亞投金融集團有限公司

ASIA INVESTMENT FINANCE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0033)

2018

ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

Executive Directors

Cheung Kwan *(Chairlady)*
Liu Hu
Sun Yu *(Appointed on December 18, 2018)*
Zhao Hong Mei *(Appointed on January 9, 2019)*
Wei Jiafu *(Resigned on March 29, 2018)*
Wong Kwong Sum
(Resigned on August 7, 2018)
Ling Zack Xiange *(Appointed on August 8, 2018 and resigned on January 15, 2019)*
Liang Jian *(Appointed on November 28, 2018 and resigned on December 18, 2018)*

Non-executive Director

Wang Dayong *(Co-Chairman)*
(Appointed on August 18, 2018)
Li Xin *(Appointed on January 9, 2019)*
Wang Angel Yunxiao *(Co-Chairlady)*
(Retired on March 20, 2018)

Independent Non-executive Directors

Anthony Espina
Wang Jun Sheng *(Appointed on October 16, 2018)*
Jin Xin *(Appointed on December 18, 2018)*
Wong Tin Yau, Kelvin
(Resigned on February 14, 2018)
Ho Chun Chung, Patrick
(Resigned on October 16, 2018)
Ge Ming *(Resigned on December 18, 2018)*

Executive Committee

Cheung Kwan *(Chairlady)*
Liu Hu
Sun Yu *(Appointed on December 18, 2018)*
Zhao Hong Mei *(Appointed on January 9, 2019)*
Wei Jiafu *(Resigned on March 29, 2018)*
Wong Kwong Sum
(Resigned on August 7, 2018)
Ling Zack Xiange *(Appointed on August 8, 2018 and resigned on January 15, 2019)*
Liang Jian *(Appointed on November 28, 2018 and resigned on December 18, 2018)*

Audit Committee

Anthony Espina *(Chairman)*
Wang Jun Sheng *(Appointed on October 16, 2018)*
Jin Xin *(Appointed on December 18, 2018)*
Wong Tin Yau, Kelvin
(Resigned on February 14, 2018)
Ho Chun Chung, Patrick
(Resigned on October 16, 2018)
Ge Ming *(Resigned on December 18, 2018)*

Remuneration Committee

Wang Jun Sheng *(Chairman)*
(Appointed on October 16, 2018)
Anthony Espina
Jin Xin *(Appointed on December 18, 2018)*
Wong Tin Yau, Kelvin
(Resigned on February 14, 2018)
Ho Chun Chung, Patrick *(Chairman)*
(Resigned on October 16, 2018)
Ge Ming *(Resigned on December 18, 2018)*

Nomination Committee

Wang Jun Sheng *(Chairman)*
(Appointed on October 16, 2018)
Anthony Espina
Cheung Kwan
Jin Xin *(Appointed on December 18, 2018)*
Wong Tin Yau, Kelvin
(Resigned on February 14, 2018)
Wong Kwong Sum
(Resigned on August 7, 2018)
Ho Chun Chung, Patrick *(Chairman)*
(Resigned on October 16, 2018)
Ling Zack Xiange *(Appointed on August 8, 2018 and resigned on January 15, 2019)*
Ge Ming *(Resigned on December 18, 2018)*

Risk Management Committee

Sun Yu *(Chairman) (Appointed on January 15, 2019)*
Cheung Kwan
Liu Hu
Wei Jiafu *(Chairman)*
(Resigned on March 29, 2018)
Wong Kwong Sum *(Chairman)*
(Appointed on March 29, 2018 and resigned on August 7, 2018)
Ling Zack Xiange *(Chairman)*
(Appointed on August 8, 2018 and resigned on January 15, 2019)

CORPORATE INFORMATION

Authorised Representatives

Tsang King Sun
Sun Yu *(Appointed on January 15, 2019)*
Ling Zack Xiang *(Appointed on August 8, 2018 and resigned on January 15, 2019)*
Wong Kwong Sum
(Resigned on August 8, 2018)

Company Secretary

Tsang King Sun

Website

www.aifgroup.com

Registered Office

P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman, KY1-1104
Cayman Islands

Principal Place of Business in Hong Kong

Unit 3201, 32/F.
Bank of America Tower
12 Harcourt Road, Central, Hong Kong

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

Bank of China (Hong Kong)

Auditor

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

Stock Code

0033 (Listed on the Main Board of The Stock Exchange of Hong Kong Limited)

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to report to you the annual report of the Group for the year ended December 31, 2018 (the "Current Year").

The 2018 was a challenging year. The global financial and stock market has a significant volatility. The trade war between the U.S. and many of its trading partners, including but not limit to China, and the increase of interest rates by the U.S. Federal Reserve impacted on the global investment and trade atmosphere. We have continued to operate our diversified businesses on a prudent approach and to closely control our risk and costs.

During the Current Year, the Group has continued its diversified businesses and its businesses included securities brokerage and asset management, money lending business, credit guarantee and investment business, trading of party products and metals and minerals, and trading of security products and provision of security services. The Group has completed the acquisitions of two subsidiaries and commenced trading of security products and provision of security services during the Current Year.

The Group had a decrease in total revenue by 62% to HK$66.93 million during the Current Year (2017: HK$176.73 million). The decrease in total revenue was mainly due to the decrease in revenue of trading of party products and the Group did not have revenue from trading of metals and minerals during the Current Year. However, the Group had recorded a decrease in net loss by 28% to HK$103.33 million for the Current Year (2017: HK$142.96 million). Further details are set out in the sections headed "Business Review" and "Financial Review" in the Management Discussion and Analysis in this annual report.

The trade war may not be resolved very soon and the global financial and stock market may continue to be volatile in coming year. Despite the above uncertainties, we still have confidence on the global economies and financial markets in the future, particularly in those countries and regions under the "Belt and Road" policy, which are full of emerging opportunities. We will continue to maintain a conservative strategy in managing our existing diversified businesses and will seek for new business and investment opportunities in countries and regions under the "Belt and Road".

On behalf of the Board, I finally would like to thank our shareholders, business partners, customers and all staff of the Group for their continued support and encouragement.

Ms. Cheung Kwan
Chairlady

Hong Kong, March 31, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

Asia Investment Finance Group Limited (the "Company") was incorporated and domiciled in the Cayman Islands under Companies Law (2004 Revision) of the Cayman Islands as an exempted company with limited liability on March 20, 2007. The Company's shares were listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") on November 19, 2007. The Company and its subsidiaries (the "Group") are engaged in securities brokerage and asset management, money lending business, credit guarantee and investment business, trading of party products and metals and minerals, trading of security products and provision of security services.

MARKET OUTLOOK

The 2018 was a challenging year. The global financial and stock market has a significant volatility. The trade war between the U.S. and many of its trading partners, including but not limit to China, and the increase of interest rates by the U.S. Federal Reserve impacted on the global investment and trade atmosphere.

