoxu Loan") with a principal amount of RMB80 million (equivalent to approximately HK$91.0 million) to Chongqing Doyen.

On 11 November 2016, Shanghai Dongkui granted a loan ("Shanghai Dongkui Loan") with a principal amount of RMB110 million (equivalent to approximately HK$125.2 million) to Chongqing Doyen.

On 6 March 2017, the Company granted a loan ("Doyen 2nd Loan") with a principal amount of RMB150 million (equivalent to approximately HK$170.7 million) to Chongqing Doyen.

The aggregate amount of the Doyen Loan, the Baoxu Loan, the Shanghai Dongkui Loan and the Doyen 2nd Loan (collectively, the "Loans") granted to Chongqing Doyen amount to RMB420 million (equivalent to approximately HK$478.0 million).

Pursuant to the terms of relevant loan agreements, the maturity date of the Loans falls on 18 January 2018 (or such later date as shall be agreed by Chongqing Doyen and the respective lenders prior to the maturity date). The maturity date of the Loans has not been extended and accordingly, on 18 January 2018, each of the Loans has become due and payable by Chongqing Doyen.

Very Substantial Acquisition and Connected Transaction and Very Substantial Disposal and Connected Transaction

On 28 December 2018, the Company, Chongqing Baoxu, Shanghai Dongkui, Chongqing Doyen and Shuorun Petrochemical entered into the Equity Interest Transfer Agreement. Shuorun Petrochemical has conditionally agreed the Transfer. The value of the Equity Interest to be transferred shall be equivalent to the outstanding loan amount as at the reference date, being approximately RMB477.6 million (equivalent to approximately HK$543.5 million), of which approximately 74% and 26% shall be transferred to Chongqing Baoxu and Shanghai Dongkui, respectively. The actual percentage of the registered capital in Doyen Shell which the Equity Interest would represent shall be determined based on the valuation of Doyen Shell by an independent professional valuer appointed by the Company.

Shuorun Petrochemical is under an obligation to, subject to Completion, repurchase the Equity Interest on or before 31 December 2019 at the repurchase price (the "Repurchase"). The Repurchase price shall be equivalent to the sum of (i) the transfer price; (ii) an amount representing a notional interest calculated at an interest rate of 15.5% per annum for the period from the reference date to the date of Completion; (iii) an amount representing a notional interest calculated at an interest rate per annum of 10.5% for the period from the next day following the date of Completion to the date of payment of the Repurchase price; and (iv) the relevant cost incurred by the Group in relation to the Repurchase, less the aggregate amount of dividend declared and distributed by Doyen Shell to Chongqing Baoxu and Shanghai Dongkui.

Conditions precedent of the Equity Interest Transfer Agreement include (i) the passing of resolution(s) at the extraordinary general meeting ("EGM") in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and all other applicable laws and regulations to approve, among other matters, the Equity Interest Transfer Agreement and the transactions contemplated thereunder (including the Transfer and the Repurchase); (ii) the Company having obtained all necessary consents and approvals for the Transfer and the Repurchase from all government and/or regulatory authorities in Hong Kong (if applicable); (iii) all parties having confirmed the outstanding loan amount as at the reference date; (iv) the Company having obtained the valuation report of Doyen Shell from an independent professional valuer appointed by the Company, of which the valuation of Doyen Shell shall not be less than RMB1,200 million (equivalent to approximately HK$1,365.6 million); (v) Chongqing Doyen and Shuorun Petrochemical having obtained (a) the written consent of the existing equity holders of Doyen Shell in relation to the Equity Interest Transfer Agreement and the transactions contemplated thereunder (including the Transfer and the Repurchase); and (b) the unanimous agreement between Chongqing Baoxu, Shanghai Dongkui and the existing equity holders of Doyen Shell in relation to the amendments of the existing joint venture agreement and articles of association of Doyen Shell.

As the parties to the Equity Interest Transfer Agreement expected that more time would be required for fulfilling all the conditions, on 15 February 2019, the Company, Chongqing Baoxu, Shanghai Dongkui, Chongqing Doyen and Shuorun Petrochemical entered into a supplemental agreement to the Equity Interest Transfer Agreement (the "Supplemental Agreement") to, among others, extend (i) the deadline of fulfillment of each of the conditions to 30 June 2019 or such later date otherwise unanimously agreed by the parties to the Equity Interest Transfer Agreement in writing and (ii) the Completion deadline to 31 August 2019 or such later date otherwise unanimously agreed by the parties to the Equity Interest Transfer Agreement.

The above conditions precedents are not capable of being waived by any party to the Equity Interest Transfer Agreement. In the event that conditions (i), (ii), (iii), (iv) and (v) above have not been fulfilled on or before 30 June 2019, the Equity Interest Transfer Agreement shall lapse and be of no further effect, none of the parties to the Equity Interest Transfer Agreement shall have any claim against each other by any means based on the Equity Interest Transfer Agreement, save for any antecedent breaches of the Equity Interest Transfer Agreement.

Completion shall take place on or before 31 August 2019 (the "Completion Deadline") after all the conditions precedent to the Equity Interest Transfer Agreement have been fulfilled. The Completion Deadline may be extended by 90 days (the "Extended Completion Deadline") if the Group receives 30% of the outstanding loan amount at any time prior to Completion Deadline (the "First Extension"). Subsequent to the First Extension, the Extended Completion Deadline may be further extended by 90 days if the Group receives a further 30% of the outstanding loan amount at any time prior to the Extended Completion Deadline (the "Second Extension").

The Equity Interest Transfer Agreement shall be automatically terminated at any time prior to Completion if the Group receives payment of the outstanding loan amount in full.

On 28 December 2018, Chongqing Baoxu, Shanghai Dongkui and Shuorun Petrochemical entered into the minority equity holder protection agreement ("Minority Equity Holder Protection Agreement"). Chongqing Baoxu, Shanghai Dongkui and Shuorun Petrochemical undertook that, during the period when Chongqing Baoxu, Shanghai Dongkui and Shuorun Petrochemical are concurrently registered as the equity holders of Doyen Shell, Shuorun Petrochemical (including the directors, supervisors and senior management of Doyen Shell who are nominated by Shuorun Petrochemical) shall consult Chongqing Baoxu and Shanghai Dongkui for any proposal, issue or recommendation to be made to, or any decision to be made by, the board of directors of Doyen Shell in relation to (i) change in registered capital of Doyen Shell (which may affect the equity holding of Chongqing Baoxu and Shanghai Dongkui in Doyen Shell); (ii) declaration and distribution of dividends pursuant to the articles of association and the joint venture agreement of Doyen Shell; (iii) any requirement on the Company, Chongqing Baoxu or Shanghai Dongkui to provide capital, loans or guarantees or to assume any duty or fulfill any obligations; (iv) any connected transaction (including connected transactions as defined by the Listing Rules, save for those disclosed in the audit report of Doyen Shell for the year ended 31 December 2017; and (v) any other decisions which may affect the interest of Chongqing Baoxu and Shanghai Dongkui each as a minority equity holder of Doyen Shell. The directors of Doyen Shell nominated by Shuorun Petrochemical shall make all decisions in relation to the above matters by mutual consensus among each of Chongqing Baoxu, Shanghai Dongkui and Shuorun Petrochemical. If consensus cannot be reached, such directors shall make such decisions based on the determination of Chongqing Baoxu.

On 28 December 2018, the Company and Chongqing Baoxu entered into the loan transfer agreement ("Loan Transfer Agreement"). The Company and Chongqing Baoxu agreed that, upon Completion, all loans owed by Chongqing Doyen to the Company (i.e. the Doyen Loan and the Doyen 2nd Loan) shall be owed by Chongqing Baoxu to the Company (the "Transferred Loans"). Upon the receipt of any payment by Chongqing Baoxu pursuant to the Repurchase or any repayment of the Loans, Chongqing Baoxu shall repay part of such payment to the Company at the proportion equivalent to the aggregate outstanding amount of the Transferred Loans to that of the Baoxu Loan, the Doyen Loan and the Doyen 2nd Loan as at the reference date (i.e. approximately 74.4%). The Loan Transfer Agreement shall be automatically terminated in the event of the termination of the Equity Interest Transfer Agreement.

Reason for the Equity Interest Transfer Agreement

Since January 2018, the Company has not received the repayment of the principal amount of the Loans and the relevant interest. As notified by Chongqing Doyen, Chongqing Doyen proposed to undergo debt restructuring of the Chongqing Doyen's group (the "Proposed Debt Restructuring"). Taking into account that (i) considerable time has elapsed since the default of the Loans; and (ii) the perceived uncertainty of the timeline and outcome of the Proposed Debt Restructuring, the Group and Chongqing Doyen intend to secure the repayment of the Loans through the Transfer where the Group could obtain the Equity Interest with value equivalent to the outstanding loan amount as at the reference date. Based on the market research conducted by the Company, the Directors estimate that the price earnings ratio of Doyen Shell is around 10 times. On the other hand, based on the audit reports of Doyen Shell for the three years ended 31 December 2017, the net profit (after tax) of Doyen Shell during the three years ended 31 December 2017 was approximately RMB50.5 million (equivalent to approximately HK$57.5 million), RMB142.4 million (equivalent to approximately HK$162.1 million) and RMB155.0 million (equivalent to approximately HK$176.4 million), respectively, representing an enduring increase net profit (after tax) over the past three years. Taking into account (i) the estimated price earnings ratio of Doyen Shell being around 10 times and the rapid growth of the Doyen Shell in the past three years; and (ii) the preliminary discussion with the independent valuer appointed by the Company, the Company expects the valuation of Doyen Shell will fall within the range of RMB3,500 million (equivalent to approximately HK$3,983 million) to RMB4,500 million (equivalent to approximately HK$5,121 million) and not be less than RMB1,200 million (equivalent to approximately HK$1,365.6 million). As such, the equity interest is estimated to represent approximately 10-15% of the entire issued equity interest of Doyen Shell. According to the Equity Interest Transfer Agreement, one of the conditions precedent provides that the valuation of Doyen Shell shall not be less than RMB1,200 million (equivalent to approximately HK$1,365.6 million). Assuming the valuation of Doyen Shell is at its minimum of RMB1,200 million (equivalent to approximately HK$1,365.6 million), the equity interest will represent at the maximum of approximately 39.80% of the entire issued equity interest of Doyen Shell.

The Directors consider that, during the period when Chongqing Baoxu and Shanghai Dongkui act as the minority equity holders of Doyen Shell, the interest of the Group can be protected through the Minority Equity Holder Protection Agreement regarding decisions to be made in respect of issues as stated in the Minority Equity Holder Protection Agreement. As such, the Directors consider that the Transfer can protect the interest of the Company and the shareholders.

Regarding the Repurchase, as disclosed in the announcement dated 11 April 2018 and the announcement dated 3 July 2018, 中國華融資產管理股份有限公司重慶市分公司 (for identification purpose, China Huarong Asset Management Co., Ltd. Chongqing City Branch ("Huarong")) has been engaged to commence the relevant process for the Proposed Debt Restructuring. As far as the Directors are aware, as at the date of this report, it is expected that, through the Proposed Debt Restructuring, Shuorun Petrochemical will be provided with the requisite funds to effect the Repurchase through the Proposed Debt Restructuring. In case where the Equity Interest is being repurchased by Shuorun Petrochemical on or before 31 December 2019, the Group will then receive a sum of payment equivalent to the outstanding principal and interest of the Loans. The Directors believe that Chongqing Doyen will eventually be provided with the requisite funds to proceed with the Repurchase as Doyen Shell is considered to be one of the more valuable and profitable company within Chongqing Doyen's group and, therefore, obtaining control over Doyen Shell is one of the priorities of the relevant parties of the debt restructuring.

The Group has no intention to be engaged in petrochemical business. The purpose of the Transfer is solely to secure the repayment of the Loans. Under the aforesaid arrangement, Shuorun Petrochemical substantially retains all the risks and rewards of ownership of the Equity Interest. As such, upon Completion of the Transfer of the Equity Interest, the Group will not recognise the Equity Interest and will continue to recognise the amounts due from a related company as financial assets at amortised cost.

Up to the date of this report, the Equity Interest Transfer Agreement was yet to be completed as certain conditions precedent are yet to be fulfilled. Notwithstanding the above, the Group is still under negotiation with Chongqing Doyen for the settlement of the outstanding amounts.

On 25 January 2019, the Company received a notice from Chongqing Doyen which stated that the representatives of the creditors of Chongqing Doyen has resolved to approve the debt restructuring plan and relevant debt restructuring agreements in a meeting held by the committee of creditors of Chongqing Doyen on 25 January 2019. Chongqing Doyen will subsequently enter into formal debt restructuring agreements with its creditors. Chongqing Doyen will provide updates on the development of the debt restructuring to the Company in due course.

The Company will closely monitor the latest development of the debt restructuring and will make further announcement(s) to update its shareholders and investors if there are any material updates in relation to the debt restructuring as and when appropriate.

PROSPECTS

The Company has always been identifying suitable investment or business opportunities so as to diversify the business of the Group and broaden the Group's income sources. Meanwhile, before securing potential investment opportunities, the Company will seize any opportunity to make short-term investment with lower risks for the sake of greater returns for shareholders.

Loan Financing Business

In recent years, as the macroeconomic environment in the PRC continued to improve, the loan financing industry in the PRC acted as an important supplement to traditional credit of enterprise. In 2017, the contract balance of the loan financing company in the PRC exceeded RMB6 trillion and the PRC has become the largest loan financing market in Asia and the second largest globally. However, in June 2018, registered number and contract balance of loan financing companies has slowed down, from 63% in December 2017 to less than 10%. In general, despite a certain slowdown, under the common guidance of the current economic environment, positive fiscal policy and steady monetary policy, the loan financing industry is expected to usher in a new round of expansion opportunities with broad market prospects.

In the future, under the guidance of the "One Belt One Road" policy of the PRC, the Group will continue to advance the loan financing business for hospitals, maintain an appropriate scale of secured assets for hospitals and expand the loan financing business for hospitals while considering the opportunities of the entire industry chain of sectors such as medical healthcare. Meanwhile, the Group will also actively explore subindustry with large market capacity and weak periodicity and secured equipment of strong versatility and high value protection rate, focus on certain industries such as transportation and energy, innovate business models, facilitate the Group to develop the loan financing business in the future.

Short-term Loan Business

In 2019, Shanghai Dongkui will strengthen capital liquidity and effectively utilize the capital so that it will have safe and adequate capital to increase lending projects (within one-year term) should any exceptional projects arise.

Property Investment Holding

Despite online retailers have posed tremendous pressure on traditional retail industry, given an increasing per capita income in the PRC and the consumption structure upgrade, the new retail industry in the PRC has been growing rapidly. It is forecasted that the new retail industry will reach RMB1.8 trillion by 2022, which foresees the potential growth of the new retail industry. The Group believes that under the prevailing trend of continuous growth of the new retail industry along with the shifting of consumption pattern of consumers in the PRC to be more focus on consumption experience, traditional retail modes, such as department stores and shopping malls, that could rely on big data to realize online-to-offline in-depth integration and accelerate transformation would definitely be able to maintain its competitive edge in the market. The Group believed that the overall recovery of physical retail and the Group's sustainable investment to the development of Dong Dong Mall project will result in a stable growth of rental income and return growth rate of Dong Dong Mall.

FINANCIAL REVIEW

Liquidity and Financial Resources

Taking loans of RMB270 million advanced to Chongqing Doyen in January 2017 and a loan of RMB150 million Doyen 2nd Loan to Chongqing Doyen in May 2017 into account, the Group had bank and cash balances of approximately HK$133.2 million as at 31 December 2018 (2017: HK$96.1 million). The management believes that the Group has sufficient cash and cash equivalents to fund its operations and future development. As of 31 December 2018, the current ratio of the Group, representing current assets divided by current liabilities, was 3.04 (2017: 10.49).

As of 31 December 2018, the gearing ratio of the Group was 0.14 (2017: 0.20), which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position, plus net debt. As of 31 December 2018, the Group's total borrowings exceeded cash and cash equivalents by approximately HK$146.7 million (2017: HK$225.3 million).

Capital Structure

As of 31 December 2018, the Group's current and non-current borrowings amounted to approximately HK$234.4 million (2017: HK$52.8 million) and approximately HK$45.5 million (2017: HK$268.6 million) respectively. All the bank borrowings bore interest at floating rates while the bond bore interest at fixed rate.

The Group did not use any derivative to hedge its exposure to interest rate risks for the years ended 31 December 2018 and 2017. The Group monitored its capital by maintaining a sufficient net cash position to satisfy its commitments and working capital requirements.

Pledge of Assets

As at 31 December 2018, the Group's bank loans of approximately HK$68.3 million (2017: HK$96.0 million) were secured by the Group's investment property amounted to approximately HK$318.9 million (2017: HK$333.6 million), its right to receive rental income and pledged bank deposits of approximately HK$1.1 million (2017: HK$1.2 million), and were guaranteed by Chongqing Doyen.

As at 31 December 2017, certain bank loans of approximately HK$27.1 million were secured by the Group's loan receivables of approximately HK$82.2 million and pledged bank deposits of approximately HK$5.1 million, and were guaranteed by Chongqing Doyen. Such bank loans have been early repaid on 17 January 2018 without any penalty.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in local currencies except certain amounts due from a related company denominated in RMB other than the functional currency of the respective group entity expose the Group to foreign exchange exposure.

Currently, the Group does not use any derivative financial instrument to hedge its exposure to foreign exchange risks.

Contingent Liabilities

The Group had no significant contingent liability as at 31 December 2018 and 2017.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

HUMAN RESOURCES AND REMUNERATION POLICIES

As of 31 December 2018, the Group had a total of 30 (2017: 35) full-time employees. Employees' remuneration packages are determined with reference to prevailing market practices and individual performance. Our remuneration package includes basic salaries, sales incentives (which are only payable to certain operational staff), medical insurance plans and retirement benefit schemes. Discretionary bonus and share options may be granted to eligible employees based on the performance of the Group and individual employees.

The emoluments of the Directors are determined by the remuneration committee of the Company (the "Remuneration Committee"), having regard to the operating results of the Group, individual performance and comparable market statistics.

The Company encourages its employees to enhance their competence, and also provides training to improve working capabilities of staff members and creates opportunities for long-term growth of employees.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lo Siu Yu, aged 49, was appointed as the Chairman and an executive Director of the Company in October 2009. Mr. Lo possesses over 10 years of experience in the sale of automobile accessories and properties investment. He was the founder and is currently the chairman and general manager of Chongqing Doyen, a private company established with limited liability under the laws of the PRC. Mr. Lo and his spouse were the ultimate beneficial owners of Chongqing Doyen as at the date of this report. Chongqing Doyen is principally engaged in investment holding, and its subsidiaries are principally engaged in special vehicle manufacturing, machine manufacturing, property investment and development. As at the date of this report, Chongqing Doyen is beneficially interested in approximately 37.39% of the issued share capital of 重慶市迪馬實業股份有限公司 (for identification purpose, Dima Holdings Co., Ltd. ("Chongqing Dima")), a company listed on the Shanghai Stock Exchange of the PRC, and approximately 25.88% of the issued share capital of 江蘇農華智慧科技股份有限公司 (for identification purpose, Jiangsu Nonghua Intelligent Agriculture Technology Co. Ltd. ("Jiangsu Nonghua")), a company listed on the Shenzhen Stock Exchange of the PRC. Mr. Lo holds a degree of Economics from 重慶工商大學 (for identification purpose, Chongqing Technology and Business University) (formerly known as 渝州大學 (for identification purpose, Yuzhou University)) in Chongqing City, the PRC.

Mr. Tai Xing, aged 45, was appointed as an executive Director and the Chief Executive Officer ("CEO") of the Company in October 2017. Mr. Tai obtained a bachelor's degree in economics from Chongqing Technology and Business University. He obtained qualification of a trading representative of 海南中商期貨交易所 (for identification purpose, China-Commodity Future Exchange, Inc. of Hainan) in 1996, and has been a registered management consultant authorised by the People's Government of Sichuan since 2001. Mr. Tai has 23 years' experience in the field of finance and corporate management in the PRC. He joined Chongqing Doyen in 2003 and has been appointed as supervisor, vice supervisor and general manager in various subsidiaries of Chongqing Doyen. He is currently the vice general manager of 上海東勝股權投資有限公司 (for identification purpose, Shanghai Dongsheng Equity Investment Company Ltd.), a subsidiary of Chongqing Doyen.

Mr. Cho Chun Wai, aged 42, joined the Group in 2012 as the financial controller and was appointed as the company secretary in February 2015. Mr. Cho was appointed as an executive Director in September 2016. He holds a master degree of corporate finance and a bachelor degree of accountancy awarded from the Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. He has over 10 years of experience in financial management for listed companies.

NON-EXECUTIVE DIRECTORS

Ms. Luo Shaoying, aged 45, joined the Company as the Vice Chairman and an executive Director in December 2012. Ms. Luo has been re-designated from an executive Director of the Company to a non-executive Director of the Company on 29 January 2018. Ms. Luo obtained her bachelor's degree in business administration from University of Georgia, the USA in 1998. Ms. Luo has 15 years of working experience in finance and property development in the PRC. Ms. Luo is a sister of Mr. Lo Siu Yu ("Mr. Lo"). In 2000, Ms. Luo joined an investment bank in the PRC as business director. Since 2003, Ms. Luo has joined 重慶東銀實業(集團)有限公司 (for identification purpose, Chongqing Doyen (Holdings) Ltd. ("Chongqing Doyen Holdings")) as a manager, a chief executive officer and the chairman of the board of directors of certain subsidiaries of Chongqing Doyen Holdings and has been responsible for investment and property development business. In August 2017, Ms. Luo resigned as a chief executive officer of Chongqing Doyen Holdings. Ms. Luo is a Director of Chongqing Baoxu. In May 2016, Ms. Luo was appointed as the vice chairman of the board of directors of Chongqing Dima. In August 2018, Ms. Luo has been re-designated from the vice chairman of the board of directors of Chongqing Dima to the chairman of the board of directors of Chongqing Dima.