The trade war may not be resolved very soon and the global financial and stock market may continue to be volatile in coming year. Despite the uncertainties in the global economy, we still have confidence on the global economies and financial markets in the future, particularly in those countries and regions under the "Belt and Road" policy, which are full of emerging opportunities. We will continue to maintain a conservative strategy in managing our existing diversified businesses and seek for new business and investment opportunities in countries and regions under the "Belt and Road".

BUSINESS REVIEW

During the year ended December 31, 2018 (the "Current Year"), the Group has continued its diversified businesses and its businesses included securities brokerage and asset management, money lending business, credit guarantee and investment business, trading of party products and metals and minerals, and trading of security products and provision of security services. The Group has completed the acquisitions of two subsidiaries and commenced trading of security products and provision of security services during the Current Year.

Securities Brokerage and Asset Management

The Group's revenue for securities brokerage and asset management slightly decreased to HK$1.21 million in the Current Year (2017: HK$1.64 million). The decrease was attributable to the falling in the stock market in Hong Kong in the Current Year. The businesses were at its full scale of operation and the Group will seek for business opportunities for local and cross-border expansion.

Money Lending Business

With increasing market competition of the money lending industry in Hong Kong in these recent years, the growth of the money lending business slowed down during the Current Year. The Group has lent loans under money lending business of HK$174.01 million (2017: HK$104.80 million) as at December 31, 2018. The Group's interest income from money lending business for the Current Year was HK$12.51 million (2017: HK$12.92 million).

The Company will further drive this business, while at the same time maintaining strong credit quality and credit risk management to accumulate a stable income stream for the Company.

Credit Guarantee and Investment Business

The Group is involved in credit guarantee and investment business in Mainland China and the revenue from this business was HK$0.21 million (2017: HK$1.55 million). The decrease in revenue is due to the global economic slowdown, many financial institutions, including the Group, would like to tighten its credit policy to mitigate the credit risk.

Trading of Party Products Business

The trading of party products of the Group include party accessories, decorations, cutlery and eatery wares from suppliers. The Group provided touch-ups to such products which includes but not limited to adding festive elements to such products. The final products are sold to customers in Hong Kong and North America.

The Group's revenue of trading of party products was HK$51.48 million (2017: HK$61.29 million). The competition in trading of party products industry is very keen and the demand of party products has continuously decreased in these recent years which resulted in a decrease in the Group's revenue during the Current Year.

Trading of Security Products and Provision of Security Services

The Group has completed the acquisitions of two subsidiaries in December 2018 and commenced trading of security products and provision of security services in HK and the PRC during the Current Year. Details of the acquisition, principal businesses and background of the acquired subsidiaries are set out in the following section headed "Mergers, Acquisitions and Disposal" in this report.

During the Current Year, the Group's revenue from this business was HK$1.52 million (2017: nil).

Trading of Metals and Minerals Business

During the Current Year, the Group did not have revenue generated from this business (2017: the Group's revenue was approximately HK$99.33 million). The Company's directors (the "Directors") have considered that the prices of the relevant commodities fluctuated considerably in recent years and the gross profit margin was relatively low, the Group did not conduct any trading of metals and minerals during the Current Year to avoid trading loss accordingly. However, the Group will closely monitor the metals and minerals market situation and seize the opportunities to continue this business in coming year.

FINANCIAL REVIEW

Revenue and Results

During the Current Year, the Group's total revenue was HK$66.93 million, representing a decrease of 62% as compared to HK$176.73 million for the year ended December 31, 2017 (the "Last Year"). The decrease in total revenue was mainly due to the decrease in revenue of trading of party products to HK$51.48 million during the Current Year (2017: HK$61.29 million) and the Group did not have revenue from trading of metals and minerals during the Current Year (2017: HK$99.33 million), further details are set out in the above paragraphs "Trading of Party Products Business " and "Trading of Metals and Minerals Business" under the section headed "Business Review".

The Group's gross profit amount in the Current Year was HK$16.38 million, representing a decrease by 24%, as compared to HK$21.67 million of the Last Year. The decrease in gross profit amount was mainly due to a decrease in the Group's revenue. The gross profit margin in the Current year was 24% (2017: 12%). The increase in gross profit margin during the Current Year is attributable to: (i) the Group's trading of metals and minerals business contributed approximately 56% of the Group's total revenue, but, it had low gross profit margin of 3% in the Last Year. The Group did not have any trading of metals and minerals during the Current Year as the Directors have considered that the prices of the relevant commodities fluctuated considerably in recent years and the gross profit margin was relatively low; (ii) the Group has kept stable revenue of money lending business during the Current Year which generated interest income to the Group and financed from the Group's internal source of funds without significant direct costs; and (iii) although the Group's revenue of trading of party products decreased, its gross profit margin has slightly increased to 11% during the Current Year (2017: 8%). Consequently, the Group's total gross profit margin increased during the Current Year.

The Group's net loss for the Current Year decreased by 28% to HK$103.33 million for the Current Year as compared to HK$142.96 million in the Last Year. The decrease in loss for the Current Year was mainly attributable to: (i) the Directors have considered that the prices of such commodities fluctuated considerably in recent years and the gross profit margin was relatively low, the Group did not conduct trading of metals and minerals business in the Current Year. Such business recorded a loss of HK$4.10 million in the Last Year; (ii) the Group continued to restructure and optimize its businesses during the Current Year and to impose effective control to save operating expenses which mainly included staff costs, rental and office administration expenses Accordingly, the operating expenses decreased to HK$86.66 million in the Current Year as compared to HK$113.03 million in the Last Year; (iii) the impairment losses of loan and trade and other receivables of the Group decreased to HK$5.30 million in the Current Year as compared to HK$34.77 million in the Last Year.

During the Current Year, the loss per share of the Company was HK1.10 cents (2017: 1.51 cents).

Details of the financial review of respective businesses of the Group are set out in above section headed "Business Review" in the Management Discussion and Analysis.

Operating Expenses

The Group's operating expenses decreased to HK$86.66 million in the Current Year as compared to HK$113.03 million in the Last Year. The Group continued to restructure and optimize its businesses during the Current Year and to impose effective control to save operating expenses. As a result, the Group's total staff costs decreased to HK$40.59 million (2017: HK$49.65 million), rental decreased to HK$18.79 million (2017: HK$23.59 million) and other administration expenses decreased to HK$27.28 million (2017: HK$39.79 million) during the Current Year.

Finance Costs

Finance costs during the Current Year were HK$7.43 million, which was approximate to the finance costs of the Last Year.

Impairment Losses on Loan Receivables and Trade and Other Receivables

The Group recorded the impairment losses on loan receivables and trade receivables of HK$13.71 million (2017: HK$nil) and HK$1.31 million (2017: HK$nil) respectively and reversal of impairment loss of other receivables (net) of HK$9.72 million (2017: loss of HK$34.77 million), in total of HK$5.30 million (2017: HK$34.77 million) during the Current Year. The impairment losses on loan receivables during the Current Year were mainly attributable to impairment loss made on the overdue loans of HK$11.43 million and loss allowance made on the assessment of increasing of credit risk of the loans of HK$4.41 million under the adoption of new accounting standard HKFRS 9 that has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. Details are set out in notes 19 and 2(c) in the consolidated financial statements. The reversal of impairment loss of other receivables was due to the recovery of the other receivables during the year (details are set out in note 21 in the consolidated financial statements).

LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2018, net current assets were HK$120.69 million (2017: HK$241.34 million). The Group's current ratio was 1.68 (2017: 2.44). The decrease in current ratio was mainly attributable from the decrease of the Group's inventories to HK$3.78 million (2017: HK$31.86 million) during the Current Year. The Group's gearing ratio was calculated as net debts divided by total equity plus net debts. The Group's net debts include convertible bonds and other loan less cash and bank balances. As at December 31, 2018, the Group's gearing ratio was 31% (2017: 5%). As the Group issued convertible bonds of principal amount of HK$70 million for the consideration of acquisitions of subsidiaries and obtained other loan of HK$13 million for financing the Group's operation, the Group's gearing ratio increased.

As at 31 December 2018, the Group has other loan which was unsecured and would will be repayable within one year with fixed interest rate of 5%. Save as disclosed above, the Group did not have any other bank and other borrowings. There is no significant seasonality of bank and other borrowings demand of the Group. As at December 31, 2018, the Group had cash and bank balances of HK$22.91 million (2017: HK$78.46 million). The cash and bank balances were denominated in Renminbi, HK dollar and US dollar. The Group has no structured investment products and foreign exchange contracts. The Group is not exposed to material fluctuations in exchange rates.

It is the Group's policy to adopt a prudent financial management strategy and maintain a suitable level of liquidity and banking facilities to meet operation requirements and acquisition opportunities.

CAPITAL STRUCTURE

As at December 31, 2018, the authorised share capital of the Company was HK$10,000,000,000 divided into 100,000,000,000 shares of HK$0.1 each, and the issued share capital of the Company was HK$932,717,200 divided into 9,327,172,000 shares of HK$0.1 each.

During the Current Year, the Company has issued convertible bonds of principal amount of HK$70 million for the consideration of acquisition of two subsidiaries and entered into a deed of variation for the extension of the conversion period and the maturity date of the convertible bonds of principal amount of HK$100 million. Details are set out note 31 in this report. No share options and convertible bonds of the Company were exercised during the Current Year.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher returns to the shareholders of the Company that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

MERGERS, ACQUISITIONS AND DISPOSAL

On December 5, 2018, the Group and two independent third parties (the "Vendors") entered into a sale and purchase agreement, pursuant to which the Group agreed to purchase and the Vendors agreed to dispose of 100% equity interest in International Security Net Co., Limited ("International Security") and 51% equity interest in Dewe Kexin (Beijing) Technology Co., Ltd. ("Dewe Kexin") (collectively the "Acquired Group") at a total consideration of HK$70 million which was satisfied by convertible bonds of principal amount of HK$70 million (the "Consideration").

The convertible bonds include three tranches of principal amount of HK$8.75 million, HK$26.25 million and HK$35 million which shall become convertible from the date of settlement of the Compensation for each of the years ended December 31, 2018, 2019 and 2020 (details refer to the following paragraph) until maturity date. The Vendors guaranteed that the combined audited consolidated profit after tax (excluding extraordinary and exceptional items) of the Acquired Group under the HKFRS (the "Net Profit of Each of the Relevant Years") shall be not less than HK$10 million, HK$30 million and HK$40 million for each of the three years ended/ending December 31, 2018, 2019 and 2020 respectively (the "Guarantee Profit of Each of the Relevant Years"), failing which the Vendors shall pay the compensation (the "Compensation") to the Group to be calculated as follow:

the Consideration x (the Guaranteed Profit of the Each of the Relevant Years – the Net Profit of Each of the Relevant Years)/ the Guaranteed Profit of the Each of the Relevant Years

The Vendors and the Group shall procure the auditor nominated by the Group to complete the audited financial statements of the Acquired Group for each of the year ended December 31, 2018, 2019 and 2020 within 3 months after the end of the relevant period. The Compensation (if any) shall be paid by the Vendors to the Purchaser within 7 business days after determination of the Net Profit of Each of the Relevant Years. The Vendors shall be entitled to elect to pay the Compensation in cash or by way of set off against an equivalent principal amount of the convertible bonds.

On December 17, 2018, the acquisition was completed and the Group obtained the equity interest of the Acquired Group. International Security is a limited company incorporated in Hong Kong. International Security is engaged in integrated security service solution for protection of assets and personnel. The principal activities include public safety consulting services; overseas on-site public safety management services; public safety training service and public safety technology guarantee service. Dewe Kexin is a limited company incorporated in the PRC and is a network security high-tech company. Based on the computing technology, it builds independent and credible information security products and solutions for public. Providing information security services to the PRC government agencies and conglomerate, Dewe Kexin is the industry's leading provider of total security products solutions. The Directors have considered that the acquisition of the Acquired Group is in line with the Group's business diversification strategy. In view of continued and stable growth of PRC and the effect of Belt and Road Initiative, there will be a continued development and expansion in PRC. The acquisition represents an investment opportunity for the Group to diversify and further expand its business portfolio. Details of the acquisition transaction is set out in the Company's announcements on December 5, 2018 and December 17, 2018.

Save as disclosed above, the Group did not have any other merger, acquisition or disposal during the Current Year and up to the date of this report.

SIGNIFICANT INVESTMENTS

During the Current Year, the Group had significant investments in equity securities of companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") which were classified as trading securities in the consolidated statement of financial position of the Group, and the performance of such equity securities are as follows:

Name (Stock Code)	Principle business	Number of share held As at 31 Dec 2018	Number of share held As at 31 Dec 2017	Market value As at 31 Dec 2018 HK$'000	Market value As at 31 Dec 2017 HK$'000	Proportion to the total assets of the Group As at 31 Dec 2018 HK$'000	Proportion to the total assets of the Group As at 31 Dec 2017 HK$'000	Unrealised gain/(loss) on fair value change for the year 31 Dec 2018 HK$'000	Realised gain/(loss) for the year ended 31 Dec 2018 HK$'000	Investment cost As at 31 Dec 2018 HK$'000	Investment cost As at 31 Dec 2017 HK$'000
Significant investments:											
Hosa International Limited (2200)	Design and production of a wide range of mid-to-high end sportswear products	–	10,000,000	–	26,400	–	5.02%	–	(23,214)	–	23,846
Share Economy Group Ltd. (1178)	Manufacturing and trading of BIOenergy products, healthcare food products, multi-functional water generators, other healthcare products and properties investments	–	32,600,000	–	2,217	–	0.42%	–	(1,956)	–	2,608
The People's Insurance Co. (Group) of China Ltd. (1339)	Provided integrated financial products and services and were engaged in property and casualty insurance, life and health insurance, asset management and other businesses	–	1,000,000	–	3,850	–	0.73%	–	(1,916)	–	4,102
Sanai Health Industry Group Co. Ltd (1889)	Development, manufacturing, marketing and sales of pharmaceutical products, sales of pharmaceutical related software, provision of consultancy services, general trading and provision of finance leasing services	3,695,000	–	1,201	–	0.23%	–	(1,303)	(2,923)	1,489	–
Citic Dameng Holdings Ltd (1091)	Manganese mining and ore processing in the PRC and Gabon and downstream processing operations in the PRC; as well as trading of manganese ores manganese alloy and related raw material	–	–	–	–	–	–	–	(515)	–	–
Others				–	1,925	–	0.37%	–	(412)	–	2,016
				1,201	34,392	0.23%	6.54%	(1,303)	(30,936)	1,489	32,572

* Investment cost in these investee companies represented the initial acquisition costs for the respective investee company. Some of the investments in these investee companies were made by the Company in prior years. For those part of investments in these investee companies which were made in prior years, they were subject to fair value adjustments and unrealised gain/(loss) on change in fair value were recognised at the financial year end of the respective years. The unrealised gain/(loss) on change in fair value of these investee companies for the year ended December 31, 2018 excluded those amount being recognised in prior years.

During the Current Year, the Group's securities investment business recorded a loss of HK$32.24 million (2017: HK$4.87 million), which was mainly attributable to loss of disposal of the shares of Hosa International Limited (Stock code: 2200) of HK$23.21 million. During the Current Year, the dividend received from securities investment were approximately HK$0.16 million (2017: HK$0.42 million). As at December 31, 2018, the market value of the listed securities being held by the Group was HK$1.20 million in value (2017: HK$34.39 million) and an unrealized loss on fair value change was HK$1.30 million (2017: an unrealized gain on fair value change was approximately HK$0.06 million).

The Group adopts a prudent financial management strategy. During the Current Year, the securities traded by the Group involved mainly stocks listed on the main board of The Stock Exchange of Hong Kong Limited ("Main Board Listed Companies"). The purpose of the Group's securities trading activities was to utilise its cash on hand for short term investment to generate better returns to its shareholders. The securities portfolio of our Group is closely monitored by the management.

The Directors believe that the future performance of the equity securities of companies listed on the Stock Exchange held by the Group will be affected by the overall economic environment, equity market conditions, investor sentiment and the business performance of the investee companies. The Board will continue look out for opportunities to invest in Main Board Listed Companies to generate better returns to its shareholders.

CHARGE OF ASSETS

As at December 31, 2018, the Group did not have any charge of assets.

CONTINGENT LIABILITIES

As at December 31, 2018, the Group did not have any material contingent liabilities.

FOREIGN CURRENCY RISK

The Group's main operations are located in Hong Kong and the PRC. Most of the assets, income, payments and cash balance are denominated in HKD and RMB. The Group did not enter into any forward foreign exchange contracts to manage its foreign currency risk during the year as the management considered that the Group's exposure to exchange rate risk could be managed.

HUMAN RESOURCES

As at December 31, 2018, the Group had 55 employees (December 31, 2017: 58 employees). It is the Group's policy to recruit the right person for each position based on the person's qualification and experience. The remuneration of each employee is reviewed every year based on the performance of the employee with reference to the prevailing market conditions.

PROSPECTS

Integration Financial Platform of Licensed Corporations under the SFO

The Group is an integrated financial platform which provides one-stop services including securities, funds and assets management, credit guarantees, money lending, and investments and trading. The Group has licences on Type 1 (Dealing in securities), Type 2 (Dealing in Futures Contracts), Type 4 (Advising on securities), Type 5 (Advising on Futures Contracts) licences and Type 9 (Asset management) regulated activities under the SFO. The integrated financial service platform of licensed corporation under SFO commenced its full operations in the Current Year and the Group will continues to expand our client foundation, diversify assets management service base and increase revenue.

New Business Development under "Belt and Road"

The Group has completed the acquisitions of two subsidiaries in December 2018 and commenced trading of security products and provision of security services in HK and the PRC during the Current Year. The acquisitions are in line with the Group's business diversification strategy. In view of continued and stable growth of PRC and the effect of Belt and Road Initiative, there will be a continued development and expansion in PRC. It brings in the growth of revenue of this business of the Group in future.

Exploration of New Business Development

The Group will continue to operate financial services bigger and stronger, looking for new investment and development opportunities. The Group will focus potential investment opportunities on the health sector, artificial intelligence, new energy, agriculture and other fields.

DIRECTORS

Executive Directors

Ms. Cheung Kwan ***("Ms. Cheung")***, aged 62, was appointed as the Executive Director and the chairlady of the Company (the "Chairlady") on September 14, 2016. Ms. Cheung has around 20 years of experience in project investment, corporation management, merger and acquisition. Her investments in diverse industries ranged from mining, resources, clean energy, cultural industry, health industry and agriculture. Particularly, under the national project of "Belt and Road", she has gained extensive experience and strong business network. Ms. Cheung has served as director and senior manager of various companies.

Mr. Liu Hu ***("Mr. Liu")***, aged 51, was appointed as the Executive Director of the Company on November 29, 2017. Mr. Liu is currently the director of Hong Kong New Smart Energy Group Limited, AIF Asset Management Limited and AIF Securities Limited, wholly-owned subsidiaries of the Company. Mr. Liu received a Master's degree in business administration from Murdoch University in March 2001. Mr. Liu has nearly 25 years of experience in banking, securities, funds and asset management, and excels in banking facility, investment banking and offshore finance businesses. Mr. Liu has previously worked for various banks and security corporations. Mr. Liu enjoys close collaboration relationships with Chinese financial institutions, large state-owned enterprises and Chinese-owned financial institutions and enterprises anchored in Hong Kong, as well as ample experience in business practices related to financial institutions, corporate management and capital operations.

Mr. Sun Yu ***("Mr. Sun")***, aged 50, was appointed as the Executive Director of the Company on December 18, 2018. Mr. Sun holds a master degree of finance and doctoral degree of economics from the University of New South Wales. Mr. Sun has more than 25 years working experiences in investment and banking in several international financial institutions. He is familiar with international financial business and international economic diplomacy. He also has rich experience in investment banking. He has served as a credit manager of ANZ Bank, a director of Australia United Finance Associates Co, a managing director of Wealth Management of UBS Group, an executive director of the World Cities Development Foundation of World Bank and a vice-president of the Asia Development & Investment Bank Limited.