Mr. Pan Chuan, aged 40, was appointed as a non-executive Director in November 2018. Mr. Pan, graduated from 四川外國語大學 (for identification purpose, Sichuan International Studies University) in the PRC in 1998 with a major in English language. Mr. Pan has more than 9 years of managerial experience in the PRC, including working in 重慶海德大酒店 (for identification purpose, Chongqing Hoitak Hotel) and Chongqing Dima. Mr. Pan has been appointed as a supervisor of Chongqing Dima since 2010. He joined Chongqing Doyen in 2009 as the office supervisor.

Mr. Qin Hong, aged 53, was appointed as a non-executive Director of the Company in October 2010. Mr. Qin is an economist. He obtained a master degree in executive master of business administration from 上海交通大學(for identification purpose, Shanghai Jiao Tong University) in 2017. He was awarded a qualification certificate of specialty and technology in finance and economics (intermediate level) by the ministry of personnel, the PRC in 1994 and graduated from 南京師範大學 (for identification purpose, Nanjing Normal University) with a bachelor degree in Chinese language and literature in 2006. Mr. Qin has worked for several banks in the PRC, including Bank of Communications and Huaxia Bank. He is now the general manager of 江蘇華西同誠投資控股集團有限公司 (for identification purpose, Jiangsu Huaxi Tongcheng Group Investment & Holding Co. Ltd. ("Jiangsu Huaxi Tongcheng")) and a director of 江蘇華西集團財務有限公司 (for identification purpose, Jiangsu Huaxi Group Finance Co., Ltd ("Jiangsu Huaxi Group Finance")), an indirect subsidiary of 江蘇華西集團有限公司 (for identification purpose, Jiangsu Huaxi Group Co. Ltd. ("Jiangsu Huaxi Group")), a company established in the PRC with limited liability. One of the subsidiaries of Jiangsu Huaxi Group, Baoli International (Hong Kong) Trading Co., Limited ("Baoli"), a company incorporated in Hong Kong with limited liability, is a substantial shareholder of the Company. He is a Director of Chongqing Baoxu.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Ying Kay, aged 55, was appointed as an independent non-executive Director of the Company in October 2009. In April 2019, Mr. Chan has been appointed as the company secretary and the chief financial officer of Zhuoxin International Holdings Limited, a company listed on the GEM ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). In October 2017, Mr. Chan has been appointed as the company secretary and the chief financial officer of Beautiful China Holdings Company Limited ("Beautiful China"), a company listed on the main board of the Stock Exchange. In July 2018, Mr. Chan has resigned as the chief financial officer of Beautiful China. In October 2018, Mr. Chan has resigned as the company secretary of Beautiful China. In July 2016, Mr. Chan has been appointed as an independent non-executive director of China Oil Gangran Energy Group Holdings Limited ("China Oil Gangran"), a company listed on the GEM of the Stock Exchange. In August 2018, Mr. Chan has resigned as an independent non-executive director of China Oil Gangran. In July 2016, Mr. Chan has been appointed as the company secretary and the chief financial officer of Realord Group Holdings Limited ("Realord Group") a company listed on the main board of the Stock Exchange. In September 2017, Mr. Chan has resigned as the company secretary and the chief financial officer of Realord Group. Mr. Chan has over 20 years of experience in accounting and finance. Mr. Chan graduated from the University of Sheffield with a master of business administration, and is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Dr. Zhu Wenhui, aged 49, was appointed as an independent non-executive Director of the Company in December 2011. In April 2015, Dr. Zhu has been appointed as an independent non-executive director of中基健康產業股份有限公司 (for identification purpose, Chalkis Health Industry Company Ltd. ("Chalkis Health")), a company listed on the Shenzhen Stock Exchange of the PRC. In April 2018, Dr. Zhu resigned as the independent non-executive director of Chalkis Health. In September 2015, Dr. Zhu was appointed as an independent non-executive director of 桂林旅遊股份有限公司 (for identification purpose, Guilin Tourism Corporation Ltd. ("Guilin Tourism")), a company listed on the Shenzhen Stock Exchange of the PRC. In September 2017, Dr. Zhu has resigned as an independent non-executive director of Guilin Tourism. In November 2016, Dr. Zhu was appointed as an independent non-executive director of Glory Mark Hi-Tech (Holdings) Ltd. ("Glory Mark Hi-Tech"), a company listed on the GEM of the Stock Exchange. In March 2019, Dr. Zhu resigned as an independent non-executive director of Glory Mark Hi-Tech. In July 2016, Dr. Zhu has been appointed as an independent non-executive director of 天廣中茂股份有限公司 (for identification purpose, Tian Guang Zhong Mao Company Ltd.), a company listed on the Shenzhen Stock Exchange of the PRC. Dr. Zhu holds a doctorate degree in global economics awarded by 中國人民大學 (for identification purpose, the People's University of China) and is currently a commentator on financial and current affairs for Hong Kong Phoenix TV. Dr. Zhu was a senior research officer of the Bauhinia Foundation Research Centre and a research fellow of the China Business Centre under the Hong Kong Polytechnic University. Dr. Zhu was also a visit researcher of the Centre for Northeast Asia Policy Studies under the Brookings Institution, a part-time member of the Central Policy Unit of the Government of the Hong Kong Special Administration Region, an advisor to the 廣東省粵港澳合作諮詢委員會 (for identification purpose, the Advisory Committee for the Co-operation between Guangzhou, Hong Kong and Macau), 綜合開發研究院 (for identification purpose, a council member of China Development Institute) in Shenzhen, the PRC. Dr. Zhu also acted as the advisor to various local governments in the PRC and several Hong Kong companies. He is experienced in the research on the structural change of industries in global economies, the economic and business development in East Asia, the open door policy adopted by the PRC, the regional economic development of the PRC, the economic integration between the PRC, Taiwan and Hong Kong.

Mr. Wang Jin Ling, aged 80, was appointed as an independent non-executive Director of the Company in October 2009. Mr. Wang was qualified as a senior engineer by 煤炭工業部 (for identification purpose, The Ministry of Coal Industry) of the PRC in 1995, and was appointed as the chief engineer at 義馬礦務局 (for identification purpose, Yima Mining Bureau) of the 中國統配煤礦總公司 (for identification purpose, China National Coal Corporation) in Henan Province, the PRC in 1991. Mr. Wang was invited to act as the technical consultant of 永煤集團股份公司 (for identification purpose, Yongmei Group Company Ltd.) in 2000.

REPORT OF THE DIRECTORS

The Board presents the annual report together with the audited consolidated financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. Its subsidiaries are principally engaged in investment property holding in the PRC, provision of financing to customers in the PRC and investment holding.

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2018 are set out in note 38 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss on page 52.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Same).

RESERVES

Movements in the reserves of the Group and of the Company during the year ended 31 December 2018 are set out in the consolidated statement of changes in equity on page 55 and note 36(b) to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

The Company has no distributable reserves as at 31 December 2018 and 2017.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 29 to the consolidated financial statements.

WARRANT

On 14 August 2015, an extraordinary general meeting was held to approve the issue of 20,000,000 unlisted warrants to Haitong International Finance Company Limited ("Haitong"). The exercise price of the warrants is HK$0.6975. Upon full exercise of the warrants, a maximum of 20,000,000 warrant shares will be issued, representing (i) approximately 1.570% of the Company's issued share capital of 1,274,038,550 shares; and (ii) approximately 1.546% of the Company's issued share capital as enlarged by the issue of the warrant shares. The warrant expired on 16 August 2018.

PRE-EMPTIVE RIGHTS

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 19 to the consolidated financial statements.

INVESTMENT PROPERTY

Details of the movements in investment property of the Group are set out in note 20 to the consolidated financial statements.

BORROWINGS

Details of the borrowings of the Group as at 31 December 2018 are set out in note 27 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last 5 financial years is set out on page 120 of this report.

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares for the year ended 31 December 2018.

DIRECTORS

The Directors of the Company as at the date of this report and those who were in office during the year are:

Executive Directors
Mr. Lo Siu Yu, *Chairman*
Mr. Tai Xing, *CEO*
Mr. Cho Chun Wai

Non-executive Directors
Ms. Luo Shaoying, *Vice Chairman* (re-designated from an executive Director on 29 January 2018)
Mr. Pan Chuan (appointed on 12 November 2018)
Mr. Wang Xiaobo (resigned on 12 November 2018)
Mr. Qin Hong

Independent non-executive Directors
Mr. Chan Ying Kay
Dr. Zhu Wenhui
Mr. Wang Jin Ling

Mr. Wang Xiaobo resigned as non-executive Director of the Company with effect from 12 November 2018 due to his other business commitments. Mr. Wang confirmed that he has no disagreement with the Board and there is no other matter that needs to be brought to the attention of the shareholders of the Company.

In accordance with Articles 90 to 92 of the Articles of Association of the Company (the "Articles of Association"), Mr. Lo Siu Yu, Mr. Pan Chuan and Mr. Chan Ying Kay will retire at the forthcoming Annual General Meeting (the "AGM") but, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

An executive Director has entered into service contracts with the Company on 15 October 2009. An executive Director has entered into service contracts with the Company on 29 September 2016. An executive Director has entered into service contracts with the Company on 17 October 2017. Such contracts will continue unless and until they are terminated by either party by prior written notice.

Each appointment letters entered into between the Company and Ms. Luo Shaoying (re-designated from an executive Director on 29 January 2018), Mr. Qin Hong (on 15 October 2010) and Mr. Pan Chuan (on 12 November 2018), all being the non-executive Directors of the Company is without fixed terms of office, and such contracts will continue unless and until they are terminated by either party by prior written notice.

Each appointment letters entered into between the Company and Mr. Chan Ying Kay, Mr. Wang Jin Ling (both on 13 October 2018) and Dr. Zhu Wenhui (on 31 December 2018), all being the independent non-executive Directors of the Company, are for a fixed term of one year, and renewable annually upon expiry, unless and until terminated by either party by a prior written notice.

Save as disclosed above, no Director of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

INDEPENDENCE CONFIRMATION

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers they are independent.

DIRECTORS' REMUNERATIONS

A summary of the Directors' remuneration is set out in note 16 to the consolidated financial statements.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

1. Interest income on loans to Chongqing Doyen

   Pursuant to a loan agreement dated 8 November 2016, Chongqing Baoxu advanced a loan of RMB80 million to Chongqing Doyen. This was interest-bearing at 10.5% per annum and repayable within one year from the date of drawdown which was 18 January 2017. In May 2017, approximately 9.81% of the equity interest of Doyen Shell was charged to Chongqing Baoxu as security for the loan. On 18 January 2018, Chongqing Baoxu has not received repayment of the principal amount and interest thereon as at the due date and was construed as default in repayment which subject to an additional default interest of 5% per annum according to the loan agreement.

   During the year ended 31 December 2018, Chongqing Baoxu interest income of approximately HK$13.9 million (2017: HK$9.3 million) was received/receivable from Chongqing Doyen.

   Pursuant to a loan agreement dated 11 November 2016, Shanghai Dongkui advanced a loan of RMB110 million to Chongqing Doyen. This loan was interest-bearing at 10.5% per annum and repayable within one year from the date of drawdown which was 18 January 2017. In May 2017, 13% of equity interest of Doyen Shell was charged to Shanghai Dongkui as security for the loan. On 18 January 2018, Shanghai Dongkui has not received repayment of the principal amount and interest thereon as at the due date and was construed as default in repayment which subject to an additional default interest of 5% per annum according to the loan agreement.

   During the year ended 31 December 2018, Shanghai Dongkui interest income of approximately HK$19.1 million (2017: HK$12.1 million) was received/receivable from Chongqing Doyen.

   Mr. Lo was the founder and is currently the chairman and general manager of Chongqing Doyen.

2. Cleaning service contract and property management service contract

   In December 2016, Chongqing Baoxu entered into a property management service contract with 重慶新東原物業管理有限公司 (for identification purpose, Chongqing New Dowell Property Management Ltd. ("Dowell Property Management")) for daily management of Dong Dong Mall from 1 January 2017 to 31 December 2019.

   In January 2017, Chongqing Baoxu entered into a cleaning service contract with Dowell Property Management for cleaning and maintenance services on Dong Dong Mall from 1 January 2017 to 31 December 2017.

   Mr. Lo had control in Dowell Property Management.

   During the year ended 31 December 2018, no cleaning expenses and property management fees of approximately HK$0.2 million (2017: HK$0.6 million and HK$0.3 million) respectively were paid to Dowell Property Management.

Save as disclosed above, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

As at 31 December 2018, the following Directors of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under the provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange:

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION *(CONTINUED)*

Long positions of the Directors' interests in the shares and underlying shares of the Company:

Name of director	Capacity	Corporate interest	Personal interest	Interests in underlying share pursuant to share options	Total number of shares interested	Approximate percentage of the Company's issued shares
Mr. Lo Siu Yu	Interest of controlled corporation and beneficial owner	760,373,018 (note a)	25,000,000 (note b)	–	785,373,018	61.64%
Mr. Cho Chun Wai	Beneficial owner	–	10,000	–	10,000	0.00%
Mr. Qin Hong	Beneficial owner	–	–	2,100,000	2,100,000	0.16%
Dr. Zhu Wenhui	Beneficial owner	–	10,000	–	10,000	0.00%

Notes:

a. 670,373,018 shares were held by Money Success Limited ("Money Success"), a company wholly-owned by Wealthy In Investments Limited, which is in turn wholly-owned by Mr. Lo. 60,000,000 shares were held by Sino Consult Asia Limited and 30,000,000 shares were held by Full Brilliant Limited ("Full Brilliant"), both are companies wholly-owned by Money Success.

b. Such interests are held jointly with Ms. Chiu Kit Hung, the spouse of Mr. Lo.

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which each of them has taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered into the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES AND DEBENTURES OF THE COMPANY

In the AGM held on 11 September 2008, the then shareholders approved the adoption of a new share option scheme (the "2008 Scheme") in place of the old share option scheme. The following disclosure is a summary of the 2008 Scheme as required by Chapter 17 of the Listing Rules.

1. Purpose:
   The 2008 Scheme will provide incentives and rewards to eligible persons who have contributed or will contribute to the growth and development of the Group.

2. Participants:
   The Board may at its absolute discretion, invite any employee, officer, manager, director, consultant, associates, chief executive or substantial shareholders of the Group to subscribe for shares of the Company.

3. Total number of shares available for issue under the 2008 Scheme and percentage of issued share capital at the date of approval of the share option scheme:
   The number of shares which can be issued is 34,543,855 shares representing 10% of the issued share capital of the Company at the date of approval of the 2008 Scheme. The scheme was terminated on 11 September 2018 and no further share options shall be granted. The outstanding share options granted may continue to be exercisable. The total number of shares available for issue under the 2008 Scheme as at 31 December 2018 was 2,100,000 shares, representing 0.16% of the issued share capital of the Company as at 31 December 2018. Further details of the 2008 Scheme are set out in note 30 to the consolidated financial statements.

4. Maximum entitlement of each participant:
   The total number of shares issued and to be issued upon exercise of the share options granted and to be granted to each eligible person (including exercised, cancelled and outstanding options) in any 12-month period up to the date of grant must not exceed 1% of the shares of the Company in issue as at the date of grant. Any further share options to be granted under the 2008 Scheme in excess of this limit is subject to shareholders' approval in general meeting of the Company, with such eligible person and his associates abstaining from voting.

SHARE OPTION SCHEME AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES AND DEBENTURES OF THE COMPANY *(CONTINUED)*

5. The periods within which the shares must be taken up under an option:
   The share options under the 2008 Scheme may be exercised at any time during the exercise period, notwithstanding that the 2008 Scheme may have expired or been terminated.

6. The minimum period for which an option must be held before it can be exercised:
   The exercise period of the share options granted under the 2008 Scheme is determinable by the Board, which shall not be more than 10 years after the date of grant.

7. The amount payable on application or acceptance of the option and the period within which payments of calls must or may be made or loans for such purpose must be paid:
   Share options granted under the 2008 Scheme must be accepted within 10 days from the date of grant, upon payment of HK$1 per grant.

8. The basis of determining the exercise price:
   The exercise price of the share options under the 2008 Scheme will be determined by the Board, at its absolute discretion, but shall at least be the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the share options, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet for the 5 trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

9. The remaining life:
   The 2008 Scheme will remain in force for a period of 10 years commencing on 11 September 2008.

Movements in the Company's outstanding share options under the 2008 Scheme during the year are as follows:

	Date of grant	Exercisable period	Exercise price HK$	Closing price per share immediately before the date of grant HK$	No. of options outstanding as at 1 January 2018	No. of options granted during the year ended 31 December 2018	No. of options exercised/ cancelled/ lapsed during the year ended 31 December 2018	No. of options outstanding as at 31 December 2018	Approximate percentage of the underlying shares for the options outstanding in the issued shares of the Company
Mr. Wang Xiaobo (note 1)	15 October 2010	15 October 2010 to 14 October 2020	1.638	1.610	2,850,000	–	(2,850,000)	–	–
Mr. Qin Hong (note 2)	2 December 2010	2 December 2010 to 1 December 2020	1.628	1.500	2,100,000	–	–	2,100,000	0.16%
Total					4,950,000	–	(2,850,000)	2,100,000	0.16%

Note:

1. The options have a term of ten years commencing on 15 October 2010 and shall vest (if applicable) and become exercisable in three tranches in the proportion of approximately 33⅓%, 33⅓% and 33⅓% on 15 October 2010, 15 October 2011 and 15 October 2012 respectively.

2. The options have a term of ten years commencing on 2 December 2010 and shall vest (if applicable) and become exercisable in three tranches in the proportion of approximately 33⅓%, 33⅓% and 33⅓% on 2 December 2010, 2 December 2011 and 2 December 2012 respectively.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate granted to any Director or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or were the Company or any of its holding companies, fellow subsidiaries and subsidiaries a party to any arrangement to enable the Company's Directors, their respective spouses or children under 18 years of age to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2018, according to the register of interests in shares in the Company and short positions of the Company required to be kept by the Company under section 336 of the SFO, the following persons or corporations, other than Directors or chief executive of the Company, had interests or short positions in the shares or underlying shares which would fall to be disclosed by the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Long positions of substantial shareholders' interests in the shares of the Company:

Name of substantial shareholder	Capacity	Number of shares interested	Approximate percentage of the Company's issued shares
Jiangsu Huaxi Group Co. Ltd.	Interest of controlled corporation (Note a)	905,373,018	71.06%
Hua Sing (Hong Kong) Trading Investment Limited	Interest of controlled corporation (Note b)	785,373,018	61.64%
Hua Sing (Cayman) Energy Holdings Limited	Person having a security interest in share (Note b)	785,373,018	61.64%
Jiangyin Huaxi Steel Co., Ltd.	Interest of controlled corporation (Note c)	120,000,000	9.42%
Baoli International (Hong Kong) Trading Co., Limited	Beneficial owner (Note c)	120,000,000	9.42%
Ms. Chiu Kit Hung	Interest of spouse (Note d)	785,373,018	61.64%
Wealthy In Investments Limited	Interest of controlled corporation (Note e)	760,373,018	59.68%
Money Success Limited	Beneficial owner (Note f) Interest of controlled corporation	670,373,018 90,000,000	52.62% 7.06%
Mr. Xue Yuewu	Beneficial owner	108,000,000	8.48%
Mr. Gao Yi Xin	Interest of controlled corporation (Note g)	90,000,000	7.06%
Ms. Wang He Fen	Interest of controlled corporation (Note g)	90,000,000	7.06%
Mr. Huang Wu Jun	Interest of controlled corporation (Note g)	90,000,000	7.06%
Xinyuan International Marine Transportation Co. Ltd.	Beneficial owner (Note g)	90,000,000	7.06%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY *(CONTINUED)*

Notes:

a. Jiangsu Huaxi Group is a company established with limited liability under the laws of the PRC. Jiangsu Huaxi Group held 75% equity interest of Jiangyin Huaxi Steel Co., Ltd. ("Jiangyin Huaxi Steel"), which in turn wholly-owned Baoli.

b. Hua Sing (Hong Kong) Trading Investment Limited ("Hua Sing (Hong Kong)") is a company established with limited liability under the laws of Hong Kong and a subsidiary wholly-owned by Jiangsu Huaxi Group. Hua Sing (Cayman) Energy Holdings Limited ("Hua Sing (Cayman)") is an overseas company established in the Cayman Islands and a subsidiary wholly-owned by Hua Sing (Hong Kong).

c. Jiangyin Huaxi Steel is a company established with limited liability under the laws of the PRC and a subsidiary owned 75% by Jiangsu Huaxi Group. Baoli is a company established with limited liability under the laws of Hong Kong and a subsidiary wholly-owned by Jiangyin Huaxi Steel.

d. Ms. Chiu Kit Hung is the spouse of Mr. Lo, who is the Chairman and an executive Director of the Company.

e. Wealthy In Investments Limited is a company wholly-owned by Mr. Lo.

f. 670,373,018 shares were held by Money Success, a company wholly-owned by Wealthy In Investments Limited, which is in turn wholly-owned by Mr. Lo. 60,000,000 shares were held by Sino Consult Asia Limited and 30,000,000 shares were held by Full Brilliant, both are companies wholly-owned by Money Success.

g. 55%, 25% and 20% of the shareholdings of Xinyuan International Marine Transportation Co. Ltd. were owned by Mr. Gao Yi Xin, Ms. Wang He Fen and Mr. Huang Wu Jun respectively.

Save as disclosed above, as at 31 December 2018, the Company had not been notified by any persons or corporations (other than Directors or chief executives of the Company) who had an interest directly or indirectly and/or short position in the shares or underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of SFO.

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 ended 31 December 2018.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of the Board, there was 25% or more of the listed issued share capital of the Company being held in public hands as at the latest practicable date prior to printing of this report.

PERMITTED INDEMNITY PROVISION

The Articles of Association provide that subject to the provisions of the Companies Ordinance every Director shall be indemnified out of the assets of the Company against all liabilities incurred by him/her as a Director in defending any proceedings. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the directors and officers of the Group.

COMPETING INTERESTS

Save as the interests of Mr. Lo, being an executive Director and the Chairman of the Company, and certain of his associates (including his spouse) in property investment business which may likely compete, either directly or indirectly with the business of the Group, none of the Directors or the chief executive of the Company and their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group for the year ended 31 December 2018 that are required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, our five largest customers accounted for approximately 43.51% (2017: 46.29%) of the Group's total revenue and our largest customer accounted for approximately 19.26% (2017: 17.37%) of our total revenue. Due to the nature of our business, we do not have any significant contribution from major suppliers during the normal course of our business. However, we relied substantially on interest-bearing borrowings to operate our business. To the knowledge of the Directors, none of the Directors or their respective close associates as defined in the Listing Rules or any of the shareholders who own more than 5% of the Company's issued shares has any interest in any of the Group's five largest customers or suppliers or lenders.