Ms. Zhao Hong Mei ***("Ms. Zhao")***, aged 53, was appointed as the Executive Director of the Company on January 9, 2019. Ms. Zhao graduated as a postgraduate in Law from Guangdong Provincial Academy of Social Sciences. Ms. Zhao has more than 20 years of working experience in financial industry. She is famous for being an industry and finance expert, a mentor for entrepreneurs, and a senior financial planner. She worked as a partner in several securities firms and private equity funds, and excels in services of capital operation, financial technology and new retailing business model.

Non-executive Directors

Mr. Wang Dayong *("Mr. Wang")*, aged 53, was appointed as the Non-Executive Director and the Co-chairman of the Company on August 18, 2018. Mr. Wang graduated from the University of Nanjingin China with a bachelor degree in economics. He also holds a master degree in commerce and economics granted by Graduate School of Chinese Academy of Social Sciences in China and a doctor degree in economics granted by the Business School of Jilin University in China. Mr. Wang has 30 years of experience in investment, finance and corporate management, and is familiar with corporate merger & acquisition and direct investment. Mr. Wang is the co-chairman of GRS Capital, vice-chairman of Hong Kong Energy and Minerals United Associations and executive director of Zhongrun Resources Investment Incorporate Company. From 16 December 2011 to 23 May 2017, Mr. Wang was the executive director and chairman of Huili Resources (Group) Limited (Stock code: 1303). From 31 October 2014 to 18 June 2015, Mr. Wang worked was the executive director of AID Partners Capital Holdings Limited (Stock Code: 8088). From 1 July 2009 to 31 January 2013, Mr. Wang worked as the executive director and chief executive officer of King Stone Energy Group Limited (Stock Code: 663). From 16 September 2004 to 5 June 2007, he was the executive director and chief executive officer of China Best Group Holding Limited (Stock Code: 370). From November 2003 to December 2008, Mr. Wang served as the managing director of China Coal and Coke Investment Fund L.P. and China Coal and Coke Investment Holding Company Limited. From 23 March 2016 to 2 September 2016, Mr. Wang served as the independent non-executive director of Up Energy Development Group Limited (Stock code: 307).

Mr. Li Xin *("Mr. Li")*, aged 31, was appointed as the Non-Executive Director of the Company on January 9, 2019. Mr. Li holds a bachelor's degree in economy. From 2009 until now, Mr. Li has been an executive director of China Copper Group Holding Co., Ltd. Mr. Li has extensive experience in corporate management and planning, and is especially good at monetary strategy, financial strategy, corporate management, brand marketing planning and investment management, etc.

Independent Non-executive Directors

Mr. Anthony Espina *("Mr. Espina")*, aged 70, was appointed as the Independent Non-Executive Director of the Company on June 4, 2007. Mr. Espina has over 40 years of experience in the accounting and finance industry. He is the managing director of Goldride Securities Limited and was the chairman of the Hong Kong Securities Association. Until April 2019, Mr. Espina was the the CEO and chairman of the Management Board and Member of Supervisory Board of ATF Bank in Kazakhstan and of the subsidiary Optima Bank in Kyrgyzstan. He is currently a Member of the Supervisory Board of ATF Bank. From July 4, 2014 to May 29, 2017, Mr. Espina was the independent non-executive Director of the "Single Accumulative Pension Fund", a wholly-owned subsidiary of the National Bank of Kazakhstan administering the pension assets of all employees in Kazakhstan. Mr. Espina was a partner of Arthur Andersen & Co. from 1982 to 1986 and of Deloitte Touche Tohmatsu from 1986 to 1990. He was the president of the Hong Kong Computer Society from 1978 to 1979. He graduated from the University of Southern Queensland with a bachelor degree in business and is an Associate member of CPA Australia, a Fellow member of the Hong Kong Institute of Certified Public Accountants and a Fellow member of the Hong Kong Institute of Directors.

Ms. Jin Xin *("Ms. Jin")*, aged 62, was appointed as the Independent Non-Executive Director of the Company on December 18, 2018. Ms. Jin received her Bachelor's degree from University of International Business and Economics in China. Ms. Jin has more than 30 years of experience in financial accounting and auditing. She has assisted and participated in audit of listed companies and foreign-invested enterprises. She has extensive audit experience in various industries and participated in tax and management consulting services.

Mr. Wang Jun Sheng ***("Mr. Wang")***, aged 58, was appointed as the Independent Non-Executive Director of the Company on October 16, 2018. Mr. Wang received a Ph.D. from Huazhong University of Science & Technology. Mr. Wang has more than twenty years of experience in equity investment, asset management and banking industry. Mr. Wang is currently a researcher of China Economic and Technological Research Consulting Company Limited. He served as an independent Non-executive director of Shenzhen Nanshan Power Co. Ltd (Stock code: 000037 & 2000037) and China Merchants Shekou Industrial Zone Holdings Co., Ltd (CMSK, stock code: 001979).

SENIOR MANAGEMENT

Mr. Tsang King Sun *(**"Mr. Tsang"**)* was appointed as the company secretary of the Company with effect from November 3, 2017. Mr. Tsang is a member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor of Business Administration (Hons) degree in Accounting from The Hong Kong Polytechnic University. Mr. Tsang has worked in several international audit firms and gained extensive experience in accounting, auditing practices and financial management. Mr. Tsang worked as an executive director (from July 2011 to November 2013) and the company secretary (from July 2011 to March 2014) of China Household Holdings Limited (Stock Code: 692), and an executive director and the company secretary (from December 2014 to August 2017) and the chief financial officer (from April 2015 to August 2017) of China Finance Investment Holdings Limited (Stock Code: 875).

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries are set forth in note 14 to the consolidated financial statements. The discussion and analysis as required by schedule 5 to the Hong Kong Companies Ordinance are set out in the Management Discussion and Analysis in this annual report. This discussion form part of the report of the directors.

RESULTS AND DIVIDEND

The results of the Group for the Current Year are set out in the consolidated statement of profit or loss and other comprehensive income in this annual report.

The Directors do not recommend the payment of any dividends for the Current Year.

BUSINESS REVIEW

The business review of the Group for the year ended December 31, 2018 as set out in Management Discussion and Analysis in this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at December 31, 2018 are set out in the note 26 to the consolidated financial statements.

DONATION

No donation was made by the Group during the Current Year (2017: HK$Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Current Year are set out in the note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Current Year are set out in note 24 to the consolidated financial statements.

COMMITMENTS

Details of commitments of the Group are set out in note 36 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of the Group's events after the reporting period are set out in note 39 to the consolidated financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds of the Company and its movements during the Current Year are set out in note 31 to the consolidated financial statements.

DIRECTORS

Executive Directors

Cheung Kwan *(Chairlady)*
Liu Hu
Sun Yu *(Appointed on December 18, 2018)*
Zhao Hong Mei *(Appointed on January 9, 2019)*
Wei Jiafu *(Resigned on March 29, 2018)*
Wong Kwong Sum *(Resigned on August 7, 2018)*
Ling Zack Xiange *(Appointed on August 8, 2018 and resigned on January 15, 2019)*
Liang Jian *(Appointed on November 28, 2018 and resigned on December 18, 2018)*

Non-executive Director

Wang Dayong *(Co-Chairman) (Appointed on August 18, 2018)*
Li Xin *(Appointed on January 9, 2019)*
Wang Angel Yunxiao *(Co-Chairlady) (Retired on March 20, 2018)*

Independent Non-executive Directors

Anthony Espina
Wang Jun Sheng *(Appointed on October 16, 2018)*
Jin Xin *(Appointed on December 18, 2018)*
Wong Tin Yau, Kelvin *(Resigned on February 14, 2018)*
Ho Chun Chung, Patrick *(Resigned on October 16, 2018)*
Ge Ming *(Resigned on December 18, 2018)*

According to Article 130, Ms. Cheung Kwan and Mr. Liu Hu as Executive directors and Anthony Espina as Independent Non-Executive Director, shall retire from office at Annual General Meeting and shall offer themselves for re-election.

None of the Directors offering themselves for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

The Company has received an annual confirmation of independence from each of the Independent Non-Executive Directors pursuant to Listing Rule 3.13. The Company considers all of the Independent Non-Executive Directors to be independent.

Each of the Independent Non-Executive Directors was appointed for a fixed term and is subject to retirement by rotation at the Annual General Meeting.

None of the Executive Directors has any service contract with any member of the Group.

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

As at December 31, 2018, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO") as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") Listing Rules, were as follows:

Name	Nature of Interests	Number of shares	Class of Share	Percentage to the issued share capital of the Company
Cheung Kwan	Beneficial Owner	1,450,000,000 (long position)	Shares	15.55%
	Interest of a controlled corporate	2,000,000,000 (long position)	Shares and Convertible bonds *(note (i))*	21.44%
	Beneficial Owner	250,000,000 (long position)	Share option *(note (ii))*	2.68%
Liu Hu	Beneficial Owner	50,000,000 (long position)	Share option *(note (ii))*	0.54%
Ling Zack Xiange	Beneficial Owner	50,000,000 (long position)	Share option *(note (ii))*	0.54%
Wang Dayong	Beneficial Owner	90,000,000 (long position)	Share option *(note (ii))*	1.00%
Espina Anthony	Beneficial Owner	9,000,000 (long position)	Share option *(note (ii))*	0.10%

Notes:

(i) The interest in 2,000,000,000 shares arises from 1,000,000,000 shares and 1,000,000,000 underlying shares under Conversion Shares held by Internet Finance Investment Co., Ltd. Cheung Kwan owns the entire share capital of Internet Finance Investment Co., Ltd. and is deemed to be interested in 2,000,000,000 shares.

(ii) These represented the interests in underlying shares in respect of share options granted by the Company, details of which are disclosed in section headed "SHARE OPTION SCHEME" below.

Save as disclosed above, as at December 31, 2018, as far as the Directors are aware, none of the Directors had any other interests, long positions or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. As at December 31, 2018, the Company had no Chief Executive Officer.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to any Director, as at December 31, 2018, other than the interests of the Directors and Chief Executive Officer as disclosed above, the following persons had interests in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO. The number of shares in the issued share capital of the Company as at December 31, 2018 was 9,327,172,000.

Name	Nature of Interests	Number of shares	Percentage to the issued share capital of the Company
Internet Finance Investment Co., Ltd *(note (i))*	Corporate	2,000,000,000 (long position)	21.44%
Dewe Worldwide Security Service Group *(note (ii))*	Corporate	700,000,000 (long position)	7.50%

Notes:

(i) The interest in 2,000,000,000 shares arises from 1,000,000,000 shares and 1,000,000,000 underlying shares under Conversion Shares held by Internet Finance Investment Co., Ltd. Cheung Kwan owns the entire share capital of Internet Finance Investment Co., Ltd. and is deemed to be interested in 2,000,000,000 shares.

(ii) Hongkong Dewe Security Services Co., Limited ("HK Dewe") and 北京德威保安服務有限公司 (Beijing Dewe Security Services Co., Ltd*) ("Beijing Dewe") has 300,000,000 and 400,000,000, respectively, underlying shares under convertible bonds held in the Company. HK Dewe and Beijing Dewe are the subsidiaries controlled by 德威國際安保集團 (Dewe Worldwide Security Service Group*) ("DWSS"). DWSS is deemed to be interest in 700,000,000 shares.

* The English name is for identification purpose only.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed herein, at no time during the Current Year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed herein, there was no transaction, arrangement or contract of significance to which the Company, its holding company, any of its subsidiaries or any of its fellow subsidiaries was a party in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Current Year or at any time during the Current Year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or their respective associates had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group during the year.

CONTROLLING SHAREHOLDER'S INTEREST IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Group's controlling shareholder had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

On February 18, 2016, the Company issued two-year unsecured convertible bond at 0% coupon rate of principal amount of HK$100,000,000 to the sole bondholder (the "Bondholder"). The conversion price was HK$0.1 per conversion share and a maximum of 1,000,000,000 conversion shares would be allotted and issued upon exercise of the conversion rights attaching to the convertible bond in full.

On January 10, 2018, the Company and the Bondholder entered into a deed of variation for the extension of the conversion period and the maturity date of the convertible bonds with the principal amount of HK$100,000,000 by a period of one year, such that the maturity date will become February 18, 2019 (the "Extended Maturity Date"). Apart from the extension of the conversion period and the maturity date, all other terms and conditions of the outstanding convertible bonds shall remain unchanged. The Extended Maturity Date of the convertible bonds was approved by the shareholders at the Company's extraordinary general meeting on March 20, 2018 and completed with effect on March 29, 2018. Details of Extended Maturity Date of the convertible bonds are set out in the Company's circular on February 28, 2018 and the Company's announcements on January 10, 2019, March 20, 2018 and April 6, 2018.

On February 18, 2019, the Company and the Bondholder, entered into a deed of variation, pursuant to which both parties agreed that, subject to fulfillment of condition precedent, (i) the maturity date of the outstanding convertible bonds in the principal amount of HK$100,000,000 will be extended from February 18, 2019 to February 18, 2020; (ii) the outstanding convertible bonds will bear interest at the rate of 5% per annum commencing from February 18, 2019; and (iii) the principal amount of the relevant deed poll and the deed of variation dated February 18, 2016 and January 10, 2018 respectively executed by the Company and the Bondholder (the "Instrument") creating the outstanding convertible bonds will be increased from HK$100,000,000 to HK$105,000,000. Save for the above, all other terms and conditions of the outstanding convertible bonds and the Instrument shall remain unchanged. The proposed alteration of terms of the convertible bonds has not been completed up to the date of this report. Details are set out in the Company's announcement on February 18, 2019, March 8, 2019 and March 29, 2019.