CONNECTED TRANSACTIONS

During the year ended 31 December 2018, the Group had the following connected transactions:

1. Non-exempt connected transactions

   On 8 November 2016, the Company granted a Doyen Loan with a principal amount of RMB80 million (equivalent to approximately HK$91.0 million) to Chongqing Doyen. On the same date, Chongqing Baoxu granted a Baoxu Loan with a principal amount of RMB80 million (equivalent to approximately HK$91.0 million) to Chongqing Doyen. On 11 November 2016, Shanghai Dongkui granted Shanghai Dongkui Loan with a principal amount of RMB110 million (equivalent to approximately HK$125.2 million) to Chongqing Doyen. On 6 March 2017, the Company granted a Doyen 2nd Loan with a principal amount of RMB150 million (equivalent to approximately HK$170.8 million) to Chongqing Doyen. The aggregate amount of the Loans granted to Chongqing Doyen amount to RMB420 million (equivalent to approximately HK$478.0 million). The Loans are interest-bearing at 10.5% per annum. On 12 May 2017, Chongqing Doyen, Shuorun Petrochemical and Chongqing Baoxu entered into a share charge agreement and Chongqing Doyen, Shuorun Petrochemical and Shanghai Dongkui entered into another share charge agreement pursuant to which Shuorun Petrochemical agreed to charge 38% and 13% of Equity Interest respectively as security for the Loans. In January 2018, the Company, Chongqing Baoxu and Shanghai Dongkui have not received repayment of the principal amount of the Loans and the interest for the period from 1 January 2018 to 18 January 2018. Accordingly, an event of default has occurred under the loan agreements. Default interest and compound interest shall be charged on such sum from and including the due date up to the date of actual payment at the rate per annum to be the aggregate of the above-mentioned interest rate and 5% per annum. In relation to the loans advanced by the Company to Chongqing Doyen, Chongqing Doyen agrees to reimburse the Company any tax and other expenses relevant to the advancement of the loans. During the year ended 31 December 2018, approximately HK$10.6 million (2017: HK$3.2 million) was reimbursed by Chongqing Doyen to the Company.

   Mr. Lo was the founder and is currently the chairman and general manager of Chongqing Doyen.

   The above connected transactions also constitute advances to an entity in accordance with Chapter 13 of the Listing Rules.

2. Connected transactions fully exempted from shareholders' approval, annual review and all disclosure requirements

   Guarantee provided by a connected party

   As at 31 December 2018, the Group's bank loans of approximately HK$68.3 million (2017: HK$27.1 million) were guaranteed by Chongqing Doyen.

   Guarantees and securities provided by connected parties

   In January 2015, the Group issued bonds (the "Bonds") with an aggregate face value of HK$195 million at par to Haitong. In February 2018, Haitong has transferred the Bonds to Hua Sing (Cayman). The Bonds are guaranteed by Mr. Lo and Chongqing Doyen. In addition, Money Success, Full Brilliant and Sino Consult Asia Limited, which are beneficially owned by Mr. Lo, have charged 670,373,018, 30,000,000 and 60,000,000 shares of the Company in favour of Hua Sing (Cayman) as security to the Bonds respectively. Mr. Lo and Ms. Chiu Kit Hung have charged 25,000,000 shares of the Company jointly owned by them in favour of Hua Sing (Cayman) as security to the Bonds.

   Cleaning service contract and property management service contract

   In December 2016, Chongqing Bauxo entered into a property management service contract with Dowell Property Management for daily management of Dong Dong Mall from 1 January 2017 to 31 December 2019.

   In January 2017, Chongqing Baoxu entered into a cleaning service contract with Dowell Property Management for cleaning and maintenance services on Dong Dong Mall from 1 January 2017 to 31 December 2017.

   Mr. Lo had control in Dowell Property Management.

   During the year ended 31 December 2018, no cleaning expenses and property management fees of approximately HK$0.2 million (2017: HK$0.6 million and HK$0.3 million) respectively were paid to Dowell Property Management.

The above connected transactions are also related party transactions of the Group. Save as disclosed above, none of other related party transactions constitute as non-exempt connected transactions or non-exempt continuing connected transactions of the Group in accordance with the Listing Rules during the year ended 31 December 2018.

DISCLOSEABLE TRANSACTIONS

On 28 June 2018, Shanghai Dongkui entered into a loan financing agreement with Hongze Hospital, a public institution legal person established in the PRC, an independent third party, pursuant to which Shanghai Dongkui agreed to grant a loan to Hongze Hospital in the amount of RMB30 million (equivalent to approximately HK$34.1 million) for a term of three years. The loan is secured by the machinery and equipment from Hongze Hospital. The obligation of Hongze Hospital under the loan financing agreement is guaranteed by Huaian District Hongze City Asset Management Company Ltd., a company established in the PRC with limited liability. On the same date, Shanghai Dongkui entered into a consultancy agreement with Hongze Hospital, pursuant to which Shanghai Dongkui agreed to provide consultancy services to Hongze Hospital in relation to the loan and Hongze Hospital has agreed to pay a fee of RMB1.5 million (equivalent to approximately HK$1.7 million) to Shanghai Dongkui.

On 24 October 2018, Shanghai Dongkui entered into a loan agreement with Daxing Ye Yang, a company established in the PRC with limited liability, an independent third party, pursuant to which Shanghai Dongkui agreed to grant a loan to Daxing Ye Yang in the amount of RMB35 million (equivalent to approximately HK$39.8 million) for a term of 12 months at the interest rate of 11% per annum. The loan is guaranteed by Sanya Daxing Group Co., Ltd., a company established in the PRC with limited liability, which holds 40% of the equity interests of Daxing Ye Yang.

On 25 October 2018, Shanghai Dongkui entered into a loan financing agreement with Shaanxi Taibai, a company established in the PRC with limited liability, an independent third party, pursuant to which Shanghai Dongkui agreed to grant a loan to Shaanxi Taibai in the amount of RMB40 million (equivalent to approximately HK$45.5 million) for a term of three years. The loan is secured by the machinery and equipment from Shaanxi Taibai. The obligation of Shaanxi Taibai under the loan financing agreement is guaranteed by Baoji City Cultural Tourism Industry Development Group Company Ltd., a company established in the PRC with limited liability. At the same time, Shanghai Dongkui entered into a consultancy agreement with Shaanxi Taibai whereby Shanghai Dongkui agreed to provide consultancy services to Shaanxi Taibai in relation to the loan and Shaanxi Taibai agreed to pay a fee of RMB2.4 million (equivalent to approximately HK$2.7 million) to Shanghai Dongkui.

For sales and lease back transactions with repurchase options which are almost certain to be exercised and do not convey a right to use of the underlying assets, the Directors are of the opinion that in substance these transactions are not in the scope of Hong Kong Accounting Standard 17 Leases, which instead are accounted for as financial instruments under Hong Kong Financial Reporting Standard 9 Financial Instruments.

RELATED PARTY TRANSACTIONS

The related party transactions during the year ended 31 December 2018 are being disclosed in note 34 to the consolidated financial statements.

EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

(a) Pursuant to a confirmation letter dated 18 January 2019 executed by the Group and Hua Sing (Cayman), a company incorporated in the Cayman Islands with limited liability, whereby the parties amended certain terms and conditions of the Bonds based on a supplemental deed poll dated 18 January 2019 (the "Supplemental Deed Poll"), inter alia:

The maturity date of the Bonds shall be 17 April 2019 or such later date as agreed by the bondholder(s) and the Company, which shall not be a date which falls after 17 April 2021 (the "New Maturity Date"). The Company may, by notice in writing to the bondholder(s), extend the New Maturity Date to a date no later than 3 months from the New Maturity Date (in no event should the New Maturity Date fall on a date after 17 April 2021) as last agreed by the bondholder(s) and the Company, subject to the written consent of all the bondholder(s). The extension notice shall be served by the Company at least 20 business days prior to the New Maturity Date as last agreed by the bondholder(s) and the Company.

Pursuant to another confirmation letter dated 18 January 2019, issued by Hua Sing (Cayman) whereby Hua Sing (Cayman) confirmed, among others, the following:

(i) The failure by the Company to pay interest between 7 February 2018 to the New Maturity Date, both dates inclusive (the "New Period") shall not constitute a breach of the bond instrument dated 19 January 2015 ("Bond Instrument") and the Supplemental Deed Poll or event of default under the Bond Instrument ("Event of Default").

(ii) Any interest due but remain unpaid during the New Period (the "New Accrued Interest") shall become immediately payable by the Company on the first business day (excluding Saturday, Sunday and public holidays) on which banks in Hong Kong are open for business) immediately after the New Period.

(iii) No interest shall accrue on the New Accrued Interest itself and the default interest pursuant to the Bond Instrument shall not be applicable to any New Accrued Interest.

(iv) If any of the Event of Default (except for the non-payment of interest during the New Period) should occur, Hua Sing (Cayman) shall have the right to revoke the effect of any or all of the paragraphs (i) to (iii) above, any right exercisable by Hua Sing (Cayman) pursuant to the Bond Instrument may be exercised in respect of the New Accrued Interest and the Bond Instrument shall apply to the New Accrued Interest from the date of any demand by Hua Sing (Cayman) to pay the New Accrued Interest accordingly.

Pursuant to the Supplemental Deed Poll in relation to the Bonds, three notices were issued by the Group to Hua Sing (Cayman) on 19 March 2019 in respect of the extension of the New Maturity Date of the Bonds to 17 January 2020. Hua Sing (Cayman) acknowledged receipt of the aforesaid three notices and issued three written consents on 19 March 2019; accordingly, the New Maturity Date of the Bonds has been extended to 17 January 2020.

(b) On 25 January 2019, Shanghai Dongkui entered into a loan financing agreement with a hospital at a consideration of RMB40 million (equivalent to approximately HK$45.5 million).

REPORT OF THE DIRECTORS

(c) Pursuant to a supplemental agreement dated 15 February 2019, the parties to the Equity Interest Transfer Agreement extended the deadline of fulfillment of certain conditions precedent under the Equity Interest Transfer Agreement to 30 June 2019 and postponed the completion date to 31 August 2019.

Up to the date of this report, the Equity Interest Transfer Agreement was yet to be completed as certain conditions precedent are yet to be fulfilled. Notwithstanding the above, the Group is still under negotiation with Chongqing Doyen for the settlement of the outstanding amounts.

AUDITOR

PricewaterhouseCoopers has resigned as the auditor of the Company with effect from 9 September 2016. The consolidated financial statements for the three financial years ended 31 December 2018, 2017 and 2016 were audited by RSM Hong Kong.

At the last AGM of the Company, RSM Hong Kong was re-appointed as the auditor of the Company. On 22 November 2018, the auditor of the Company changed its Chinese practicing name to "羅申美會計師事務所".

RSM Hong Kong will retire and, being eligible, offer themselves for re-appointment. The Company will propose a resolution re-appointing RSM Hong Kong at the AGM.

By Order of the Board

Cho Chun Wai
Executive Director

Hong Kong, 27 March 2019

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and believes that it is essential to enhance shareholders' value and safeguard shareholders' interests. The Directors are of the opinion that the Company has complied with the code provisions ("Code Provision") as set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Listing Rules throughout the year ended 31 December 2018, save for deviations from Code Provision A.4.1 and Code Provision E.1.2 as disclosed below:

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. None of the non-executive Directors of the Company is appointed for a specific term. However, in accordance with the Articles of Association, at each AGM, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. The Company considers that this is no less exacting than those provided in the CG Code.

Code Provision E.1.2 specifies that the Chairman of the Board should attend the AGM. Mr. Lo, the Chairman of the Board, has been heavily involved in the business operation of the Group in the PRC. Despite his utmost intention to be present at the Company's AGM held on 14 May 2018, he was unable to attend the said meeting due to other urgent business commitments of the Group. Mr. Lo undertakes that he will try his best to attend the future AGMs of the Company whenever possible.

The Company regularly reviews its corporate governance practices to ensure they comply with the CG Code and align with the latest developments.

THE BOARD

The Board currently comprises 3 executive Directors, including the Chairman and chief executive officer, 3 non-executive Directors, including the Vice Chairman and 3 independent non-executive Directors.

The Board is collectively accountable to the shareholders and is responsible for the leadership and control of the Group including overseeing the Group's businesses, formulating strategic directions, setting objectives and business development plans, and monitoring the performance of both the financial results and the senior management. The Board takes responsibility to oversee internal controls and risk management systems and review of the effectiveness of such systems, and determining the policy for corporate governance.

Upon making request to the Board, each Director is able to seek independent professional advice at the Company's expenses, when necessary.

The independent non-executive Directors serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Each of the independent non-executive Directors has confirmed in his annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers such Directors to be independent.

All Directors have distinguished themselves in their field of expertise so as to give a balance of skills, knowledge and experience required for the running of an effective board. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operation of its businesses to its executive Directors and senior management. Biographical details and responsibilities of each Board member and senior management are set out in pages 12 to 13 of this report. Mr. Tai Xing and Mr. Pan Chuan are an employee of a related company that was controlled by Mr. Lo and his spouse. Ms. Luo Shaoying is a sister of Mr. Lo. Ms. Luo is an employee of a related company that was controlled by Mr. Lo and his spouse. Mr. Qin Hong is now the general manager of Jiangsu Huaxi Tongcheng and a director of Jiangsu Huaxi Group Finance, which is an indirect subsidiary of Jiangsu Huaxi Group. One of the subsidiaries of Jiangsu Huaxi Group, Baoli, is a substantial shareholder of the Company. Save as disclosed above, there is no other relationship (including financial, business, family or other material relationship) among members of the Board and substantial shareholders.

THE BOARD *(CONTINUED)*

Regular Board meetings are held at approximately quarterly intervals and involve the active participation of Directors, either in person or through other electronic means of communications. The individual attendance of each Director during the year under review is set out below:

	Number of Board meetings Directors attended/eligible to attend
Executive Directors	
Mr. Lo Siu Yu, *Chairman*	16/16
Mr. Tai Xing, *CEO*	16/16
Mr. Cho Chun Wai	16/16
Non-executive Directors	
Ms. Luo Shaoying, *Vice Chairman* (re-designated from an executive Director on 29 January 2018)	16/16
Mr. Pan Chuan (appointed on 12 November 2018)	4/4
Mr. Wang Xiaobo (resigned on 12 November 2018)	12/12
Mr. Qin Hong	16/16
Independent non-executive Directors	
Mr. Chan Ying Kay	16/16
Dr. Zhu Wenhui	16/16
Mr. Wang Jin Ling	16/16

BOARD DIVERSITY POLICY

The Board had adopted the board diversity policy and revised the terms of reference for the nomination committee of the Company (the "Nomination Committee"). In order to achieve a diversity of perspectives amongst the structure, size and composition of the Board, when making the recommendation to the Company for appointment or re-appointment of Directors and succession planning of Directors, the Nomination Committee will take into account a number of factors including but without limitation, gender, age, cultural and educational background, professional experience, skills and knowledge, and length of service.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Company has arranged appropriate insurance coverage for Directors' and officers' liabilities in respect of legal actions against its Directors and officers arising out of corporate activities of the Group.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the CEO are separated, with a clear segregation of duties. The Chairman is responsible for formulating corporate strategies and overall business development planning. The CEO's duty is to oversee the execution of daily operation of the business activities. The segregation of duties is to ensure a balance of power and authority.

MEETING BETWEEN THE CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Under Code Provision A.2.7, the Chairman should at least annually hold meetings with the non-executive Directors (including independent non-executive Directors) without the executive Directors present. There was one meeting held between the Chairman of the Company and the independent non-executive Directors, without the presence of the executive Directors for the year ended 31 December 2018.

RESPONSIBILITIES OF DIRECTORS

Each Director shall from time to time have knowledge of his/her responsibilities as Director, as well as the operations, business activities and development of the Company and shall ensure that sufficient time and effort will be put to deal with the Company's affairs. The Company offers induction materials to each Director on the first occasion of his/her appointment as well as necessary information and training during his/her term of appointment to ensure that he/she has appropriate knowledge of the Company's operations and business as well as the responsibility of director under applicable laws.

TRAINING AND SUPPORT FOR DIRECTORS

(A) Training

Pursuant to the CG Code, all Directors shall participate in the continuous professional development programme to develop and update their knowledge and skills so that they can contribute to the Board. During the year ended 31 December 2018, the Company offered several appropriate training sessions for Directors. The training sessions were related to the internal controls, anti-fraud policies and site visiting. The Company has received from each of the Directors the individual training record of Directors pursuant to Code Provision A.6.5 and time involved in public companies or organizations and description of other significant commitments pursuant to Code Provision A.6.6.

During the year ended 31 December 2018, the Directors participated in the following trainings:

	Attending[1]
Executive Directors	
Mr. Lo Siu Yu	✔
Mr. Tai Xing	✔
Mr. Cho Chun Wai	✔
Non-executive Directors	
Ms. Luo Shaoying (re-designated from an executive Director on 29 January 2018)	✔
Mr. Pan Chuan (appointed on 12 November 2018)	✔
Mr. Wang Xiaobo (resigned on 12 November 2018)	✔
Mr. Qin Hong	✔
Independent non-executive Directors	
Mr. Chan Ying Kay	✔
Dr. Zhu Wenhui	✔
Mr. Wang Jin Ling	✔

Note:

1. Trainings may include
   (a) seminar(s)/programme(s)/conference(s)/forums relevant to the business or directors' duties; and/or
   (b) reading newspaper, journals and updates relating to the economy, general business or directors' duties etc.; and/or
   (c) Company's site visiting.

All the Directors also understand the importance of continuous professional development and are committed to participate in any suitable training to develop and refresh their knowledge and skills.

(B) Support

The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes, such as sending the latest version of "A Guide on Directors' Duties" published by the Hong Kong Companies Registry and guidelines published by The Hong Kong Institute of Directors, are issued to Directors and senior management of the Company where appropriate to ensure awareness of best corporate governance practices.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding dealings in the securities of the Company by the Directors and the relevant employees (who are likely to be in possession of inside information relating to the Company or its securities) (the "Guidelines for Securities Transactions by Relevant Employees") on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code and its code of conduct regarding directors' securities transactions for the year ended 31 December 2018.

In addition, no incident of non-compliance of the Guidelines for Securities Transactions by Relevant Employees by the relevant employees of the Group was noted by the Company throughout the year ended 31 December 2018.

NOMINATION COMMITTEE

The Company established the Nomination Committee with written terms of reference on 4 November 2009. The Nomination Committee comprises the Chairman, Mr. Lo Siu Yu and two independent non-executive Directors, Mr. Chan Ying Kay and Dr. Zhu Wenhui.

The principal duties of the Nomination Committee include:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorship;

(c) to assess the independence of the independent non-executive Directors; and

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and CEO.

The Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

In compliance with the amendments to the Listing Rules which was effective on 1 April 2012, the terms of reference of the Nomination Committee was revised and approved by the Board on 20 March 2012.

During the year ended 31 December 2018, one Nomination Committee meeting was held. All members of the Nomination Committee are attended.

In accordance with the Articles of Association, Mr. Lo Siu Yu, Mr. Pan Chuan and Mr. Chan Ying Kay shall retire, and being eligible, offer themselves for re-election at the forthcoming AGM.

A circular containing detailed information of the Directors of the Company standing for re-election at the forthcoming AGM would be sent to the shareholders.

TERMS OF APPOINTMENTS AND RE-ELECTION OF DIRECTORS

According to the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) should retire from office by rotation at each AGM of the Company provided that every Director shall be subject to retirement by rotation at least once every 3 years. Furthermore, any Director appointed to fill a casual vacancy or as an addition to the existing Board should hold office only until the next following AGM and would then be eligible for re-election at that meeting. The existing independent non-executive Directors of the Company have fixed term of office but their termination are determinable by either party with a written notice in advance, as well as subject to the aforesaid retirement from office on a rotational basis.

AUDIT COMMITTEE

The Audit Committee (the "Audit Committee") has been established since 1999 with written terms of reference pursuant to all the duties set out in Code Provision C.3.3 of the CG Code. Currently, there are three committee members, all of whom are independent non-executive Directors of the Company, namely Mr. Chan Ying Kay (Committee Chairman), Dr. Zhu Wenhui and Mr. Wang Jin Ling. Mr. Chan Ying Kay possesses extensive experience in accounting and financial matters and meets the requirements of Rule 3.21 of the Listing Rules.

The Audit Committee is accountable to the Board and its principal duties include the review and supervision of the financial reporting process and internal control system of the Group.

AUDIT COMMITTEE *(CONTINUED)*

During the year ended 31 December 2018, the Audit Committee held three meetings. The Audit Committee reviewed the accounting policies and practices adopted by the Group and discussed auditing, risk management, internal controls system and financial reporting matters. It also reviewed the consolidated financial statements of the Group and the Company's annual and interim reports.

The individual attendance of each committee member is set out below:

	Number of meetings Directors attended/ eligible to attend
Independent non-executive Directors	
Mr. Chan Ying Kay, *Committee Chairman*	3/3
Dr. Zhu Wenhui	3/3
Mr. Wang Jin Ling	3/3

In compliance with the amendments to the Listing Rules which was effective on 1 April 2012, the terms of reference of the Audit Committee was revised and approved by the Board on 20 March 2012.

REMUNERATION COMMITTEE

The Remuneration Committee was established in October 2007 with written terms of reference pursuant to all the duties set out in Code Provision B.1.1 of the CG Code. Currently, there are three committee members, all of whom are independent non-executive Directors, namely Dr. Zhu Wenhui (Committee Chairman), Mr. Chan Ying Kay and Mr. Wang Jin Ling.

The Remuneration Committee is accountable to the Board and its principal duties include review and determination of the Board policy for the remuneration of senior management and make recommendation to the Chairman and the executive members of the Board of Directors' remuneration.

During the year ended 31 December 2018, the Remuneration Committee held one meeting. The Remuneration Committee reviewed the framework of remuneration policy, considered discretionary bonus to staff, remuneration packages of executives and provided the guideline of annual salary review.

The individual attendance of each committee member is set out below:

	Number of meetings Directors attended/ eligible to attend
Independent non-executive Directors	
Dr. Zhu Wenhui, *Committee Chairman*	1/1
Mr. Chan Ying Kay	1/1
Mr. Wang Jin Ling	1/1

In compliance with the amendments to the Listing Rules which was effective on 1 April 2012, the terms of reference of the Remuneration Committee was revised and approved by the Board on 20 March 2012.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare consolidated financial statements that give a true and fair view of the state of affairs of the Group and of the results and cash flows for each financial periods. The statement of the Group's auditor about their reporting responsibilities on financial statements is set out in the Independent Auditor's Report on pages 46 to 51.

AUDITOR'S REMUNERATION

During the year ended 31 December 2018, the remuneration for the Company's auditor, RSM Hong Kong, for services rendered is as follows:

	HK$'000
Audit fee	1,500
Non-audit service fees	20
	1,520

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibilities for maintaining sound and effective risk management and internal control systems of the Group. The systems play an important role in maintaining and improving accountability and transparency in the conduct of the Group's business and are designed for the Group to identify and manage the significant risks to achieve its business objectives, safeguard the interests of the Company's shareholders, ensure compliance with relevant laws and regulations and assists in enhancing investor's confidence. The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and provide reasonable but not absolute assurance against material risk issues or loss.

The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against all risk issues. A bottom-up approach is applied for identification, assessment and mitigation of risk at all business unit levels and across all functional areas. The Board and the Audit Committee are responsible to review and monitor the effectiveness of the risk management and internal control systems. These systems are reviewed on a regular basis for the controls of handling and dissemination of information. Reasonable measures are taken from time to time to ensure adequate disclosure policy has been adopted.

PROCESS USED TO IDENTIFY, EVALUATE AND MANAGE SIGNIFICANT RISKS

During the process of risk assessment, the Board is responsible for identifying the risk of the Group and deciding on the risk levels and the Board is responsible for assessing and determining the nature and extent of the risks that are acceptable to the Group when achieving its strategic objectives. After discussing and taking into consideration the risk response, the relevant departments and business units shall be assigned to implement the risk management solutions in accordance with their respective roles and responsibilities.

During the year, the Board has reviewed the effectiveness of the risk management and internal control systems through the Board and no material internal control deficiencies were identified by the Board.

DIVIDEND POLICY

The Board has adopted a dividend policy (the "Dividend Policy"), pursuant to which, the Board shall consider the following factors before declaring or recommending any dividends:

1. The declaration, form, frequency and amount of any dividend payout of the Company must be in accordance with relevant laws, rules and regulations and subject to the Articles of Association.

2. The Company may by ordinary resolution declare dividends according to the respective rights of the shareholders, but no dividend shall exceed the amount recommended by the Board and be payable except out of the profits of the Company.

3. The Board may also pay to the shareholders interim dividends and declare special dividends from time to time as appear to the Board to be justified by the position of the Company.

4. The dividends may be paid up in the form of the Company's shares in addition to cash, by the distribution of specific assets of any kind or by distribution of any form.

5. Subject to compliance with applicable laws, rules, regulations and the Articles of Association, in deciding whether to propose any dividend payout, the Board will take into account, among other things, the financial results, the earnings, losses and distributable reserves, the operations and liquidity requirements, the debt ratio and possible effects on the credit lines, and the current and future development plans of the Company.

The Board will review the Dividend Policy from time to time and reserves its right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy. There can be no assurance that dividends will be paid in any particular amount for any given period.

SHAREHOLDER RIGHTS

The Company has only one class of shares, all shares have the same voting rights and are entitled to the dividends declared. The Articles of Association set out the rights of our shareholders.

Shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company may request the Board to convene an extraordinary general meeting pursuant to Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The objects of the meeting must be stated in the related requisition deposited at the registered office of the Company.

For including a resolution relating to other matters in a general meeting, shareholders are requested to follow the requirements and procedures as set out in Section 615 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

Pursuant to Article 75 of the Articles of Association, if a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, the shareholder should deposit a written notice of nomination which shall be given to the company secretary within the 7-day period commencing the day after the despatch of the notice of the meeting (or such other period as may be determined and announced by the Directors from time to time). In order for the Company to inform all shareholders of that proposal, the written notice must state the full name of the person proposed for election as a Director, his/her biographical details as required by rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned and that person indicating his/her willingness to be elected. If the notice is received less than fifteen (15) business days prior to that general meeting, the Company will need to consider adjournment of the general meeting in order to (i) assess the suitability of the proposed candidate; and (ii) publish an announcement or circulate a supplementary circular in relation to the proposal to the shareholders not less than ten (10) business days prior to the general meeting.

SHAREHOLDER RIGHTS *(CONTINUED)*

Shareholders have the right to receive corporate communication issued by the Company in hard copies or through electronic means.

Shareholders whose shares held in the Central Clearing and Settlement System (CCASS) may notify us from time to time through Hong Kong Securities Clearing Company Limited if they wish to receive our corporate communications.

Shareholders and other stakeholders may send their enquiries and concerns to the Board by addressing them to the company secretary. The company secretary forwards communications relating to matters within the Board's purview to the independent Directors, communications relating to matters within a Board committee's area of responsibility to the chair of the appropriate committee, and communications relating to ordinary business matters, such as suggestions, inquiries and consumer complaints, to the appropriate executives of the Company.

To promote effective communication, the Company maintains a website at www.doyenintl.com, where up-to-date information of the Company is available for public access.

This Environmental, Social and Governance Report (the "Report") was prepared by the Company and the Group in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") set out in Appendix 27 of the Listing Rules published by the Stock Exchange. The Report complies with all the "comply or explain" provisions of the ESG Reporting Guide and was prepared in adherence to the four reporting principles: materiality, quantitative, balance and consistency. The Report discloses the Group's sustainable development strategy and related work. The Report is to be read in conjunction with the corporate governance report in the annual report in order to obtain a comprehensive understanding of the Group's environmental, social and governance performance.

A. PUTTING ENVIRONMENTAL PROTECTION INTO PRACTICE

The Group attaches great importance to environmental protection and is committed to minimizing the environmental impacts of its daily operation. The Group strictly complies with laws and regulations that have a significant impact on the Group's operation in Hong Kong and in the PRC with air and greenhouse gas ("GHG") emissions, discharges into water and land, and generation of waste, including, but not limited to, the *Air Pollution Control Ordinance, the Water Pollution Control Ordinance, the Waste Disposal Ordinance and the Environmental Protection Law of the PRC*. Since the Group focuses on property investment and loan financing as its core business and mainly involves operation in an office environment and property management of shopping mall, it has a relatively low environmental impact as compared to other industries. Nonetheless, the Group insists to proactively respond to the global trend of energy conservation and emission reduction to play a part in environmental protection. During the reporting period, there were no confirmed violation or complaints received in relation to environmental protection that would have a significant impact on the Group.

In response to stakeholders' expectations and to reduce the environmental impact caused by the waste generated from our daily operation, the Group established the *Green Office Policy* (the "Policy") during the reporting period and developed a series of environmental protection measures to raise employees' environmental awareness. Employees are encouraged to respond to environmental protection at work, and eventually to extend the green practices into their everyday lives. The Group implements the Policy at all levels with the heads of departments and the human resources department in charge of the introduction of the Policy implementation methods to employees and the arrangement of trainings for new employees, respectively. The Policy clearly sets out employees' responsibilities in the areas of environmental management, energy conservation and reducing resource consumption, enabling employees to comprehend their responsibilities in reducing their impacts on the environment.

The Group understands the importance to constantly review and revise the Policy and requires the heads of departments to conduct annual review subsequent to the implementation of the Policy. Feedback and suggestions are collected from employees on the Policy measures to identify areas of improvement in order to promote best practices. Upon the implementation of the Policy, the Group continues to implement green office measures by recording the amount of resources used in offices and plans to set quantitative targets to respond to government's initiatives of green office management.

A.1 Energy Saving and Emission Reduction

The major composition of air pollutant and GHG emissions within the Group's direct business operation is generated from the energy consumption from offices and shopping mall, followed by the use of company vehicles. The Group formulated clear instruction on the use of company vehicles and ensures optimal utilization of company vehicles through regulating their uses to employees with genuine needs only, thereby reducing the emissions of air pollutants and GHG. Furthermore, on the energy consumption front, in order to save electricity, the Group has carried out a number of energy conservation measures in offices and shopping mall, such as the regular inspection and review of the carbon footprint generated from the business operation, to understand the level of emission and to refine corresponding measures in a timely manner when necessary.

To achieve higher energy efficiency in the offices, the Group implements Policy with practical measures, including: (1) turning off computer monitors and other electrical appliances after work; (2) switching off all the lights in the office after work; (3) keeping the average indoor temperature of the office between 24 to 26 degree Celsius to reduce the electricity consumption of air-conditioners; (4) using low energy consumption lighting and control (e.g. light emitting diodes ("LED") lights); (5) using energy-efficient appliances (e.g. home appliances of Grade 1 Energy Efficiency Label); (6) using public transport as much as possible to go to work; and (7) encouraging the replacement of business trips with teleconferences and, where time permits, avoiding the use of energy-intensive transportation such as airplane as means of transport. During the Reporting Period, Shanghai Dongkui had employed a full coverage of LED lights in the office, meanwhile, other subsidiaries have also begun to adopt LED lights, saving office electricity and reducing electricity bills.

The Group abides to the *Energy Conservation Law of the PRC* and improves its energy consumption efficiency by incorporating environmental elements in property investment projects. For instance, environmental conceptual design was adopted in the renovation project of Dong Dong Mall in 2015 and advanced facilities with energy saving features were installed. For example, the installation of glass ceiling promotes the penetration of natural light, enhances the brightness of the shopping mall and reduces the use of lights. Concurrently, LED lights are mainly used in the shopping mall to save electricity. In terms of the mall's equipment, Dong Dong Mall is equipped with smart light control system which are automatically activated when insufficient natural light is detected in order to use resources adequately and enhance energy efficiency, in addition, it also has a time control system, which the lights are set to turn on and off at 10a.m. and 9p.m. respectively. Furthermore, service-on-demand escalators were installed to reduce unnecessary usage of electricity. In terms of property management, Dong Dong Mall required building attendants to inspect if computers, lights and air-conditioning system are properly switched off during non-office hours to minimize resources used. Dong Dong Mall's sewage is discharged through the municipal drainage system and is handled by the government in a centralized approach. Any uncontrolled sewage discharge are strictly prohibited.

A.2 Waste Management and Resource Conservation

The waste generated by the Group primarily comes from daily office and shopping mall operations, dominated by paper waste and leftover materials from mall events. The Group's Policy clearly sets out measures to reduce waste generation and resource consumption, emphasizing the principle of the effective use of natural resources and the elimination of waste, specific measures include: (1) reducing the use of facial tissues; (2) replacing paper hand towels with towels; (3) printing on both sides of the paper; (4) reducing the use of disposable tableware; (5) installing dual flush toilets and water-saving faucets as standardize appliances; (6) ensuring the recycling of office equipment (such as calculators, printers and telephones) at the product's end-of-life; and (7) providing office waste recycling facilities such as different types of recycling bins.

The Group continuously reminds employees through emails and signages of the abovementioned environmental protection measures in order to achieve the goal of waste reduction. The Group is in strict accordance with the *Waste Disposal Ordinance* to discharge office waste in a proper manner. During the reporting period, the Group has accumulatively consumed 290 kg of paper, of which 91 kg was recycled with the recycling rate being over 30%. In addition, the main hazardous wastes generated from the Group's direct operations are toner cartridges and batteries. The Group encourages the use of recyclable toner cartridges and the return of used toner cartridges to suppliers for recycling. During the reporting period, the Group has accumulatively used 20 cartridges and 12 batteries, all of which were handled by third parties for recycling and disposal. The Group's water is sourced from municipal supply and is controlled by the property management operators in a centralized approach. The Group has no issue in sourcing water and the Group's business operation does not constitute a significant impact on water resources.

In addition to proactively reducing office waste, Dong Dong Mall also developed a comprehensive waste management policy and a number of waste recycling bins have been set up in the shopping mall to increase the recycling rate and facilitate the recycling of resources. During the reporting period, Dong Dong Mall has accumulatively recycled over 100 kg of waste through recycling companies. On top of the daily shopping mall waste, Dong Dong Mall also formulated the *Management Measures for Material Handling* with a view to reuse materials and reduce wastes, reinforcing the management of reusable materials arising from the shopping mall operation, including waste materials generated from mall events and from the tenants when they are moving out. In terms of water use, the restrooms of Dong Dong Mall installed sensor faucet in order to save water consumption.

A.3 Environment and Natural Resources

The Group's direct operations have minimal impact on the environment and natural resources. Nonetheless, the Group remains committed to proactively respond to the global trend of energy conservation and emission reduction by formulating the Policy during the reporting period to contribute to the protection of the environment and natural resources. Meanwhile, the Group will also explore business development opportunities in the areas of energy conservation and environmental protection, to ensure that environmental protection is gradually integrated into the Group's investment decisions when the security and abundance of funds are available.

Environmental Performance Data in the Year of 2018

Air Emission					
Emission Source	**Type**	**Quantity**	**Unit**		
Company Vehicles[1]	Nitrogen Oxides (NO_x)	0.0037	Metric ton		
	Sulphur Dioxide (SO_2)	0.00015	Metric ton		
	Particulate Matter ($PM_{2.5}$)	0.000067	Metric ton		
GHG Emission					
Emission Source	**Type**	**Quantity**	**Unit**	**Intensity**	**Unit**
Scope 1: Direct Emission					
Company Vehicles[2]	CO_2 Equivalent	26.10	Metric tons	0.82	Metric ton/ employee
Scope 2: Indirect Emission					
Purchased Electricity[3]	CO_2 Equivalent	176.95	Metric tons	0.011	Metric ton/m^2
Scope 3: Other Indirect Emission					
Business Air Travel by Employees[4]	CO_2 Equivalent	16.57	Metric tons	0.52	Metric ton/ employee
Use of Resources					
Purchased Electricity		325,658.34	kWh	19.57	kWh/m^2
Purchased Gasoline		9,812.72	Litre	306.65	Litre/employee
Purchased Water[5]		1,390.40	m^3	43.45	m^3/employee

1 This calculation of air pollutant emissions and respective emission factors were set out based on the *Material Balance Method and EMEP/EEA Air Pollutant Emission Inventory Guidebook – 2016*.

2 This calculation scope of GHG emissions (Scope 1) includes vehicles used by the Company in Hong Kong, respective emission factors were set out based on the *Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong 2010 version* published by Hong Kong Environmental Protection Department and Electrical and Mechanical Services Department.

3 This calculation of GHG emissions (Scope 2) and respective emission factors were set out based on *2017 Sustainability Report* published by Hong Kong Electric Investments; and the *2011 and 2012 PRC's Regional Grid Average Carbon Dioxide Emission Factor* published by National Development and Reform Commission of the PRC.

4 This calculation of GHG emissions (Scope 3) includes business air travel by employees, and the calculation and respective emission factors were set out based on the carbon emissions calculator developed by the International Civil Aviation Organization, a United Nations agency.

5 The Company operated in a leased office premise and its supply of water was managed by a third-party property management company. Therefore, the scope of purchased water did not include the Company.

Total Non-Hazardous Waste				
Domestic Waste	0.88	Metric tons	0.028	Metric ton/ employee
Office Paper	0.16	Metric tons	0.0051	Metric ton/ employee
Total Hazardous Waste				
Toner Cartridge	20	Pieces	0.63	Piece/employee
Battery	12	Pieces	0.38	Piece/employee

B. SOCIAL RESPONSIBILITY

The Group firmly believes that employees are one of the Group's most important assets, always respects our employees and treats them as the enterprise's foundation. The Group attaches great importance to employees' rights and interests and strictly complies with laws the PRC China relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, including, but not limited to, the *Employment Ordinance*, the *Disability Discrimination Ordinance*, the *Labor Law of the PRC*, the *Labor Contract Law of the PRC* and the *Social Insurance Law of the PRC*, committed to creating a fair, safe and promising working environment for our employees. During the reporting period, the Group had not received any cases regarding the violation or complaint relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare that have a significant impact on the Group.

B.1 Employment

The Group has a sound human resources system. The Group strictly implements the *Employee Regulation* and the *Human Resources and Administration Handbook*, which stated the rules and procedures of recruitment, promotion, compensation, benefits, rest periods, dismissal, etc. The Group has been constantly improving its existing policies to establish a good supervision and protection system to protect the legitimate rights and interest of our employees.

During the recruitment and promotion process, the Group comprehensively considers the performance, work experience and capability of applicants or employees, while ensuring that they are not discriminated against on factors such as gender, age, race, family status or physical disability, and are given equal opportunities. The Group strictly prohibits any forms of unfair or unreasonable dismissal and clearly sets out the terms of dismissal of employees. The *Employee Regulation* of Shanghai Dongkui, a subsidiary of the Company, stipulates that if an employee violates the rules of his/her corresponding position, under serious circumstances such as the violation of national laws and regulations, deliberate destruction of company's finances and other acts that cause serious losses to Shanghai Dongkui, employees would be terminated immediately and would not be provided with severance payment or compensation.

The Group provides competitive compensation and benefits to its employees. The Group determines the employee's compensation package based on employee's work performance and the remuneration standard of the market, reasonable pay adjustments are made in due course as a recognition of employee's performance and to retain outstanding talents. The compensation package consists of basic salary, commission (provided to some operating employees only), medical insurance scheme and retirement benefit plans. Additionally, the Group provides discretionary bonus and issues share option to eligible employees according to their business performance. Besides, the Group strives to provide other benefits to employees, such as overtime payment, holiday working allowance, birthday welfare, meal allowance and transportation allowance. The Group also lists out the work and rest periods of employees in the labor contract, which are in accordance with the labor law of respective operating location. Employees are entitled to statutory holidays, annual leave, sick leave and maternity leave, while unpaid leave, paternity leave, marriage leave and causal leave are provided to employees depending on individual circumstances.

B.2 Health and Safety

The Group is committed to creating a comfortable, healthy and safe workplace for its employees, strictly complies with laws and regulations that have a significant impact on the Group's operation in Hong Kong and in the PRC in relation to providing a safe working environment and protecting employees from occupational hazards, including, but not limited to, the *Occupational Safety and Health Ordinance*, the *Employees' Compensation Ordinance* and the *Law of the PRC on the Prevention and Treatment of Occupational Diseases*. The Group outlines occupational health and safety measures in its *Human Resources and Administration Manual*, with a view to prevent and eliminate any occupational hazards and makes every effort to reduce risks in the working environment of our employees, with zero injury as the goal. During the reporting period, the Group did not receive any violations or complaints relating to occupational health and safety that have a significant impact on the Group.

The Group purchases insurance for employees and sets up medical first-aid kits at workplaces. Moreover, the Group establishes work arrangements for typhoons and rainstorms warnings to avoid accidents that may occur while employees travel to workplaces in an inclement weather. The Group also arranges employees to participate in fire drills to enhance their resilience to emergencies. To ensure safety in office, the Group provides adjustable chairs to employees with a view to minimize physical fatigue on the use of computers over a long period of time. The Group is very concerned about the physical condition of its employees, providing each employee with an annual physical examination to ensure their physical wellness. Meanwhile, the Group attaches importance to the office environment, places green plants in the office, sets up air purifiers and arranges third party to clean the air-conditioning system. Furthermore, the professional property management team of the Group conducts regular inspection and maintenance of Dong Dong Mall's fire equipment and elevators to ensure the safety of our employees, tenants and customers.

In order to promote employees' awareness of occupational health and safety, the Group arranges employees to join health talks and puts up posters in the office to provide employees with information on work environment and occupational safety. In addition, the Group organizes various employee activities at spare time, including team building activities, birthday parties, festive dinners etc., to provide employees with the opportunity to relax outside of work, to interact with their colleagues and thereby to enhance their enthusiasm to work and their sense of belonging to the Group.

B.3 Development and Training

The Group places high emphasis to the training of talents and the establishment of a team of excellence, strives to connect employees' personal development with the Group's development. Depending on employees' performance and responsibilities, the Group provides them with a wide range of training opportunities to enhance their knowledge and skills. The Group regularly participates in seminars on topics such as financing, compliance and anti-corruption organized by the government and professional bodies such as the Hong Kong Independent Commission Against Corruption and other financial intermediaries in Hong Kong, such that employees with a financial license or with related work duties to keep pace with the changes and regulations of the market. Meanwhile, the Group also arranges on-the-job training, health and safety training, in-house experience sharing and other training activities for employees to broaden their horizons in the professional field.

B.4 Labor Standards

The Group does not employ child labor and prohibits the occurrence of any forms of forced labor. The Group checks the identity certificates of applicants during the recruitment process and promises not to force employees to work overtime. During the reporting period, the Group did not receive any violations or any complaints about illegal child and force labor that would have a significant impact on the Group.

B.5 Supply Chain Management

The Group develops partnership with our suppliers on the principle of a win-win cooperation. The main suppliers of the Group include office supplies and business gift suppliers, advertising companies employed for publicity and engineering companies employed for the maintenance of the shopping mall or offices. The Group formulated the *Procurement Management Guide*, which prescribes the transparent procurement procedures to select suitable suppliers in a fair, impartial and open manner. In order to reduce procurement risk and enhance procurement efficiency, the Group has guidelines for the selection of product and service providers, with business's reputation, quality, service, price and terms of sale as the procurement criteria. Furthermore, the Group also places high emphasis on the social and environmental responsibilities undertake by suppliers, as well as their performances in these two areas, hence, the Group implements Green Procurement. Subject to the Group's requirements, the Group gives priority to purchasing from local suppliers in order to reduce the carbon emissions generated during the transportation of materials and products, and gives priority to the procurement of green products supplied by eco-friendly organizations, aiming to work with suppliers that uphold principles consistent with the Group.

Subsequent to a comprehensive assessment, the Group enters into sales agreement with eligible suppliers and requires suppliers to comply with applicable laws and regulations. The Group also monitors the performance of its suppliers with different measures to ensure that requirements of the Group are met. In terms of engineering and advertising service providers, Chongqing Baoxu inspects and assesses suppliers through a multi-departmental approach, to ensure their compliance with the requirements of the Group and the regulations of the Group's operating location, and also to ensure their quality. Meanwhile, Shanghai Dongkui also evaluates suppliers' performance regularly and terminates contracts with suppliers that cannot comply with the requirements.