As at the date of execution of the deeds of variation on January 10, 2018 and February 18, 2019 respectively, the Bondholder, Internet Finance Investment Co. Ltd, which is wholly owned by Ms. Cheung Kwan ("Ms. Cheung"), the Chairlady and Executive Director and a substantial shareholder of the Company, having an aggregate interest of 2,450,000,000 Shares in the Company, representing approximately 26.27% of the total issued share capital of the Company. The Bondholder is therefore a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the deeds of variation constitute a non-exempt connected transaction of the Company under the Listing Rules and is subject to the announcement, reporting and the Company's independent shareholders' approval requirements pursuant to the Listing Rules.

EMPLOYEES AND REMUNERATION POLICIES

The remuneration policy of the senior management of the Group is set up by the remuneration committee of the Company (the "Remuneration Committee") on the basis of the merits, qualifications and competence of employees. The emoluments of the Directors are decided by the Remuneration Committee with regard to the Group's operating results, individual performance and comparable market statistics. None of the Directors or any of their associates, and executive is involved in deciding his own remuneration. As at December 31, 2018, the Group had 55 employees (2017: 58 employees). The Group remunerates its employees based on their individual performance, job nature and responsibilities. Moreover, the Group provides its employees with training and various benefits including medical care, provident funds, bonuses and other incentives.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on June 26, 2017, the shareholders of the Company approved the adoption of a new share option scheme (the "Share Option Scheme") which took effect from June 26, 2017 (the "Commencement Date"). The purpose of the Share Option Scheme is to provide incentives or rewards to participants (the "Participants") of the Share Option Scheme for their contribution to, and continuing efforts to promote the interests of the Group. The Participants (as defined in the Share Option Scheme) include any employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any of its subsidiaries) and any distributor, contractor, business partner, promoter, service provider, customer, supplier, consultant, agent and adviser or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from June 26, 2017. The existing scheme mandate limit in respect of the granting of options to subscribe for shares under the Share Option Scheme was refreshed and renewed at the annual general meeting of the Company held on June 22, 2018. The maximum number of the ordinary shares (the "Share(s)") of the Company upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% (ie. 932,717,200 shares) of the ordinary shares of the Company in issue as at June 22, 2018 being the date of approval of the refreshment of the existing scheme mandate limit.

Save as disclosed above, the other principal terms of the Share Option Scheme are as follows:

(i) The overall maximum number of Shares which may be issued upon the exercise of all outstanding options grants and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the Shares in issue from time to time.

(ii) The total number of Shares in respect of which options may be granted to each eligible participant in any 12-month period must not exceed 1% of the issued share capital of the Company for the time being.

(iii) The subscription price shall be a price determined by the Directors, but shall not be less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations on the date of grant, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant; and (c) the nominal value of the Share.

(iv) An option may be accepted by an eligible participant for a period of 21 days from the date upon which the offer of the grant of option is made. A non-refundable nominal consideration of HK$1.00 is payable by the grantee upon acceptance of an option.

The total number of Shares available for issue under the Share Option Scheme was 876,000,000 as at December 31, 2018, representing 9.4% of the issued Shares (9,327,172,000 Shares) of the Company as at December 31, 2018 and the date of this report.

Details of the share options granted and summary of movements of the outstanding share options for the year ended December 31, 2018 under the Share Option Scheme are as follows:

	Date of grant	Exercise price HK$	Note	Exercisable period	Number of share options: Outstanding as at January 1, 2018	Granted	Exercised	Lapsed	Outstanding as at December 31, 2018
Executive Directors									
Cheung Kwan	July 27,2017	0.15	(i)	From July 27, 2017 to July 26, 2020	–	250,000,000	–	–	250,000,000
Wei Jiafu	July 27, 2017	0.15	(ii)	From July 27, 2017 to July 26, 2020	30,000,000	–	–	(30,000,000)	–
Wong Kwong Sum	July 27, 2017	0.15	(ii)	From July 27, 2017 to July 26, 2020	10,000,000	–	–	(10,000,000)	–
Liu Hu	November 29, 2017	0.15	(iv)	From November 29, 2017 to November 28, 2020	50,000,000	–	–	–	50,000,000
Ling Zack Xiange	September 7, 2018	0.15	(v)	From September 7, 2018 to September 6, 2021	–	50,000,000	–	–	50,000,000
Non-executive Director									
Wang Angel Yunxiao	July 27, 2017	0.15	(ii)	From July 27, 2017 to July 26, 2020	90,000,000	–	–	(90,000,000)	–
Wang Dayong	September 7, 2018	0.15	(v)	From September 7, 2018 to September 6, 2021	–	90,000,000	–	–	90,000,000
Independent Non-executive Directors									
Anthony Espina	July 27, 2017	0.15	(ii)	From July 27, 2017 to July 26, 2020	9,000,000	–	–	–	9,000,000
Wong Tin Yau, Kelvin	July 27, 2017	0.15	(ii)	From July 27, 2017 to July 26, 2020	9,000,000	–	–	(9,000,000)	–
Ho Chun Chung, Patrick	July 27, 2017	0.15	(ii)	From July 27, 2017 to July 26, 2020	9,000,000	–	–	(9,000,000)	–
Ge Ming	July 27, 2017	0.15	(ii) & (vii)	From July 27, 2017 to July 26, 2020	9,000,000	–	–	–	9,000,000
Employees	July 27, 2017	0.15	(ii)	From July 27, 2017 to July 26, 2020	14,000,000	–	–	–	14,000,000
	November 29, 2017	0.15	(iv)	From November 29, 2017 to November 28, 2020	150,000,000	–	–	(80,000,000)	70,000,000
	September 7, 2018	0.15	(v)	From September 7, 2018 to September 6, 2021	–	141,000,000	–	–	141,000,000
	September 7, 2018	0.15	(vi)	From September 7, 2018 to September 6, 2021	–	450,000,000	–	(450,000,000)	–
Consultants	July 27, 2017	0.15	(ii)	From July 27, 2017 to July 26, 2020	40,000,000	–	–	–	40,000,000
	July 27, 2017	0.15	(iii)	From January 1, 2018 to July 26, 2020	153,000,000	–	–	–	153,000,000
					573,000,000	981,000,000	–	(678,000,000)	876,000,000

Notes

(i) Share options were conditionally granted and vested subject to the approval of the shareholders of the Company, and such approval was obtained on 20 March 2018.

(ii) Share options were vested immediately on the date of the options granted.

(iii) Each of the one third of the share options will be vested on the date of the options granted, January 1, 2018 and January 1, 2019 respectively. The exercise period is from the effective vested dates to July 26, 2020.