B.6 Service Excellence

The Group insists on enhancing our service quality based on the needs of customers, strictly complies with laws and regulations that have a significant impact on the Group's operation in Hong Kong and in the PRC in relation with health and safety, advertising, labelling, privacy matters and contingency plans relating to the services the Group provides, including, but not limited to, the *Personal Data (Privacy) Ordinance*, the *Competition Ordinance*, the *Advertising Law of the PRC* and the *Trademark Law of the PRC*, aiming to provide customers with compliant and high-quality services. The Group adheres to operate in a compliant manner and does not have any strategy to impede or impair market competition in support of the free market economy. During the reporting period, the Group did not receive any violation or complaints about health and safety, advertising, labelling, privacy matters and contingency plans relating to the services the Group provides that have a significant impact on the Group.

In terms of loan financing business, prior to providing loan financing services to customers, Shanghai Dongkui systematically conducts customer due diligence by assessing the profitability, financial situation, credit status of the enterprise, and selects projects with reliable ratings, sufficient guarantees and controllable risks. In terms of property investment business, to protect the safety of employees, shopping mall tenants and customers, the Group's property management team regularly inspects and repairs the fire equipment and elevators of Dong Dong Mall in order to ensure that the condition of the equipment is safe and good, reducing the occurrence of accidents or malfunctions, to provide a safe and secure shopping environment for tenants and customers.

In addition, the Group actively maintains good communication with customers through official website, service hotlines, dedicated mailboxes and other channels, to collect customer's expectations and suggestions for the Group's work. Chongqing Baoxu also have a customer service center and customer service hotlines to handle the inquiries and complaints against Dong Dong Mall. Meanwhile, the Group formulated the *Guidelines on Customer Service Complaint Handling*, outlining the handling process of customer complaints and sets out the responsibilities and principles in order to enable an effective handling of complaints to enhance customer satisfaction. When a customer's complaint is received, the customer service department of the Group will immediately determine the level and type of complaint and refer it to the appropriate department to respond to the customer within 24 hours. Responsible personnel are required to analyze, report and write a case study for each complaint for other colleagues' reference, to avoid the recurrence of similar incidents.

The Group attaches great importance to the protection of customer privacy and formulated the *Customer Data Confidentiality System* along with the implementation of a series of confidentiality measures to ensure the confidentiality of customer information. In conducting transactions, the Group enters into confidentiality agreements with third parties, such as customers, suppliers, investors, etc., as required. All agreements and confidential documents are stored in locked filing cabinet, stipulating that documents are not allowed to be copied without the approval of the managing personnel. In addition, the Group sets out in the labor contract the obligation of employees to keep sensitive information of the Group confidential. The Group also enters into a confidentiality agreement with employees requiring the confidentiality of documents, data, forms and other information obtained by employees during their employment terms such as project plans, customer lists and financial data, and to avoid the mentioning of work outside office. If any customer information is found leaked, the Group will promptly carry out rectification and give employees corresponding punishment according to the severity of the incident, with employees being held legally responsible for serious circumstances. During the reporting period, the Group did not experience any incidents of customer information leakage, nor did it receive any complaints about improper use of customer information that have a significant impact on the Group.

The Group forbids any forms of false or misleading description during advertising and transaction process, requiring all issued advertisements or other information to be reviewed by the heads of department before publishing, to ensure that accurate and comprehensive information is provided to customers during business meetings, consultations or in other work-related processes.

B.7 Anti-corruption

The Group has always attached great importance to the integrity and professional conduct of its employees and will not tolerate any incidents that are inconsistent with business ethics, such as corruption, bribery, fraud and other violations. The Group strictly complies with laws and regulations that have a significant impact on the Group's operation in Hong Kong and in the PRC in relation with bribery, extortion, fraud and money laundering, including, but not limited to, the *Independent Commission Against Corruption Ordinance*, the *Prevention of Bribery Ordinance*, the *Anti-Corruption and Bribery Law of the PRC* and the *Anti-Money Laundering Law of the PRC*. During the reporting period, the Group did not receive any allegation against the Group or its employees of bribery, extortion, fraud and money laundering that would have a significant impact on the Company. No whistleblowing disclosures related to anti-bribery and anti-corruption were received.

The Group formulated anti-corruption policies and measures, and eradicates any forms of corruption, bribery or misuse of authority behavior through the below policies: (1) Open tendering: based on the circumstances, tenders should be selected from at least 3 service institutions and transparency is ensured during the tendering process; (2) Service contract review and approval: service agreements are subject to the approvals of employees of different ranks according to the value of the agreements, with a countersignature system employed for large-value agreements; (3) Third-party audit: engage third party audit institutions to audit financial accounts, preventing account falsification to safeguard shareholders' interests; (4) Signing of corruption prevention agreements: in the management of Chongqing Baoxu, the tenants of Dong Dong Mall are required to sign an agreement on the prevention of corruption with a view to eliminate any form of transfer of benefits; (5) Anti-corruption training: anti-corruption training are provided to employees, corresponding punishment are given to any non-compliance behavior to the management system; (6) Preventing bribery: requiring employees to abide by professional ethics, any forms of corruption or bribery are not allowed. Employees will be discharged from their duties and are required to indemnify the Group against its losses when they are found committing in a corrupted act. If the corrupted act is found in violation of rules against regional or national regulatory requirements, the concerned employee would be held accountable for his/her judicial responsibility; (7) Whistleblowing and reporting: unless the Group grants formal agreement, employees are restricted to disclose business intelligence or sensitive information directly or indirectly to anyone or entity during employment terms. Suspected cases are encouraged to be reported; and (8) Prevention of money laundering and fraud: before and after loan financing begins, careful pre-leasing investigation, on-site agreement signing, and post-lending examination must be conducted pursuant to the *Interim Measures Governing Leasing Investigation*, so as to prevent fraud and ensure that all loan financing items come through official channels. In addition, clear delegation of job duties to relevant departments, such as sales department, risk management department and property management department, to strengthen its self-restraint and to give rise to supervisory and restrictive function at every step within the audit process.

B.8 Community Engagement

The Group is well aware of the importance to give back to the community and considers community interests as part of the Group's social responsibilities. The Group proactively reaches out to the community that it operates to understand its needs and views to show our care for the community, aiming to contribute in different areas to promote an all-rounded community development, gradually strengthening the positive image of the Group.

During the reporting period, Chongqing Baoxu, Dong Dong Mall and Dong Dong Mall's tenants that focus on children's art development jointly organized a number of parent-child activities. Children and parents of the local community were invited to paint graffiti fluorescent paintings together to cultivate children's innocence and imagination. In addition to the joyous graffiti activities, the organizers also hosted a child-led fashion show. Every child performed their catwalk with confidence, exhibiting the temperament of a professional model in their performance. The event provided an opportunity for children to manifest their talent and arts, enables them to enjoy the pleasure of learning from arts and an opportunity for diversified development.

APPENDIX: THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

General Disclosures and Key Performance Indicators ("KPIs")	Description	Corresponding section in the Report or other descriptions
A. Environmental		
Aspect A1: Emission		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	A A.1
KPI A1.1	The types of emissions and respective emissions data.	A.3
KPI A1.2	Greenhouse gas emissions in total (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	A.3
KPI A1.3	Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	A.3
KPI A1.4	Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	A.3
KPI A1.5	Description of measures to mitigate emissions and results achieved.	A.1
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	A.2
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	A
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	A.3
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	A.3
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	A.1
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	A.2
KPI A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced	Not applicable[6]
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	A.3

[6] Since there are no sales of actual products in the direct business scope of the Group, the use of packaging materials was not involved during the reporting period.

[7] Due to the minimal impact of the Group's direct business operation on the environment and natural resources, there are no activities taken to manage the impact.

General Disclosures and Key Performance Indicators ("KPIs")	Description	Corresponding section in the Report or other descriptions
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Not applicable[7]
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	B.1
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	B.2
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	B.3
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	B.4
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	B.5
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	B.6[8]

8 Since there are no sales of actual products in the direct business operation of the Group, no matters relating to product labelling were involved during the reporting period.

General Disclosures and Key Performance Indicators ("KPIs")	Description	Corresponding section in the Report or other descriptions
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	B.7
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	B.8

INDEPENDENT AUDITOR'S REPORT

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TO THE MEMBERS OF
DOYEN INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Doyen International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 119, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

1. Impairment assessment on amounts due from a related company

2. Valuation of investment property

Key Audit Matter	How our audit addressed the Key Audit Matter
1. Impairment assessment on amounts due from a related company	
Refer to note 5(b) and note 25 to the consolidated financial statements	Our procedures in relation to this matter included:
As at 31 December 2018, the Group had amounts due from a related company, Chongqing Doyen Holdings Group Co., Ltd. ("Chongqing Doyen") of approximately HK$565,674,000 included several loans to Chongqing Doyen totalling RMB420,000,000 (equivalent to approximately HK$477,960,000) (the "Loans"), interest receivable of approximately RMB65,284,000 (equivalent to approximately HK$74,293,000) and reimbursement of tax and other expenses of approximately RMB11,794,000 (equivalent to approximately HK$13,421,000). The aforesaid amounts were secured by 51% equity interest of Chongqing Doyen Shell Petrochemical Co., Ltd. (the "Collaterals"). Pursuant to the loan agreements signed between the Group and Chongqing Doyen dated 8 November 2016, 11 November 2016 and 6 March 2017 respectively (the "Loan Agreements"), the Loans of RMB420,000,000 were interest-bearing and due on 18 January 2018. Chongqing Doyen failed to repay the principal amount together with the interest thereon and the relevant tax expenses as at the due date and was construed as default in repayment according to the Loan Agreements.	– Understanding of the Group's credit risk management and impairment allowance policy; – Checking the existence and legally enforceable rights of the Collaterals; – Evaluating the independent external valuers' competence, capabilities and objectivity; – Evaluating the expected cash flows from foreclosure based on the estimated fair value of the Collaterals: • Discussing with management of the Collaterals to obtain an understanding of its business and operations; • Assessing the reasonableness of the key assumptions used in estimating the fair value; • Checking, on a sample basis, the accuracy and relevance of the input data used in estimating the fair value; and • Performing sensitivity analysis in consideration of the potential impact of reasonably possible downside changes in the key assumptions used in estimating the fair value; and

KEY AUDIT MATTERS *(CONTINUED)*

Key Audit Matter	How our audit addressed the Key Audit Matter
1. Impairment assessment on amounts due from a related company ***(Continued)***	
Up to the date of this report, the Group is still under negotiation with Chongqing Doyen for the settlement of the outstanding balances. No impairment allowance on the amounts due from Chongqing Doyen was recorded in the year ended 31 December 2018 as, in the opinion of the directors, the expected cash flows from the foreclosure of the Collaterals exceeded the amounts due from Chongqing Doyen. The measurement of expected credit losses requires significant management's judgements and estimates, in particular, the estimation of the amount and timing of future cash flows that are expected from the foreclosure on the Collaterals by reference to its realisable value. Independent external valuations were obtained in order to support management's estimates. Due to the significance of the amounts due from Chongqing Doyen and the corresponding uncertainty inherent in such estimates, we considered this as a key audit matter.	– Assessing the calculations of expected credit losses after considering the default status of the amounts due from a related company and the expected recoveries.

KEY AUDIT MATTERS *(CONTINUED)*

Key Audit Matter	How our audit addressed the Key Audit Matter
2. Valuation of investment property	
Refer to note 5(a) and note 20 to the consolidated financial statements	Our procedures in relation to this matter included:
Management has estimated the fair value of the Group's investment property, a shopping mall located in the People's Republic of China, to be approximately HK$318,868,000 as at 31 December 2018 and a fair value gain on investment property of approximately HK$1,893,000 was recorded in the consolidated statement of profit or loss for the year ended 31 December 2018. An independent external valuation was obtained in order to support management's estimates. The valuation of the investment property is a level 3 fair value measurement as it uses significant unobservable inputs (e.g. capitalisation rate, long term vacancy rate and expected future market rent) which require significant management's judgements.	– Evaluating the independent external valuer's competence, capabilities and objectivity; – Assessing the appropriateness of the valuation methodology used; – Assessing the reasonableness of the key assumptions based on our knowledge of the property market and the characteristics of the shopping mall; – Checking, on a sample basis, the accuracy and relevance of the input data used; and – Assessing the adequacy of the disclosures in relation to the fair value measurement of the investment property.

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all of the information included in the Company's 2018 annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee assists the directors 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. We report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

- 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.

The engagement partner on the audit resulting in this independent auditor's report is Wong Tak Man, Stephen.

RSM Hong Kong
Certified Public Accountants
Hong Kong
27 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**2018 HK$'000**	2017 HK$'000
Revenue	8	**30,959**	34,920
Staff costs	9	**(15,802)**	(13,778)
Operating lease rentals		**(3,152)**	(2,619)
Other tax expenses		**(5,116)**	(4,162)
Depreciation		**(338)**	(516)
Impairment losses on loan receivables		**(88)**	–
Other operating expenses		**(11,775)**	(10,054)
Other gains and losses	10	**(14,831)**	20,668
Other income	11	**13,116**	4,866
(Loss)/Profit from operations		**(7,027)**	29,325
Finance income	13	**75,063**	45,947
Finance costs	13	**(22,281)**	(31,691)
Finance income – net		**52,782**	14,256
Profit before tax		**45,755**	43,581
Income tax expense	14	**(17,774)**	(12,863)
Profit for the year	15	**27,981**	30,718
Attributable to:			
Owners of the Company		**17,053**	24,432
Non-controlling interests		**10,928**	6,286
		27,981	30,718
Earnings per share	18		
		HK cents	HK cents
Basic		**1.34**	1.92
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 HK$'000	2017 HK$'000
Profit for the year	**27,981**	30,718
Other comprehensive income, net of tax		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(41,503)**	55,750
Total comprehensive income for the year	**(13,522)**	86,468
Attributable to:		
Owners of the Company	**(13,916)**	66,500
Non-controlling interests	**394**	19,968
	(13,522)	86,468

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	19	**146**	559
Investment property	20	**318,868**	333,600
Intangible assets	21	**7,096**	7,096
Investment in an associate	22	**–**	–
Loan receivables	23	**63,761**	57,586
Deferred tax assets	28	**8,146**	10,883
		398,017	409,724
Current assets			
Loan receivables	23	**97,535**	108,032
Prepayments, deposits and other receivables		**3,572**	3,728
Financial assets at fair value through profit or loss	24	**8,404**	131,959
Amounts due from a related company	25	**565,674**	507,263
Pledged bank deposits	26	**1,138**	6,265
Bank and cash balances	26	**133,222**	96,135
		809,545	853,382
Current liabilities			
Accruals and other payables		**17,437**	15,011
Borrowings	27	**234,396**	52,794
Current tax liabilities		**14,859**	13,518
		266,692	81,323
Net current assets		**542,853**	772,059
Total assets less current liabilities		**940,870**	1,181,783
Non-current liabilities			
Borrowings	27	**45,520**	268,591
Deferred tax liabilities	28	**7,029**	3,867
		52,549	272,458
NET ASSETS		**888,321**	909,325
Capital and reserves			
Share capital	29	**1,174,378**	1,174,378
Deficit		**(480,264)**	(465,705)
Equity attributable to owners of the Company		**694,114**	708,673
Non-controlling interests		**194,207**	200,652
TOTAL EQUITY		**888,321**	909,325

Approved by the Board of Directors on 27 March 2019 and are signed on its behalf by:

Lo Siu Yu
Director

Cho Chun Wai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the Company								
	Share capital HK$'000	Merger reserve HK$'000 (note 37(b)(i))	Exchange reserve HK$'000 (note 37(b)(ii))	Statutory reserve HK$'000 (note 37(b)(iii))	Other reserves HK$'000 (note 37(b)(iv))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017	1,174,378	(409,968)	(59,779)	3,916	11,618	(77,992)	642,173	180,684	822,857
Total comprehensive income for the year	–	–	42,068	–	–	24,432	66,500	19,968	86,468
Transfer to statutory reserve	–	–	–	3,134	–	(3,134)	–	–	–
At 31 December 2017 and 1 January 2018	**1,174,378**	**(409,968)**	**(17,711)**	**7,050**	**11,618**	**(56,694)**	**708,673**	**200,652**	**909,325**
Adjustments on initial application of – HKFRS 9 (note 3)	**–**	**–**	**–**	**–**	**–**	**(643)**	**(643)**	**(186)**	**(829)**
Restated balance at 1 January 2018	**1,174,378**	**(409,968)**	**(17,711)**	**7,050**	**11,618**	**(57,337)**	**708,030**	**200,466**	**908,496**
Total comprehensive income for the year	**–**	**–**	**(30,969)**	**–**	**–**	**17,053**	**(13,916)**	**394**	**(13,522)**
Transfer to statutory reserve	**–**	**–**	**–**	**5,447**	**–**	**(5,447)**	**–**	**–**	**–**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,653)**	**(6,653)**
Vested share options forfeited (note 30)	**–**	**–**	**–**	**–**	**(2,456)**	**2,456**	**–**	**–**	**–**
Lapse of warrants (note 31)	**–**	**–**	**–**	**–**	**(6,433)**	**6,433**	**–**	**–**	**–**
Release upon disposal of an associate	**–**	**–**	**–**	**–**	**(1,333)**	**1,333**	**–**	**–**	**–**
At 31 December 2018	**1,174,378**	**(409,968)**	**(48,680)**	**12,497**	**1,396**	**(35,509)**	**694,114**	**194,207**	**888,321**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**45,755**	43,581
Adjustments for:		
Reimbursement of tax and other expenses from a related company	**(10,637)**	(3,240)
Finance income	**(75,063)**	(45,947)
Finance costs	**22,281**	31,691
Gain on disposal of a subsidiary	**(50)**	–
Dividend income from equity investments	**(334)**	(335)
Depreciation	**338**	516
Impairment losses on loan receivables	**88**	–
Loss on disposals of property, plant and equipment	**65**	1
Fair value (gain)/loss on investment property	**(1,893)**	888
Fair value loss/(gain) on financial assets at fair value through profit or loss	**642**	(3,510)
Exchange loss/(gain) – net	**16,067**	(18,047)
Operating (loss)/profit before working capital changes	**(2,741)**	5,598
(Increase)/Decrease in loan receivables	**(5,599)**	79,751
Decrease/(Increase) in prepayments, deposits and other receivables	**74**	(35)
Decrease in financial assets at fair value through profit or loss	**–**	3,561
Increase in accruals and other payables	**1,363**	1,064
Cash (used in)/generated from operations	**(6,903)**	89,939
Income taxes paid	**(10,104)**	(7,732)
Net cash (used in)/generated from operating activities	**(17,007)**	82,207
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**660**	46,069
Dividend income received	**334**	335
Purchase of property, plant and equipment	**–**	(271)
Proceeds from disposals of property, plant and equipment	**1**	12
Additions to an investment property	**(718)**	(2,041)
Disposal of a subsidiary	**50**	–
Purchase of financial assets at fair value through profit or loss	**(308,620)**	(115,300)
Proceeds from disposals of financial assets at fair value through profit or loss	**430,233**	44,967
Advancement of loan to a related company	**–**	(480,320)
Repayment of loan from a related company	**–**	386,155
Decrease in pledged bank deposits	**5,010**	12,178
Net cash generated from/(used in) from investing activities	**126,950**	(108,216)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank loans	**(50,572)**	(57,112)
Interest paid on bank loans	**(4,684)**	(10,341)
Interest paid on bonds	**(4,376)**	(14,138)
Payment for incremental costs for supplemental deed of bonds	**–**	(3,899)
Dividend paid to non-controlling interests	**(6,653)**	–
Net cash used in financing activities	**(66,285)**	(85,490)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**43,658**	(111,499)
Effect of foreign exchange rate changes	**(6,571)**	11,101
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**96,135**	196,533
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**133,222**	96,135
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**133,222**	96,135

1 GENERAL INFORMATION

Doyen International Holdings Limited (the "Company") was incorporated in Hong Kong with limited liability. The address of its registered office and principal place of business is Suites 2009-2010, 20th Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company together with its subsidiaries (collectively referred to as the "Group") are principally engaged in investment property holding in the People's Republic of China ("PRC"), provision of financing to customers in the PRC (the "Dongkui business") and investment holding.

In the opinion of the directors of the Company, as at 31 December 2018, Money Success Limited, a company incorporated in the British Virgin Islands ("BVI"), is the immediate parent; Wealthy In Investments Limited, a company incorporated in the BVI, is the ultimate parent and Mr. Lo Siu Yu ("Mr. Lo") is the ultimate controlling party of the Company.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise individual Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 Financial Instruments
(ii) HKFRS 15 Revenue from Contracts with Customers
(iii) Amendments to HKAS 40 Transfers of Investment Property

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

3. ADOPTION OF NEW AND REVISED HKFRSs *(CONTINUED)*

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

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

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

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL"), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity instrument at FVTOCI.

(ii) Measurement

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures financial assets at their fair value plus, in the case of financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

3. ADOPTION OF NEW AND REVISED HKFRSs *(CONTINUED)*

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

(ii) Measurement (Continued)

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in revenue or finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains and losses, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains and losses. Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and losses and impairment losses are presented as separate line item in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains and losses in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investments. Dividends from such instruments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains and losses in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity instruments measured at FVTOCI are not reported separately from other changes in fair value.

3. ADOPTION OF NEW AND REVISED HKFRSs *(CONTINUED)*

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

(iii) Impairment

From 1 January 2018, the Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

The following table summarises the impact on the Group's opening accumulated losses as at 1 January 2018 as follows:

	Note	HK$'000
Increase in impairment losses for loan receivables	(a)	**1,106**
Deferred tax asset		**(277)**
Adjustment to accumulated losses from adoption of HKFRS 9 on 1 January 2018		**829**
Attributable to:		
Owners of the Company		**643**
Non-controlling interests		**186**
		829

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial assets	Note	Classification under HKAS 39	Classification under HKFRS 9	Carrying amount under HKAS 39 HK$'000	Carrying amount under HKFRS 9 HK$'000
Loan receivables	(a)	Loans and receivables	Amortised cost	165,618	164,512
Deposits and other receivables	(c)	Loans and receivables	Amortised cost	1,716	1,716
Equity securities	(b)	FVTPL	FVTPL	11,959	11,959
Financial products	(b)	FVTPL	FVTPL	120,000	120,000
Amounts due from a related company	(a)	Loans and receivables	Amortised cost	507,263	507,263
Pledged bank deposits	(c)	Loans and receivables	Amortised cost	6,265	6,265
Bank and cash balances	(c)	Loans and receivables	Amortised cost	96,135	96,135

3. ADOPTION OF NEW AND REVISED HKFRSs *(CONTINUED)*

(a) Application of new and revised HKFRSs *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

Notes:

(a) Loan receivables and amounts due from a related company that were classified as loans and receivables under HKAS 39 are now classified at amortised cost. Allowances for impairment of loan receivables of approximately HK$1,106,000 was recognised in opening accumulated losses as at 1 January 2018 on transition to HKFRS 9.

(b) Equity securities (held for trading) and financial products are required to be held as FVTPL as under HKFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of HKFRS 9.

(c) Deposits and other receivables, pledged bank deposits, bank and cash balances that were classified as loans and receivables under HKAS 39 are now classified at amortised cost. There was no impact on the amounts recognised in relation to these assets from the adoption of HKFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities as at 1 January 2018 have not been impacted by the initial application.

For assets in scope of the HKFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of HKFRS 9 impairment model requirements as at 1 January 2018 results in an impairment allowance as follows:

	HK$'000
Impairment allowances at 31 December 2017 under HKAS 39	–
Impairment recognised at 1 January 2018 on loan receivables	1,106
Impairment allowances at 1 January 2018 under HKFRS 9	1,106

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

Based on the assessment, the adoption of HKFRS 15 has no impact on the Group's revenue recognition as the Group's rental income and income from provision of financing are not within the scope of HKFRS 15.

3. ADOPTION OF NEW AND REVISED HKFRSs *(CONTINUED)*

(a) Application of new and revised HKFRSs *(Continued)*

Amendments to HKAS 40 Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The adoption of these amendments has no impact on these consolidated financial statements as the clarified treatment is consistent with the manner in which the Group has previously assessed transfers.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. Details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the new and revised HKFRSs may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the new and revised HKFRSs are initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the new and revised HKFRSs are initially applied in that interim financial report.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees, the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

3. ADOPTION OF NEW AND REVISED HKFRSs *(CONTINUED)*

(b) New and revised HKFRSs in issue but not yet effective *(Continued)*

HKFRS 16 Leases *(Continued)*

Based on a preliminary assessment, HKFRS 16 will affect primarily the accounting for the Group's operating leases. The Group's property leases are currently classified as operating leases and the lease payments are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16, the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 33(a), the Group's future minimum lease payments under a non-cancellable operating leases for its office premises and directors' quarters, which fall due within one year amounted to approximately HK$1,377,000 as at 31 December 2018. The expected changes in accounting policies as described above would not have a material impact on the Group's consolidated financial statements upon initial adoption of HKFRS 16.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. investment property and certain financial instruments that are measured at fair value).

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 5.

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

(a) Consolidation

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(a) Consolidation *(Continued)*

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

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

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

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

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss.

(b) Business combination

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Associate

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

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

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated exchange reserve.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(d) Foreign currency translation

(i) Functional and presentation currency

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

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

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

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

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

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

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

- All resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the exchange reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

(e) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(e) Property, plant and equipment *(Continued)*

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

Leasehold improvements	Over the term of the lease
Furniture, fixtures and equipment	4 – 5 years
Motor vehicles	5 years

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

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

(f) Investment property

Investment property is land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

(g) Operating leases

The Group as lessee

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

The Group as lessor

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

(h) Club membership

Club membership with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the club membership has suffered an impairment loss.

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group 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 FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) Recognition and derecognition of financial instruments *(Continued)*

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

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, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(j) 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.

Debt instruments

Debt instruments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the instrument is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the instrument is calculated using the effective interest method.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(j) Financial assets *(Continued)*

Equity investments

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

Policy prior to 1 January 2018

Financial assets at FVTPL are either financial assets classified as held for trading or designated as at FVTPL upon initial recognition. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

(k) Loan and other receivables

Loan and other receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL.

(m) Financial liabilities and equity instruments

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

(n) Borrowings

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(o) Other payables

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

(p) Equity instruments

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

(q) Revenue recognition

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

Income from provision of financing/interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Dividend income is recognised when the rights to receive payment are established.

Policy prior to 1 January 2018

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

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

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

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the rights to receive payment are established.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(r) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefit schemes

The Group has various defined contribution plans in Hong Kong and the PRC for pensions and other social obligation in accordance with the local conditions and practices. The pension plans are generally funded by payments from employees and the relevant group companies. The Group pays contributions to the pension plans on a mandatory, contractual or voluntary basis which are calculated as a percentage of the employees' salaries.

The Group has no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior years.

The contributions are recognised as employee benefit expenses when they are due and prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination benefits

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

(s) Share-based payments

The Group issues equity-settled share-based payments to certain employees, directors and consultants. Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

(t) Borrowing costs

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(u) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(v) Taxation

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

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

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

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

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

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

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

For the purposes of measuring deferred tax for investment property that is measured using the fair value model, the carrying amount of such property is presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment property is measured based on the expected manner as to how the property will be recovered.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(w) Impairment of non-financial assets

Intangible assets that have an indefinite useful life are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not recoverable. The carrying amounts of other non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(x) Impairment of financial assets

The Group recognises a loss allowance for ECL on debt instruments that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments.

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

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

Significant increase in credit risk

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

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(x) Impairment of financial assets *(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;
– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
– an actual or expected significant deterioration in the operating results of the debtor;
– significant increases in credit risk on other financial instruments of the same debtor;
– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

(i) The financial instrument has a low risk of default,
(ii) The debtor 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 external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(x) Impairment of financial assets *(Continued)*

Definition of default

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

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

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 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 counterparty;
– a breach of contract, such as a default or past due event;
– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
– the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

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

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 as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL are 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(x) Impairment of financial assets *(Continued)*

Measurement and recognition of ECL (Continued)

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

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.

Policy prior to 1 January 2018

At the end of each reporting period, the Group assesses whether its financial assets (other than those at FVTPL) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

In addition, for loans and receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc. The carrying amount is reduced and the amount of impairment loss is recognised in profit or loss.

If the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the loans and receivables would have been had the impairment not been recognised at the date the impairment is reversed.

(y) Provisions and contingent liabilities

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

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

(z) Events after the reporting period

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Significant increase in credit risk

ECL are measured as allowances equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Key sources of estimation uncertainty

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

(a) Fair value of investment property

The Group appointed an independent qualified professional valuer to assess the fair value of the investment property. In determining the fair value, the valuer has utilised a valuation technique which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation and inputs used are reflective of the current market conditions.

The carrying amount of investment property as at 31 December 2018 was approximately HK$318,868,000 (2017: HK$333,600,000).

(b) Impairment allowances on loan receivables and amounts due from a related company

Prior to the adoption of HKFRS 9, management of the Group assessed at the end of each reporting period whether there was any objective evidence that loan receivables and amounts due from a related company were impaired. The provision policy for bad and doubtful debts of the Group was based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement was required in assessing the ultimate realisation of loan receivables and amounts due from a related company, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance might be required.

As at 31 December 2017, the carrying amount of loan receivables and amounts due from a related company were approximately HK$165,618,000 and HK$507,263,000 respectively. No impairment loss for bad and doubtful debts was made for the year ended 31 December 2017.

Since the adoption of HKFRS 9, management of the Group estimates the amounts of impairment losses for ECL on loan receivables and amounts due from a related company based on the credit risk of loan receivables and amounts due from a related company. The amounts of the impairment losses for ECL are measured 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 effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(CONTINUED)*

(b) Impairment allowances on loan receivables and amounts due from a related company *(Continued)*

As at 31 December 2018, the carrying amounts of loan receivables and amounts due from a related company are approximately HK$161,296,000 (after impairment allowances of approximately HK$1,133,000) and approximately HK$565,674,000 respectively.

(c) Classification of finance leases

Management determines whether an arrangement is, or contains, a finance lease based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or group of assets, and the arrangement conveys a right to use the assets.

Situations that would normally lead to a lease being classified as a finance lease include the following:

- The lease transfers ownership of the asset to the lessee by the end of the lease term.
- The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised.
- The lease term is for the major part of the economic life of the asset, even if title is not transferred.
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
- The leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

For sales and lease back transactions with repurchase options which are almost certain to be exercised and do not convey a right to use of the underlying assets, management judges that in substance these transactions are not in the scope of HKAS 17 Leases, which instead are accounted for as financial instruments under HKFRS 9 Financial Instruments.

(d) Recognition of deferred tax assets

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences or unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future financial performance of the Group in which the deferred tax assets have been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each reporting date and to the extent that sufficient taxable profits will be available within the utilisation periods.

(e) Income taxes

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

During the year, approximately HK$17,774,000 (2017: HK$12,863,000) of income tax was charged to profit or loss based on the estimated profit from operations.

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currencies of the Group entities, including Renminbi ("RMB") and United States Dollars ("US$"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The Group's exposure at the end of the reporting period to foreign currency risk arising from recognised monetary assets and liabilities is as follows:

	Assets		**Liabilities**	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
RMB	**331,357**	280,500	**2,726**	1,598
US$	**349**	349	**–**	–

As at 31 December 2018, if the HK$ had weakened 5% against the RMB with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$16,432,000 (2017: HK$13,945,000) higher, arising mainly as a result of the foreign exchange gain on translation of bank balances and amounts due from a related company denominated in RMB. If the HK$ had strengthened 5% against the RMB with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$16,432,000 (2017: HK$13,945,000) lower, arising mainly as a result of the foreign exchange loss on translation of bank balances and amounts due from a related company denominated in RMB.

As at 31 December 2018, the Group held certain financial assets which were denominated in US$. The directors are of the opinion that the Group's exposure to US$ foreign currency risk is minimal.

6. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(b) Equity price risk

The Group is exposed to equity price risk through its financial assets at FVTPL. Management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is concentrated on equity securities quoted on the Stock Exchange.

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

If equity prices of the Group's financial assets at FVTPL had been 10% (2017: 10%) higher/lower with all other variables held constant, consolidated profit after tax for the year ended 31 December 2018 would have increased/decreased by approximately HK$840,000/HK$840,000 (2017: HK$1,196,000/ HK$1,196,000).

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Group's credit risk is primarily attributable to its loan receivables, financial assets at FVTPL, amounts due from a related company, pledged bank deposits and bank balances.

In order to minimise credit risk in relation to loan receivables, loan limits and loan terms offered to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. Individual credit evaluations are performed on all customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing evaluation is performed on the financial condition of customers. In addition, management of the Group reviews the recoverable amount of each individual receivable regularly to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Group consider that the credit risk of the Group is significantly reduced.

The Group has concentration of credit risk as 85% (2017: 85%) of the total loan receivables were due from the Group's five largest customers as at 31 December 2018 and all of the customers are located in the PRC.

The Group is also exposed to concentration of credit risk through amounts due from a related company. Any changes in the related company's creditworthiness and financial standing could have a significant impact on the Group.

The Group's exposure to credit risk arising from financial assets at FVTPL, pledged bank deposits and bank balances is limited because the counterparties are banks or financial institutions with high credit-rating, for which the Group considers to have low credit risk.

Loan receivables and amounts due from a related company

The Group applies general approach to measure ECL on loan receivables and amounts due from a related company.

The ECL of loan receivables and amounts due from a related company are calculated on individual basis.

6. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(c) Credit risk *(Continued)*

Secured loan receivables

Vast majority of the customers are involved in healthcare and pharmaceuticals industry.

Expected loss rate

– the probability of default in 12 months is by reference to the industry average default rate based on the Moody's credit report published or proxy credit rating of each customer based on credit analysis on customers' latest available financial statements.

– the loss given default was estimated by the difference between the exposure at default of each loan receivable and the expected scrap values or the fair value of the collaterals of the customers, discounted by the effective interest rate of the loan.

Unsecured loan receivable with corporate guarantee

Expected loss rate is by reference to the proxy credit rating of the customer based on the credit analysis on the customer's and the guarantor's latest available financial statements.

All the loan receivables were neither past due nor impaired and limited to 12-month ECL.

For the amounts due from a related company which was in default on 18 January 2018 and had become credit-impaired, in the opinion of the directors, the expected cash flows from the foreclosure of the collaterals exceeded the outstanding balances. Therefore, no impairment allowance was provided for the year ended 31 December 2018.

Prior to 1 January 2018

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment. Loan receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Amounts due from a related company was in default on 18 January 2018. Taking into consideration the financial conditions of Chongqing Doyen and the value of the collaterals, the directors were of the view that the Group was able to recover the outstanding balances due in full from Chongqing Doyen, and therefore no impairment was provided for the year ended 31 December 2017.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

6. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(d) Liquidity risk *(Continued)*

	Within 1 year or on demand HK$'000	Between 2 and 5 years HK$'000
At 31 December 2018		
Accruals and other payables	**16,418**	**–**
Borrowings	**238,240**	**47,796**
Total	**254,658**	**47,796**
At 31 December 2017		
Accruals and other payables	14,169	–
Borrowings	58,860	291,910
Total	73,029	291,910

(e) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate bonds.

The Group's exposure to cash flow interest rate risk relates primarily to variable rate bank loans which is offset by loan receivables and bank deposits held at variable rates varied with the then prevailing market conditions.

The following table details the Group's interest-bearing financial assets and liabilities at variable rates as at the reporting date:

	2018 HK$'000	2017 HK$'000
Variable rate financial assets/(liabilities)		
Loan receivables	**115,699**	93,788
Pledged bank deposits	**1,138**	6,265
Bank balances	**114,116**	74,235
Bank loans	**(68,280)**	(123,126)

As at 31 December 2018, if interest rates had been 25 basis points lower or reduced to zero, whichever is higher with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$168,000 (2017: HK$70,000) lower. If interest rates had been 25 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$306,000 (2017: HK$97,000) higher.

6. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(f) Categories of financial instruments at 31 December 2018

	2018 HK$'000	2017 HK$'000
Financial assets:		
Financial assets at FVTPL		
Mandatorily measured at FVTPL – held for trading	**8,404**	11,959
Designated at FVTPL	**–**	120,000
Financial assets at amortised cost	**862,700**	–
Loans and receivables (including pledged bank deposits, bank and cash balances)	**–**	776,997
Financial liabilities:		
Financial liabilities at amortised cost	**296,334**	335,554

(g) Fair values

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

7. FAIR VALUE MEASUREMENTS

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

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

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

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

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

(a) Disclosures of level in fair value hierarchy:

At 31 December 2018

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2018 HK$'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTPL				
Listed equity securities	8,404	–	–	8,404
Investment property				
Shopping mall – PRC	–	–	318,868	318,868
Total	8,404	–	318,868	327,272

7. FAIR VALUE MEASUREMENTS *(CONTINUED)*

(a) Disclosures of level in fair value hierarchy: *(Continued)*

At 31 December 2017

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2017 HK$'000
Recurring fair value measurements:				
Financial assets				
Financial assets at FVTPL				
Listed equity securities	11,959	–	–	11,959
Financial products	–	120,000	–	120,000
	11,959	120,000	–	131,959
Investment property				
Shopping mall – PRC	–	–	333,600	333,600
Total	11,959	120,000	333,600	465,559

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

Description	**Financial assets at FVTPL- Unlisted PRC equity fund HK$'000**	**Investment property HK$'000**	**Total 2018 HK$'000**
At 1 January 2018	**–**	**333,600**	**333,600**
Additions	**–**	**718**	**718**
Exchange differences	**–**	**(17,343)**	**(17,343)**
Total gains or losses recognised in profit or loss (#)	**–**	**1,893**	**1,893**
At 31 December 2018	**–**	**318,868**	**318,868**
(#) Include gains or losses for assets held at end of reporting period	**–**	**1,893**	**1,893**

7. FAIR VALUE MEASUREMENTS *(CONTINUED)*

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

Description	Financial assets at FVTPL- Unlisted PRC equity fund HK$'000	Investment property HK$'000	Total 2017 HK$'000
At 1 January 2017	41,251	309,409	350,660
(Disposals)/Additions	(44,967)	2,041	(42,926)
Exchange differences	1,329	23,038	24,367
Total gains or losses recognised in profit or loss (#)	2,387	(888)	1,499
At 31 December 2017	–	333,600	333,600
(#) Include gains or losses for assets held at end of reporting period	–	(888)	(888)

The total gains or losses recognised in profit or loss are included in the line item "other gains and losses" on the face of the consolidated statement of profit or loss.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2018:

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

For level 3 fair value measurements, the Group normally engages external valuation experts with recognised professional qualifications and recent experience to perform the valuations.

The valuation technique and inputs used in level 3 fair value measurements for the Group's investment property are disclosed in note 20.

Level 2 fair value measurements

Description	Fair value 2018 HK$'000	2017 HK$'000
Financial assets at FVTPL – Financial products	–	120,000

The fair values of the financial products are approximate to their costs plus expected returns.

8. REVENUE

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

	2018 HK$'000	2017 HK$'000
Rental income	14,112	11,516
Income from provision of financing	16,847	23,404
	30,959	34,920

9. STAFF COSTS

	2018 HK$'000	2017 HK$'000
Salaries, bonuses and allowances	15,173	13,302
Retirement benefit scheme contributions	629	476
	15,802	13,778

Five highest paid individuals

The five highest paid individuals in the Group during the year included three (2017: two) directors whose emoluments are reflected in the analysis presented in note 16(a). The emoluments of the remaining two (2017: three) individuals are set out below:

	2018 HK$'000	2017 HK$'000
Salaries, bonuses and allowances	2,065	2,792
Retirement benefit scheme contributions	96	126
	2,161	2,918

9. STAFF COSTS *(CONTINUED)*

The emoluments fell within the following bands:

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

10. OTHER GAINS AND LOSSES

	2018 HK$'000	2017 HK$'000
Loss on disposals of property, plant and equipment	**(65)**	(1)
Fair value gain/(loss) on investment property	**1,893**	(888)
Gain on disposal of a subsidiary	**50**	–
Fair value (loss)/gain on financial assets at FVTPL	**(642)**	3,510
Exchange (loss)/gain – net	**(16,067)**	18,047
	(14,831)	20,668

11. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Reimbursement of tax and other expenses from a related company	**10,637**	3,240
Dividend income from equity investments	**334**	335
Government grants (note)	**2,094**	1,291
Others	**51**	–
	13,116	4,866

Note:

For the years ended 31 December 2018 and 2017, the government grants represented subsidies given by the government to the Group for the promotion of the loan financing industry. The grants were accounted for as financial support with no future related costs expected to be incurred nor related to any assets. As such, they were recognised in profit or loss when the grants were received.

12. SEGMENT INFORMATION

Operating segments are identified and reported in the manner consistent with internal reports of the Group that are regularly reviewed by the chief operating decision-maker (the "CODM") in order to assess performance and allocate resources. The CODM, has been defined as the executive directors who assess the performance of the operating segments based on the profit and loss generated.

The CODM reviews the business principally from an industry perspective and has identified two reportable segments. No operating segments have been aggregated to form the following reportable segments:

Investment property holding	– property investment and rental activities
Dongkui business	– provision of loan financing

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different marketing strategies.

The operation of 重慶寶旭商業管理有限公司 (for identification purpose, Chongqing Baoxu Commercial Property Management Ltd. ("Chongqing Baoxu")) represents the operating and reportable segment of investment property holding.

The operation of 東葵融資租賃(上海)有限公司 (for identification purpose, Dongkui Financial Leasing (Shanghai) Co. Ltd. ("Shanghai Dongkui")) represents the operating and reportable segment of Dongkui business.

The measure used for reporting segment profit is "profit after tax".

Information about operating segment profit or loss, assets and liabilities:

	Investment property holding HK$'000	Dongkui business HK$'000	Total HK$'000
Year ended 31 December 2018			
Revenue from external customers	14,112	16,847	30,959
Depreciation	(6)	(82)	(88)
Impairment losses on loan receivables	–	(88)	(88)
Loss on disposals of property, plant and equipment	–	(15)	(15)
Fair value gain on investment property	1,893	–	1,893
Fair value gain on financial assets at FVTPL	–	2,913	2,913
Exchange gain – net	–	1	1
Finance income	14,116	19,368	33,484
Finance costs	(4,324)	(204)	(4,528)
Income tax expense	(3,165)	(8,827)	(11,992)
Segment profit after tax	16,706	26,386	43,092
At 31 December 2018			
Segment assets	441,809	412,157	853,966
Segment liabilities	(94,132)	(11,158)	(105,290)

12. SEGMENT INFORMATION *(CONTINUED)*

Information about operating segment profit or loss, assets and liabilities: *(Continued)*

	Investment property holding HK$'000	Dongkui business HK$'000	Total HK$'000
Year ended 31 December 2017			
Revenue from external customers	11,516	23,404	34,920
Depreciation	(7)	(62)	(69)
Loss on disposals of property, plant and equipment	–	(1)	(1)
Fair value loss on investment property	(888)	–	(888)
Fair value gain on financial assets at FVTPL	–	306	306
Exchange loss – net	–	(1)	(1)
Finance income	10,179	12,485	22,664
Finance costs	(8,343)	(1,961)	(10,304)
Income tax expense	(2,314)	(7,658)	(9,972)
Segment profit after tax	3,836	22,905	26,741
At 31 December 2017			
Segment assets	476,846	461,264	938,110
Segment liabilities	(127,116)	(34,264)	(161,380)

Reconciliations of segment revenue and profit or loss:

	2018 HK$'000	2017 HK$'000
Revenue		
Total revenue of reportable segments	**30,959**	34,920
Profit or loss		
Total profit of reportable segments after tax	**43,092**	26,741
Unallocated amounts:		
Staff costs	**(9,038)**	(8,209)
Depreciation	**(250)**	(447)
Loss on disposals of property, plant and equipment	**(50)**	–
Gain on disposal of a subsidiary	**50**	–
Fair value (loss)/gain on financial assets at FVTPL	**(3,555)**	3,204
Exchange (loss)/gain – net	**(16,068)**	18,048
Other income	**10,982**	3,575
Finance income	**41,579**	23,283
Finance costs	**(17,753)**	(21,387)
Other corporate expenses	**(21,008)**	(14,090)
Consolidated profit after tax	**27,981**	30,718

12. SEGMENT INFORMATION *(CONTINUED)*

Reconciliations of segment assets and liabilities:

	2018 HK$'000	2017 HK$'000
Assets		
Total assets of reportable segments	**853,966**	938,110
Unallocated assets:		
Property, plant and equipment	**–**	300
Intangible assets	**7,096**	7,096
Financial assets at FVTPL	**8,404**	11,959
Amounts due from a related company	**315,845**	279,263
Bank and cash balances	**21,192**	24,123
Other assets	**2,043**	2,255
	354,580	324,996
Elimination of inter-company assets	**(984)**	–
Consolidated total assets	**1,207,562**	1,263,106

	2018 HK$'000	2017 HK$'000
Liabilities		
Total liabilities of reportable segments	**105,290**	161,380
Unallocated liabilities:		
Borrowings	**211,636**	198,259
Current tax liabilities	**13,432**	11,040
Other liabilities	**7,565**	6,501
	232,633	215,800
Elimination of inter-company liabilities	**(18,682)**	(23,399)
Consolidated total liabilities	**319,241**	353,781

Geographical information:

All the revenue generated by the Group for the two years ended 31 December 2018 and 2017 were attributable to customers based in the PRC. In addition, the majority of the Group's non-current assets are located in the PRC. Accordingly, no geographical analysis is presented.

Revenue from a major customer:

	2018 HK$'000	2017 HK$'000
Dongkui business		
Customer a	**5,964**	6,066

The major customer represents a single external customer who accounts for 10% or more of the revenue of the Group.

13. FINANCE INCOME AND COSTS

	2018 HK$'000	2017 HK$'000
Finance income		
Interest income on bank deposits	**660**	1,400
Interest income on loans to a related company	**74,403**	44,547
	75,063	45,947
Finance costs		
Interest on bank loans	**(4,528)**	(10,304)
Interest on other borrowings – bonds	**(17,753)**	(21,387)
	(22,281)	(31,691)
Finance income – net	**52,782**	14,256

14. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as follows:

	2018 HK$'000	2017 HK$'000
Current tax		
PRC Enterprise Income Tax ("EIT")		
Provision for the year	**4,579**	9,012
Withholding tax on distributed earnings from a subsidiary	**2,374**	–
Withholding tax on interest income		
– Provision for the year	**4,244**	1,594
– Under-provision in prior years	**529**	–
	11,726	10,606
Deferred tax (note 28)	**6,048**	2,257
	17,774	12,863

No provision for Hong Kong Profits Tax is required since the Group has no assessable profits for the years ended 31 December 2018 and 2017.

PRC EIT has been provided at a rate of 25% (2017: 25%).

According to the PRC EIT law and the relevant PRC issued implementation regulation, the Group is subject to the PRC withholding income tax of 10% (2017: 7%) on the gross interest income from a related party.

Under the PRC EIT law, dividends received by foreign investors from investment in foreign-invested enterprises in respect of their profits earned since 1 January 2008 are subject to withholding tax of 5% to 10% unless reduced by treaty. Accordingly, deferred tax has been recognised for undistributed retained profits of PRC subsidiaries at a rate of 10% to the extent that the profits will be distributed in the foreseeable future.

14. INCOME TAX EXPENSE *(CONTINUED)*

The reconciliation between the income tax expense and the product of profit before tax multiplied by the applicable tax rates is as follow:

	2018 HK$'000	2017 HK$'000
Profit before tax	**45,755**	43,581
Tax at the applicable tax rates in the jurisdictions concerned	**15,425**	8,798
Tax effect of income that is not taxable	**(1,130)**	(1,855)
Tax effect of expenses that are not deductible	**6,239**	2,905
Tax effect of temporary differences not recognised	**5**	(14)
Tax effect of tax losses not recognised	**1,988**	1,037
Under-provision in prior years	**529**	–
Deferred tax on undistributed profits of a PRC subsidiary	**(1,365)**	1,297
Others	**(3,917)**	695
Income tax expense	**17,774**	12,863

The weighted average applicable tax rate was 34% (2017: 20%).

15. PROFIT FOR THE YEAR

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

	2018 HK$'000	2017 HK$'000
Auditor's remuneration		
– Audit	**1,500**	1,180
– Others	**20**	270
	1,520	1,450
Direct operating expenses of investment property that generate rental income	**4,693**	4,980

16. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The emoluments paid to or receivable by each of the ten (2017: nine) directors and the chief executive whether of the Company or its subsidiary undertaking are as follows:

Name of director	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Estimated money value of other benefits HK$'000 (note (i))	Employer's contribution to retirement benefit scheme HK$'000	Total HK$'000
Executive directors						
Mr. Lo Siu Yu	–	1,440	–	1,424	18	2,882
Ms. Luo Shaoying (note (ii))	–	20	–	–	1	21
Mr. Tai Xing	–	636	75	242	17	970
Mr. Cho Chun Wai	–	1,086	142	138	18	1,384
Non-executive directors						
Mr. Wang Xiaobo (note (iii))	105	–	–	–	–	105
Mr. Qin Hong	120	–	–	–	–	120
Mr. Pan Chuan (note (iv))	15	–	–	–	–	15
Independent non-executive directors						
Mr. Chan Ying Kay	120	–	–	–	–	120
Mr. Wang Jin Ling	120	–	–	–	–	120
Dr. Zhu Wenhui	120	–	–	–	–	120
Total for 2018	600	3,182	217	1,804	54	5,857

Mr. Tai Xing is also the chief executive of the Company. His emoluments disclosed above include those for services rendered by him as the chief executive.

16. BENEFITS AND INTERESTS OF DIRECTORS *(CONTINUED)*

(a) Directors' emoluments *(Continued)*

Name of director	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Estimated money value of other benefits HK$'000 (note (i))	Employer's contribution to retirement benefit scheme HK$'000	Total HK$'000
Executive directors						
Mr. Lo Siu Yu	–	1,440	–	954	18	2,412
Ms. Luo Shaoying	–	240	–	–	12	252
Mr. Tai Xing (note (v))	–	159	–	59	–	218
Mr. Cho Chun Wai	–	1,019	143	187	18	1,367
Non-executive directors						
Mr. Wang Xiaobo	120	–	–	–	–	120
Mr. Qin Hong	120	–	–	–	–	120
Independent non-executive directors						
Mr. Chan Ying Kay	120	–	–	–	–	120
Mr. Wang Jin Ling	120	–	–	–	–	120
Dr. Zhu Wenhui	120	–	–	–	–	120
Total for 2017	600	2,858	143	1,200	48	4,849

Notes:

(i) Estimated money values of other benefits include rent paid and family education allowance.

(ii) Re-designated from an executive director to a non-executive director on 29 January 2018.

(iii) Resigned on 12 November 2018.

(iv) Appointed on 12 November 2018.

(v) Appointed on 17 October 2017.

Neither the chief executive nor any of the directors waived any emoluments during the years ended 31 December 2018 and 2017.

16. BENEFITS AND INTERESTS OF DIRECTORS *(CONTINUED)*

(b) The information about loans entered into by the Company or subsidiary undertaking of the Company in favour of a controlled body corporate of Mr. Lo (also described in more detail in note 25) is as follows:

Name of the borrower	Outstanding amount at the beginning of the year HK$'000	Outstanding amount at the end of the year HK$'000	Maximum outstanding amount during the year HK$'000	Terms	Interest rate	Security
At 31 December 2018						
重慶東銀控股集團有限公司 (for identification purpose, Chongqing Doyen Holdings Group Co., Ltd.)						
Loans and interest	504,000	552,253	552,253	Repayable on the maturity date – 18 January 2018	10.5% per annum on outstanding loans, payable quarterly in arrears (plus default interest of 5% per annum on the outstanding loans and interest in default) due as at 18 January 2018	51% of equity interest in 重慶東銀殼牌石化有限公司 (for identification purpose, Chongqing Doyen Shell Petrochemical Co., Ltd.)
Reimbursement of tax and other expenses	3,263	13,421	13,421	Repayable on demand	Nil	51% of equity interest in Chongqing Doyen Shell Petrochemical Co., Ltd.
At 31 December 2017						
Chongqing Doyen Holdings Group Co., Ltd.						
Loans and interest	379,891	504,000	504,000	Repayable on the maturity date – 18 January 2018	10.5% per annum on outstanding loans, payable quarterly in arrears	51% of equity interest in Chongqing Doyen Shell Petrochemical Co., Ltd.
Reimbursement of tax expenses	4,048	3,263	4,048	Repayable on demand	Nil	51% of equity interest in Chongqing Doyen Shell Petrochemical Co., Ltd.

16. BENEFITS AND INTERESTS OF DIRECTORS *(CONTINUED)*

(c) Directors' material interests in transactions, arrangements or contracts

Pursuant to loan agreements dated 8 November 2016 and 6 March 2017, respectively, the Company advanced two loans of RMB80,000,000 and RMB150,000,000 respectively to 重慶東銀控股集團有限公司(for identification purpose, Chongqing Doyen Holdings Group Co., Ltd. ("Chongqing Doyen")), a company established with limited liability under the laws of the PRC and wholly owned by Mr. Lo, director and ultimate controlling party of the Company, and his spouse. The loans totalling RMB230,000,000 (equivalent to approximately HK$261,740,000 (2017: HK$276,000,000)) were interest-bearing at 10.5% per annum and due on 18 January 2018.

In May 2017, approximately 28.19% of the equity interest of 重慶東銀殼牌石化有限公司 (for identification purpose, Chongqing Doyen Shell Petrochemical Co., Ltd. ("Doyen Shell")) was charged to the Company as security for the loans.

On 18 January 2018, Chongqing Doyen failed to repay the principal amount, the interest thereon and the relevant tax expenses as at the due date and was construed as default in repayment which subject to an additional default interest of 5% per annum according to the loan agreements. No settlement was made up to the date of these consolidated financial statements authorised for issue.

During the year ended 31 December 2018, interest income of approximately HK$41,332,000 (2017: HK$23,117,000) and reimbursement of tax and other expenses of approximately HK$10,637,000 (2017: HK$3,240,000) were recognised by the Company.

Save for the aforementioned transactions, no other significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Significant transactions, arrangements or contracts in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year were disclosed in the report of the directors.

17. DIVIDENDS

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

18. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following:

	2018 **HK$'000**	2017 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**17,053**	24,432

	2018 **'000**	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	**1,274,039**	1,274,039

The Company's outstanding share options and warrants had no dilutive effect for the years ended 31 December 2018 and 2017 as the exercise prices of those share options and warrants were higher than the average market price for shares. Accordingly, diluted earnings per share for the years ended 31 December 2018 and 2017 have not been presented.

19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
At 1 January 2017	1,286	744	2,517	4,547
Additions	159	112	–	271
Disposals	–	(651)	–	(651)
Exchange differences	7	11	–	18
At 31 December 2017 and 1 January 2018	1,452	216	2,517	4,185
Disposals	(1,286)	(22)	–	(1,308)
Exchange differences	(9)	(10)	–	(19)
At 31 December 2018	157	184	2,517	2,858
Accumulated depreciation				
At 1 January 2017	814	688	2,240	3,742
Charge for the year	337	28	151	516
Disposals	–	(638)	–	(638)
Exchange differences	2	4	–	6
At 31 December 2017 and 1 January 2018	1,153	82	2,391	3,626
Charge for the year	178	34	126	338
Disposals	(1,236)	(6)	–	(1,242)
Exchange differences	(4)	(6)	–	(10)
At 31 December 2018	91	104	2,517	2,712
Carrying amount				
At 31 December 2018	**66**	**80**	**–**	**146**
At 31 December 2017	299	134	126	559

20. INVESTMENT PROPERTY

	2018 HK$'000	2017 HK$'000
At 1 January	**333,600**	309,409
Additions	**718**	2,041
Fair value gain/(loss)	**1,893**	(888)
Exchange differences	**(17,343)**	23,038
At 31 December	**318,868**	333,600

The Group's investment property represents a shopping mall in the PRC. The Group's investment property held under operating lease for rental purposes is measured using fair value model. The fair value as at 31 December 2018 was based on a valuation carried out by Vigers Appraisal & Consulting Limited, an independent qualified professional valuer not connected with the Group with substantial experience in valuation of properties. The valuation was derived using the income capitalisation approach. The valuation is based on the capitalisation of the current rental income and reversionary income potential by adopting appropriate term/reversionary yields, which are derived from analysis of sales transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have made reference to recent lettings within the subject property and other comparable properties.

The valuation of the Group's investment property is a level 3 fair value measurement. Details of the unobservable inputs in determining the valuation as at 31 December 2018 are as follows:

Unobservable inputs	Range	Effect on fair value for increase of inputs
Long term vacancy rate	8% (2017: 8%)	Decrease
Monthly market rent per sq. m.	RMB30 to RMB243 (2017: RMB30 to RMB243)	Increase
Capitalisation rate	5%-5.5% (2017: 5%-5.5%)	Decrease

During the years ended 31 December 2018 and 2017, there were no changes in the valuation technique used.

As at 31 December 2018, the carrying amount of investment property pledged as security for the Group's bank loans amounted to approximately HK$318,868,000 (2017: HK$333,600,000) (note 27(a)).

21. INTANGIBLE ASSETS

The intangible assets represent club memberships with indefinite useful lives.

The club memberships currently have a second hand market and have no foreseeable limit to their useful lives. The directors of the Company are of the opinion that the Group will continue to hold the club memberships and has the ability to do so. The club memberships have been tested for impairment in the current year by reference to their second hand market values and no impairment loss has been identified for the current or prior year.

22. INVESTMENT IN AN ASSOCIATE

	2018 **HK$'000**	2017 HK$'000
Unlisted investment:		
Share of net liabilities	–	(1,048)
Goodwill	–	14,396
	–	13,348
Less: Impairment loss	–	(13,348)
	–	–

Details of the Group's associate as at 31 December 2017 are as follows:

Name	Place of incorporation/ operation	Issued and paid up capital	Percentage of ownership interest	Principal activities
Sol Chip Limited ("Sol Chip")	Israel	274,190 ordinary shares of ILS 0.01 each; 212,245 Series A preferred shares of ILS 0.01 each; 451,307 Series B preferred shares of ILS 0.01 each *	29.80%	Development and sales of solar energy technology products

* Israeli new shekel ("ILS")

As at 31 December 2017, the Group held 279,623 preferred B-1 shares of Sol Chip.

During the current year, Sol Chip was disposed of upon the disposal of the Group's subsidiary, Super Dynasty Investment Limited (note 32(a)).

23. LOAN RECEIVABLES

	2018 HK$'000	2017 HK$'000
Current assets	**98,668**	108,032
Non-current assets	**63,761**	57,586
	162,429	165,618
Less: Impairment allowances	**(1,133)**	–
	161,296	165,618

As at 31 December 2018, the Group's loans to customers comprise the following:

(a) Loans to customers of approximately HK$122,599,000 (2017: HK$105,618,000) were secured by the plant and equipment of the relevant customers and repayable by instalments within three to five years from the draw-down dates. The effective interest rate on such loans ranged from 11.3% to 13.9% (2017: 11.9% to 13.9%) per annum.

(b) Loan to a customer of approximately HK$39,830,000 (2017: HK$60,000,000) with effective interest rate of 11% (2017: 11%) per annum. Such loan under a corporate guarantee was unsecured and repayable within one year.

Analysis of the gross carrying amount and the corresponding ECL allowances is as follows:

	12-month ECL HK$'000
Gross carrying amount at 1 January 2018	165,618
New loans originated	116,588
Loans derecognised or repaid during the year	(110,989)
Exchange differences	(8,788)
Gross carrying amount at 31 December 2018	**162,429**

	12-month ECL HK$'000
ECL allowances at 1 January 2018	–
Impact on initial application of HKFRS 9 (note 3)	1,106
At 1 January 2018	1,106
New loans originated	391
Loans derecognised or repaid during the year	(549)
Movement due to changes in credit risk	246
Exchange differences	(61)
ECL allowances at 31 December 2018	**1,133**

23. LOAN RECEIVABLES *(CONTINUED)*

As at 31 December 2018, the Group's loan receivables were neither past due nor impaired. These relate to a number of independent customers for whom there is no recent history of default.

As at 31 December 2018, no loan receivables were pledged as security for the Group's bank loans (2017: approximately HK$82,238,000) (note 27(a)).

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 **HK$'000**	2017 HK$'000
Equity securities, at fair value (note (a))		
Listed in Hong Kong	**8,404**	11,959
Financial products, at fair value (note (b))	**–**	120,000
	8,404	131,959

Notes:

(a) The fair values of listed securities are based on current bid prices.

(b) (i) The Group subscribed for a financial product issued by a bank in the PRC with floating return ranging from 4.3% to 4.7% per annum. The principal of RMB30 million is protected. It was redeemed by the Group in February 2018.

(ii) The Group subscribed for a financial product issued by a bank in the PRC with expected interest rate of 2.7% per annum. The principal of RMB50 million is protected. It was redeemed by the Group in January 2018.

(iii) The Group subscribed for a financial product issued by a bank in the PRC with floating return ranging from 3.8% to 5.2% per annum. The principal of RMB20 million is not protected. It was redeemed by the Group in January 2018.

The fair values of the financial products are approximate to their costs plus expected returns.

25. AMOUNTS DUE FROM A RELATED COMPANY

	2018 HK$'000	2017 HK$'000
Loans to a related company	477,960	504,000
Interest receivable	74,293	–
Reimbursement of tax and other expenses	13,421	3,263
	565,674	507,263

Pursuant to two loan agreements both dated 8 November 2016, the Company and Chongqing Baoxu advanced RMB80,000,000 each to Chongqing Doyen.

Pursuant to a loan agreement dated 11 November 2016, Shanghai Dongkui advanced a loan of RMB110,000,000 to Chongqing Doyen.

Pursuant to a loan agreement dated 6 March 2017, the Company further advanced RMB150,000,000 to Chongqing Doyen.

The aforesaid loans totalling RMB420,000,000 (the "Loans") were interest-bearing at 10.5% per annum and due on 18 January 2018.

In relation to the loans advanced by the Company to Chongqing Doyen, Chongqing Doyen agrees to reimburse the Company any tax expenses on the interest income generated from the loans advanced by the Company. In addition, Chongqing Doyen is also liable to pay in full all costs incurred by the Group in connection with any breach by Chongqing Doyen.

During the year ended 31 December 2017, 51% of the equity interest of Doyen Shell (the "Collaterals") was charged to the Group as security for the amounts due from a related company.

Chongqing Doyen failed to repay the Loans together with the interest thereon and the relevant tax expenses as at the due date and was construed as default in repayment according to the loan agreements. Pursuant to the loan agreements, default interest is accrued on any sum payable from the due date up to the date of actual payment at a rate of 15.5% per annum.

25. AMOUNTS DUE FROM A RELATED COMPANY *(CONTINUED)*

On 28 December 2018, the Group, Chongqing Doyen and 重慶東銀碩潤石化集團有限公司 (for identification purpose, Chongqing Doyen Shuorun Petrochemical Group Ltd. ("Shuorun Petrochemical")), the legal owner of the Collaterals and the transferor, entered into an equity interest transfer agreement (the "Equity Interest Transfer Agreement"), pursuant to which, Shuorun Petrochemical has conditionally agreed to transfer the equity interest of Doyen Shell (the "Equity Interest"), with value equivalent to the aggregate outstanding sum of the Loans, the interest thereon and the relevant costs incurred by the Group in effecting the transactions as at the reference date, i.e. 31 October 2018, to the Group as settlement; and Shuorun Petrochemical has undertaken to, subsequent to the completion of the transfer pursuant to the terms of the Equity Interest Transfer Agreement, repurchase the Equity Interest from the Group on or before 31 December 2019 at a repurchase price. The repurchase price shall be equivalent to the sum of (a) the value of the Equity Interest to be transferred which is equivalent to the aggregate outstanding sum of the Loans, the interest thereon and the relevant costs incurred by the Group in effecting the transactions as at the reference date; (b) an amount representing a notional interest calculated at an interest rate of 15.5% per annum for the period from the reference date to the completion date; (c) an amount representing a notional interest calculated at an interest rate of 10.5% per annum for the period from the next day following the completion date to the date of payment of the repurchase price; and (d) the relevant costs incurred by the Group in relation to the repurchase, less the aggregate amount of any dividend declared and distributed by Doyen Shell to the Group.

Under the aforesaid arrangement, Shuorun Petrochemical substantially retains all the risks and rewards of ownership of the Equity Interest. As such, upon completion of the transfer of the Equity Interest, the Group will not recognise the Equity Interest and will continue to recognise the amounts due from a related company as financial assets at amortised cost.

Pursuant to a supplemental agreement dated 15 February 2019, the parties to the Equity Interest Transfer Agreement extended the deadline of fulfillment of certain conditions precedent under the Equity Interest Transfer Agreement to 30 June 2019 and postponed the completion date to 31 August 2019.

Up to the date of the consolidated financial statements, the Equity Interest Transfer Agreement was yet to be completed as certain conditions precedent are yet to be fulfilled. Notwithstanding the above, the Group is still under negotiation with Chongqing Doyen for the settlement of the outstanding amounts.

No impairment allowance on the amounts due from a related company was recorded for the year ended 31 December 2018 (2017: nil) as, in the opinion of the directors, the expected cash flows from the foreclosure of the Collaterals exceeded the aforesaid amounts.

The amounts due from a related company is denominated in RMB.

26. PLEDGED BANK DEPOSITS/BANK AND CASH BALANCES

	2018 HK$'000	2017 HK$'000
Pledged bank deposits	1,138	6,265
Bank and cash balances	133,222	96,135
	134,360	102,400

The Group's pledged bank deposits represent deposits pledged to bank to secure bank loans of the Group as set out in note 27(a).

As at 31 December 2018, the pledged bank deposits and bank and cash balances of the Group denominated in RMB amounted to approximately HK$113,157,000 (2017: HK$78,267,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

27. BORROWINGS

	2018 HK$'000	2017 HK$'000
Bank loans – secured (note (a))	68,280	123,126
Bonds – unsecured (note (b))	211,636	198,259
	279,916	321,385

The borrowings are repayable as follows:

	2018 HK$'000	2017 HK$'000
Within one year	234,396	52,794
In the second year	22,760	220,591
In the third to fifth years	22,760	48,000
	279,916	321,385
Less: Amount due for settlement within 12 months (shown under current liabilities)	(234,396)	(52,794)
Amount due for settlement after 12 months	45,520	268,591

27. BORROWINGS *(CONTINUED)*

Notes:

(a) Bank loans – secured

The Group's bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. As at 31 December 2018, the effective interest rate is 5.4% (2017: ranging from 4.8% to 5.4%) per annum.

As at 31 December 2018, the Group's bank loans of approximately HK$68,280,000 (2017: HK$96,000,000) were secured by the Group's investment property amounted to approximately HK$318,868,000 (2017: HK$333,600,000), its right to receive rental income and pledged bank deposits of approximately HK$1,138,000 (2017: HK$1,200,000), and were guaranteed by Chongqing Doyen.

As at 31 December 2017, certain bank loans of approximately HK$27,126,000 were secured by the Group's loan receivables of approximately HK$82,238,000 and pledged bank deposits of approximately HK$5,065,000, and were guaranteed by Chongqing Doyen. Such bank loans have been early repaid on 17 January 2018 without any penalty.

(b) Bonds – unsecured

In January 2015, the Group issued bonds (the "Bonds") with an aggregate face value of HK$195,000,000 at par to Haitong International Finance Company Limited ("Haitong"). The Bonds are denominated in HK$, unsecured, bear interest at 9.5% per annum payable quarterly in arrears and has a maturity period of 24 months after the first issuance of the Bonds. The Bonds are guaranteed by Mr. Lo, director and ultimate controlling party of the Company. In addition, the immediate parent of the Company undertakes that until the Bonds are fully repaid, its shares in the Company deposited in a designated margin securities account will not be at any time less than 52.19% of the total issued and outstanding shares of the Company, and will not be subject to any pledge (except in relation to the margin facility arranged). If there is any default on the Bonds, Haitong will have a right to sell the said shares which the immediate parent holds in the securities account for repayment of any outstanding amounts of the Bonds. Loan arrangement fees amounting to approximately HK$3,665,000 have been amortised over the term of the Bonds.

On 20 January 2017, the Group entered into a supplemental deed (the "Supplemental Deed") with Haitong, Mr. Lo, being the guarantor, and Chongqing Doyen, being the corporate guarantor (under a corporate guarantee agreement dated 20 January 2017) whereby the parties amended certain terms and conditions of the Bonds, inter alia:

(i) The maturity date shall be extended to the date falling upon the expiry of 12 months from the expiry of 24 months after the first issuance of the Bonds (the "Maturity Date") and the Group may further extend the maturity date to a date falling upon the expiry of 24 months from the expiry of 24 months after the first issuance of the Bonds (the period of such 12 or 24 extended months as applicable, from the original Maturity Date being called the "Extension Period").

(ii) The Bonds bear interest at 9% per annum during the Extension Period.

Loan arrangement fees amounting to approximately HK$3,899,000 regarding the Supplemental Deed have been amortised over the Extension Period.

27. BORROWINGS *(CONTINUED)*

Notes: *(Continued)*

(b) Bonds – unsecured *(Continued)*

Pursuant to the Supplemental Deed in relation to the Bonds, an email and a written notice were issued by the Group to Haitong, the bondholder, on 17 January 2018 and 7 February 2018 respectively in respect of the extension of the maturity date of the Bonds to 18 January 2019. Haitong acknowledged receipt of the aforesaid email and written notice on 7 February 2018; accordingly, the maturity date of the Bonds has been extended to 18 January 2019.

On 7 February 2018, Haitong transferred the Bonds to Hua Sing (Cayman) Energy Holdings Limited ("Hua Sing"), whose intermediate holding company indirectly holds 9.42% equity interest of the Company and 30% equity interest of the Company's subsidiary, Chongqing Baoxu.

Pursuant to a confirmation letter dated 7 February 2018, Hua Sing confirmed, among others, the following:

(i) The maturity date of the Bonds has been extended to 18 January 2019.

(ii) The failure by the Company to pay interest between 7 February 2018 to 17 January 2019, both dates inclusive (the "Period") shall not constitute a breach of the bond instrument dated 19 January 2015 (the "Bond Instrument") and the Supplemental Deed or an event of default under the Bond Instrument (the "Event of Default").

(iii) Any interest due but remain unpaid during the Period (the "Accrued Interest") shall become immediately payable by the Company on the first business day (excluding Saturday, Sunday and public holidays on which banks in Hong Kong are open for business) immediately after the Period.

(iv) No interest shall accrue on the Accrued Interest itself and the default interest pursuant to the Bond Instrument shall not be applicable to any Accrued Interest.

(v) If any of the Event of Default (except for the non-payment of interest during the Period) should occur, Hua Sing shall have the right to revoke the effect of any or all of the paragraphs (i) to (iv) above, any right exercisable by Hua Sing pursuant to the Bond Instrument may be exercised in respect of the Accrued Interest and the Bond Instrument shall apply to the Accrued Interest from the date of any demand by Hua Sing to pay the Accrued Interest accordingly.

On 29 March 2018, Full Brilliant Limited ("Full Brilliant"), Mr. Lo and Ms. Chiu Kit Hung, the spouse of Mr. Lo, Sino Consult Asia Limited ("Sino Consult") and the immediate parent of the Company entered into charge over shares in the Company, pursuant to which they agreed to charge aggregate of 785,373,018 shares of the Company in favor of Hua Sing as security to the Bonds. Full Brilliant and Sino Consult are companies wholly-owned by the immediate parent of the Company.

As at 31 December 2018, the effective interest rate on the Bonds was 10.7% (2017: 10.5%) per annum.

27. BORROWINGS *(CONTINUED)*

Notes: *(Continued)*

(b) Bonds – unsecured *(Continued)*

Pursuant to a confirmation letter dated 18 January 2019 executed by the Group and Hua Sing whereby the parties amended certain terms and conditions of the Bonds based on a supplemental deed poll dated 18 January 2019 (the "Supplemental Deed Poll"), inter alia:

The maturity date of the Bonds shall be 17 April 2019 or such later date as agreed by the bondholder(s) and the Company, which shall not be a date which falls after 17 April 2021 (the "New Maturity Date"). The Company may, by notice in writing to the bondholder(s), extend the New Maturity Date to a date no later than 3 months from the New Maturity Date (in no event should the New Maturity Date fall on a date after 17 April 2021) as last agreed by the bondholder(s) and the Company, subject to the written consent of all the bondholder(s). The extension notice shall be served by the Company at least 20 business days prior to the New Maturity Date as last agreed by the bondholder(s) and the Company.

Pursuant to another confirmation letter dated 18 January 2019, issued by Hua Sing whereby Hua Sing confirmed, among others, the following:

(i) The failure by the Company to pay interest between 7 February 2018 to the New Maturity Date, both dates inclusive (the "New Period") shall not constitute a breach of the Bond Instrument and the Supplemental Deed Poll or Event of Default.

(ii) Any interest due but remain unpaid during the New Period (the "New Accrued Interest") shall become immediately payable by the Company on the first business day (excluding Saturday, Sunday and public holidays) on which banks in Hong Kong are open for business) immediately after the New Period.

(iii) No interest shall accrue on the New Accrued Interest itself and the default interest pursuant to the Bond Instrument shall not be applicable to any New Accrued Interest.

(iv) If any of the Event of Default (except for the non-payment of interest during the New Period) should occur, Hua Sing shall have the right to revoke the effect of any or all of the paragraphs (i) to (iii) above, any right exercisable by Hua Sing pursuant to the Bond Instrument may be exercised in respect of the New Accrued Interest and the Bond Instrument shall apply to the New Accrued Interest from the date of any demand by Hua Sing to pay the New Accrued Interest accordingly.

Pursuant to the Supplemental Deed Poll in relation to the Bonds, three notices were issued by the Group to Hua Sing on 19 March 2019 in respect of the extension of the New Maturity Date of the Bonds to 17 January 2020. Hua Sing acknowledged receipt of the aforesaid three notices and issued three written consents on 19 March 2019; accordingly, the New Maturity Date of the Bonds has been further extended to 17 January 2020.

28. DEFERRED TAX

The following are the deferred tax liabilities and assets recognised by the Group.

Deferred tax liabilities

	Accrued rental HK$'000	Financial assets at FVTPL HK$'000	Loan interest income HK$'000	Undistributed profits of a PRC subsidiary HK$'000	Total HK$'000
At 1 January 2017	(561)	(2,087)	–	(1,805)	(4,453)
Credit/(Charge) to profit or loss (note 14)	24	2,154	–	(1,297)	881
Exchange differences	(40)	(67)	–	(188)	(295)
At 31 December 2017 and 1 January 2018	(577)	–	–	(3,290)	(3,867)
(Charge)/Credit to profit or loss (note 14)	(99)	–	(4,772)	1,365	(3,506)
Exchange differences	33	–	197	114	344
At 31 December 2018	**(643)**	**–**	**(4,575)**	**(1,811)**	**(7,029)**

Deferred tax assets

	Revaluation of investment property HK$'000	Impairment allowances on loan receivables HK$'000	Others HK$'000	Total HK$'000
At 1 January 2017	12,273	–	897	13,170
Charge to profit or loss (note 14)	(2,338)	–	(800)	(3,138)
Exchange differences	817	–	34	851
At 31 December 2017	10,752	–	131	10,883
Impact on initial application of HKFRS 9 (note 3)	–	277	–	277
At 1 January 2018	10,752	277	131	11,160
(Charge)/Credit to profit or loss (note 14)	(3,066)	22	502	(2,542)
Exchange differences	(429)	(16)	(27)	(472)
At 31 December 2018	**7,257**	**283**	**606**	**8,146**

At the end of the reporting period, the Group has unused tax losses of approximately HK$123,311,000 (2017: HK$134,123,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$18,882,000 (2017: HK$32,563,000) that will expire after 5 years for the year of assessment they related to. Other tax losses are subject to the final approval by the Inland Revenue Department in Hong Kong and can be carried forward indefinitely.

29. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares, issued and fully paid:		
At 1 January 2017, 31 December 2017 and 31 December 2018	1,274,039	1,174,378

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to members, return capital to members, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated statement of financial position, plus net debt.

The gearing ratio as at 31 December 2018 is as follows:

	2018 HK$'000	2017 HK$'000
Total borrowings (note 27)	**279,916**	321,385
Less: Cash and cash equivalents	**(133,222)**	(96,135)
Net debt	**146,694**	225,250
Total equity	**888,321**	909,325
Total capital	**1,035,015**	1,134,575
Gearing ratio	**14%**	20%

The externally imposed capital requirement for the Group is in order to maintain its listing on the Stock Exchange, it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars regularly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year.

30. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The existing share option scheme of the Group was adopted pursuant to a resolution passed on 11 September 2008. Options are conditional on the employee completing one year's or two years' service (the vesting period). The Group has no legal or constructive obligation to repurchase or settle the options in cash. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

Details of the movement of share options during the year are as follows:

	2018		2017	
	Number of share options '000	**Weighted average exercise price HK$**	Number of share options '000	Weighted average exercise price HK$
Outstanding at the beginning of the year	**4,950**	**1.634**	4,950	1.634
Forfeited during the year	**(2,850)**	**1.638**	–	–
Outstanding at the end of the year	**2,100**	**1.628**	4,950	1.634
Exercisable at the end of the year	**2,100**	**1.628**	4,950	1.634

The options outstanding at the end of the year have a weighted average remaining contractual life of 1.92 years (2017: 2.84 years) and the exercise price is HK$1.628 (2017: ranged from HK$1.628 to HK$1.638). No options were granted in 2018 (2017: nil).

31. WARRANTS

On 10 June 2015, the Company and Haitong entered into a subscription agreement pursuant to which Haitong subscribed 20,000,000 warrants of the Company (the "Warrants") at price of HK$1.

Each Warrant entitles the holder to subscribe for one share of the Company at any time during the period of three years commencing from 17 August 2015 at an exercise price of HK$0.6975, representing a discount of 10.58% to the closing price of the Company's shares on the last trading day prior to issuance of the Warrants and a discount of 11.71% over the average price of the Company's shares on the last five consecutive trading days up to the last trading day prior to issuance of the Warrants. Any Warrant not exercised by the expiry of the exercise period will lapse and cease to be valid for all purposes.

The ordinary shares issued from the exercise of Warrants shall rank pari passu in all respects with the existing issued ordinary shares of the Company. No Warrants had been exercised by the holders during the current and prior years. As at 16 August 2018, all 20,000,000 units of Warrants were not exercised by the expiry of the exercise period and were lapsed.

Such issue of Warrants constitute a share-based payment and accordingly the difference between the fair value of the Warrants and the total proceeds received by the Company amounting to approximately HK$6,433,000 was charged to the Group's consolidated statement of profit or loss for the year ended 31 December 2015.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of a subsidiary

On 12 June 2018, the Group disposed of its entire interests in a subsidiary, Super Dynasty Investment Limited, which directly holds an associate, Sol Chip.

Net assets at the date of disposal were as follows:

	HK$'000
Investment in an associate	–
Gain on disposal of a subsidiary	50
Total consideration	50
Consideration satisfied by cash	50
Net cash inflow arising on disposal:	
Cash consideration received	50

(b) 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.

	1 January 2018 HK$'000	**Cash flows HK$'000**	**Finance costs HK$'000**	**Exchange differences HK$'000**	**31 December 2018 HK$'000**
Bank loans (note 27)	123,126	(55,256)	4,528	(4,118)	68,280
Bonds (note 27)	198,259	(4,376)	17,753	–	211,636

	1January 2017 HK$'000	Cash flows HK$'000	Finance costs HK$'000	Exchange differences HK$'000	31 December 2017 HK$'000
Bank loans (note 27)	169,938	(67,453)	10,304	10,337	123,126
Bonds (note 27)	194,909	(18,037)	21,387	–	198,259

(c) Major non-cash transaction

During the year ended 31 December 2018, no income tax and other tax payables were settled by Chongqing Doyen on behalf of the Group (2017: approximately HK$4,283,000).

33. LEASE COMMITMENTS

(a) The Group as lessee

As at 31 December 2018, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 **HK$'000**	2017 HK$'000
Within one year	**1,377**	1,933

Operating lease payments represent rentals payable by the Group for its office premises and directors' quarters. Leases are negotiated for an average terms of two years and rentals are fixed over the lease terms and do not include contingent rentals.

(b) The Group as lessor

The Group leases out its investment property under operating leases. The leases typically run for a period of one to eight years. None of the leases includes contingent rentals.

As at 31 December 2018, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2018 **HK$'000**	2017 HK$'000
Within one year	**7,047**	6,813

34. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions and balances with its related parties:

(a) Transactions with related parties

		2018 **HK$'000**	2017 HK$'000
Name of related party	*Nature of transactions*		
Chongqing Doyen (note (i))	Interest income on loans to a related company	**74,403**	44,547
Chongqing Doyen	Reimbursement of tax and other expenses from a related company	**10,637**	3,240
重慶新東原物業管理有限公司 (for identification purpose, Chongqing New Dowell Property Management Ltd.) (note (ii))	Cleaning expenses paid to a related company	**–**	602
Chongqing New Dowell Property Management Ltd.	Property management fees paid to a related company	**189**	255

(b) Key management personnel compensation

The compensation paid or payable to key management personnel is as follows:

	2018 **HK$'000**	2017 HK$'000
Short-term benefits	**5,803**	4,801
Post-employment benefits	**54**	48
	5,857	4,849

As at 31 December 2018, included in accruals and other payables was an amount of approximately HK$15,000 (2017: nil) being accrued directors' emoluments which are unsecured, interest-free and settled in cash.

Notes:

(i) Chongqing Doyen is considered as a related company of the Group as it is wholly owned by Mr. Lo, the director and ultimate controlling party of the Company, and his spouse.

(ii) Chongqing New Dowell Property Management Ltd. ("Dowell Property Management") is considered as a related company of the Group as Mr. Lo has control in Dowell Property Management.

35. CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any significant contingent liabilities (2017: nil).

36. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Intangible assets		**7,096**	7,096
Investments in subsidiaries		**516,962**	536,888
		524,058	543,984
Current assets			
Prepayments, deposits and other receivables		**1,606**	252
Amounts due from subsidiaries		**270,941**	286,432
Amounts due from a related company		**315,845**	279,263
Bank and cash balances		**9,377**	20,823
		597,769	586,770
Current liabilities			
Accruals and other payables		**5,686**	3,029
Amounts due to subsidiaries		**214,575**	220,547
Borrowings		**211,636**	3,462
Current tax liabilities		**4,057**	1,665
		435,954	228,703
Net current assets		**161,815**	358,067
Total assets less current liabilities		**685,873**	902,051
Non-current liabilities			
Borrowings		**–**	194,797
NET ASSETS		**685,873**	707,254
Capital and reserves			
Share capital		**1,174,378**	1,174,378
Deficit	36(b)	**(488,505)**	(467,124)
TOTAL EQUITY		**685,873**	707,254

Approved by the Board of Directors on 27 March 2019 and are signed on its behalf by:

Lo Siu Yu
Director

Cho Chun Wai
Director

36. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(CONTINUED)*

(b) Reserve movement of the Company

	Accumulated losses HK$'000	Other reserves HK$'000 (note 37(b)(iv))	Total HK$'000
At 1 January 2017	(502,524)	10,585	(491,939)
Total comprehensive income for the year	24,815	–	24,815
At 31 December 2017 and 1 January 2018	(477,709)	10,585	(467,124)
Adjustments on initial application of – HKFRS 9	(1,276)	–	(1,276)
Restated balance at 1 January 2018	(478,985)	10,585	(468,400)
Total comprehensive income for the year	(20,105)	–	(20,105)
Vested share options forfeited (note 30)	2,456	(2,456)	–
Lapse of warrants (note 31)	6,433	(6,433)	–
At 31 December 2018	**(490,201)**	**1,696**	**(488,505)**

37. RESERVES

(a) Group

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

(b) Nature and purpose of reserves

(i) Merger reserve

Merger reserve was set up upon accounting for common control combinations, on elimination of the share capital of the subsidiaries against the related investment costs.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d) to the consolidated financial statements.

(iii) Statutory reserve

According to the relevant rules and regulations in the PRC, subsidiaries of the Company established in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the statutory reserve until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to owners of these subsidiaries. Statutory reserve can be used to set off previous years' losses, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.

37. RESERVES *(CONTINUED)*

(b) Nature and purpose of reserves *(Continued)*

(iv) Other reserves

Other reserves mainly comprised share-based payment reserve.

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(s) to the consolidated financial statements.

38. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2018 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and paid up capital	Percentage of ownership interest/ voting power		Principal activities
			Direct	Indirect	
Money Success Corporate Management Limited	Hong Kong	Ordinary HK$10,000	–	100%	Provision of management services in Hong Kong
Money Success Business Management Limited	Hong Kong	Ordinary HK$10,000	–	100%	Provision of management services in Hong Kong
Chongqing Baoxu Commercial Property Management Limited *∆	PRC	RMB350,000,000	–	70% (ownership interest)/ 66.67% (voting power)	Investment property holding in the PRC
Dongkui Financial Leasing (Shanghai) Co. Ltd. *∆	PRC	US$51,300,000	–	77.58%	Provision of financing to customers in the PRC

* Registered as a sino-foreign equity joint venture enterprise under the PRC law.

∆ English translation of the name is for identification purpose only.

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

38. PRINCIPAL SUBSIDIARIES *(CONTINUED)*

The following table shows information on the subsidiaries that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Chongqing Baoxu		Shanghai Dongkui	
	2018	2017	**2018**	2017
Principal place of business	**PRC**	PRC	**PRC**	PRC
% of ownership interests/voting rights held by NCI	**30%/ 33.33%**	30%/ 33.33%	**22.42%/ 22.42%**	22.42%/ 22.42%
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 December:				
Non-current assets	**326,142**	344,376	**64,779**	57,952
Current assets	**115,667**	132,470	**347,378**	403,312
Non-current liabilities	**(46,163)**	(72,577)	**(4,575)**	(1,794)
Current liabilities	**(47,969)**	(54,539)	**(6,583)**	(32,470)
Net assets	**347,677**	349,730	**400,999**	427,000
Accumulated NCI	**104,303**	104,919	**89,904**	95,733
Year ended 31 December:				
Revenue	**14,112**	11,516	**16,847**	23,404
Profit for the year	**16,706**	3,836	**26,386**	22,905
Total comprehensive income	**(2,053)**	27,906	**4,503**	51,723
Profit allocated to NCI	**5,012**	1,151	**5,916**	5,135
Dividend paid to NCI	**–**	–	**6,653**	–
Net cash generated from operating activities	**3,478**	15,136	**756**	94,355
Net cash (used in)/generated from investing activities	**(527)**	12,711	**126,845**	(171,538)
Net cash used in financing activities	**(28,220)**	(31,440)	**(56,711)**	(36,013)
Net (decrease)/increase in cash and cash equivalents	**(25,269)**	(3,593)	**70,890**	(113,196)

39. EVENTS AFTER THE REPORTING PERIOD

In addition to those events after the reporting period disclosed in note 25 and 27(b), the Group had the following events after the reporting period:

On 25 January 2019, Shanghai Dongkui entered into a loan financing agreement with a hospital at a consideration of RMB40,000,000 (equivalent to approximately HK$45,500,000).

FIVE-YEAR FINANCIAL INFORMATION

RESULTS

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**30,959**	34,920	33,615	30,361	25,525
Profit/(Loss) attributable to owners of the Company	**17,053**	24,432	(59,888)	(38,014)	(29,793)

ASSETS AND LIABILITIES

	At 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**1,207,562**	1,263,106	1,219,861	1,378,912	1,202,972
Total liabilities	**319,241**	353,781	397,004	446,719	199,720
Net assets	**888,321**	909,325	822,857	932,193	1,003,252
Non-controlling interests	**194,207**	200,652	180,684	196,228	208,145
Capital and reserves					
Equity attributable to owners of the Company	**694,114**	708,673	642,173	735,965	795,107