(iv) 50% of the share options were vested immediately on the date of the options granted and the remaining 50% of the share options will be vested on November 29, 2018. The exercise period is from the effective vested dates to November 28, 2020.

(v) Each of the one third of the share options will be vested on the date of the options granted, January 1, 2020 and January 1, 2021 respectively. The exercise period is from the effective vested dates to September 6, 2021.

(vi) Share options will be vested on the date of grant and exercisable for 3 years from September 7, 2018 to September 6, 2019 (the "Relevant Period"), subject to the fulfillment of certain performance targets during the Relevant Period and the performance targets will be determined by the Board of the Company. In the event that the performance targets are not fulfilled by September 6, 2019, the share options will be automatically cancelled.

(vii) Mr Ge Ming resigned as independent non-executive director and his share options have been retained as determined by the Board for his past contribution to the Company.

(viii) As at 31 December 2018, 876,000,000 (2017: 573,000,000) share options were outstanding, out of which 637,667,000 (2017: 371,000,000) share options are exercisable.

(ix) The share options outstanding at December 31, 2018 had an exercise price of HK$0.15 (2017: HK$0.15) and a weighted average remaining contractual life of 1.97 years (2017: 2.65 years).

KEY RISKS AND UNCERTAINTIES

The following section lists out the key risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below.

Policy Risks

In light of a series of regulatory policies on the securities market launched by the HK regulators, the policies regarding the securities industry, credit policies imposed on the Group's companies are subject to adjustments. The uncertainty associated with those policies may expose the Group to risks and in turn cause adverse effects.

Market Risks

Market competition from mainland peers became furious as there was increasing number of mainland Chinese players entering into the Hong Kong securities industry. Most of them were looking for cross-border business opportunities. In addition, the tightening of currency outflow in mainland China created implication on mainland investors in doing offshore investments. The securities markets of the Group are experiencing changes due to the fierce competition.

Operation Risks

Since the securities market is closely related to the economy, the macro-economic trend will influence the overall capital and securities market. The changing macro-economic trend may affect the Company's operation, management and future development.

Details of the Group's financial risks which include credit risk, liquidity risk, interest risk, currency risk and equity price risk and the relevant management policies are set out in note 37 in the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to supporting the environmental sustainability. The Group is committed to implementing policies and measures in our daily business operations to foster reduction of the Group's environmental impact. Energy saving and power monitoring systems are in place for various business units to monitor our environmental performance. The Company also strives to implement recycling and reducing measures in office premises where applicable.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands that the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationships with each of its key stakeholders.

The details of the Group's major customers, the credit terms granted to them and credit risk exposure are set out in the section headed "Major Customers and Suppliers" in the "Report of the Directors" and notes 20 and 37(a)(i) in the financial statements.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Current Year.

DIVIDEND POLICY

According to recent amendments to the Corporate Governance Code and the related listing rules, the Company has set up dividend policy as from January 1, 2019. In determining whether to propose a dividend and the relevant dividend pay-out ratio, the Board will consider, including but not limit to, the Group's earnings performance, financial position, expected working capital requirements, investment requirements, future expansion plan and general economic condition as well as other external factors that may have an impact on the business of the Company. The payment of dividend is also subject to any restrictions and requirements under the Cayman Islands law, the Company's Bye-laws and the Listing Rules. There is no assurance that a dividend will be proposed or declared in any given year.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report of this annual report.

PUBLIC FLOAT

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

MANAGEMENT CONTRACT

No contract for the management and administration of the whole or any substantial part of any business of the Company was entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the Current Year, the percentages of purchases attributable to the Group's largest supplier and five largest suppliers combined were 13.6% and 29.3%, respectively (2017: 63.7% and 69.3%). For the Current Year, the percentages of sales attributable to the Group's largest customer and 5 largest customers combined were 22.0% and 70.8%, respectively (2017: 56.2% and 84.3%). At no time during the year did a director, an associate of a director or a substantial shareholder (owned more than 5% of the Company's issued share capital to the knowledge of the directors) has a beneficial interest in any of the Group's five largest suppliers or customers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51 (B) of the Listing Rules, the changes in information of directors subsequent to the date of the 2018 Interim Report of the Company is set out below:

Mr. Ho Chun Chung, Patrick resigned as an Independent Non-executive Director, the chairman and a member of the Remuneration Committee and Nomination Committee and a member of the Audit Committee of the Board on October 16, 2018.

Mr. Wang Jun Sheng was appointed as an Independent Non-executive Director, the chairman and a member of the Remuneration Committee and Nomination Committee and a member of the Audit Committee of the Board on October 16, 2018.

Mr. Liang Jian was appointed as an executive Director, a member of Executive Committee of the Board on November 28, 2018 and resigned as an Executive Director, a member of the Executive Committee of the board on December 18, 2018.

Mr. Sun Yu was appointed as an Executive Director, a member of the Executive Committee of the Board on December 18, 2018 and was appointed as the chairman and a member of the Risk Management Committee and an authorised representative on January 15, 2019.

Ms. Jin Xi was appointed as an Independent Non-executive Director, a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Board on December 18, 2018.

Mr. Ge Ming resigned from his position as an Independent Non-executive Director, a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Board on December 18, 2018.

Ms. Zhao Hong Mei was appointed as an executive Director and a member of the Executive Committee of the Board on January 9, 2019.

Mr. Li Xin was appointed as a non-executive Director on January 9, 2019.

Mr. Ling Zack Xiange was resigned as an Executive Director, a member of the Executive Committee, a member of the Nomination Committee and the chairman and a member of the Risk Management Committee of the Board and the authorised representative on January 15, 2019.

AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the year ended December 31, 2018 have been reviewed and approved by the audit committee of the Company (the "Audit Committee"). The Audit Committee is of the opinion that such audited consolidated financial statements comply with the applicable accounting standards, the Listing Rules and all other applicable legal requirements. The Audit Committee therefore recommended for the Board's approval of the Group's audited consolidated financial statements for the year ended December 31, 2018.

AUDITOR

The consolidated financial statements of the Group for the Current Year have been audited by CHENG & CHENG LIMITED ("C&C") who will retire and, being eligible, offer themselves for re-appointment. A resolution for re-appointment of C&C as auditor of the Company is to be proposed at the forthcoming AGM.

On behalf of the Board

Ms. Cheung Kwan
Chairlady and Executive Director

Hong Kong
March 31, 2019

The Company is committed to maintaining a high standard corporate governance and has put in place self-regulatory corporate practices to protect the interests of its shareholders and the enhancement of shareholder's value. We are committed to providing high-quality products and services to the satisfaction of our customers; to maintaining high standards of business ethics and achieving these goals while, at the same time, providing satisfactory and sustainable returns to shareholders. The board had adopted the Code on Corporate Governance Practices (the "CG Code") as contained in Appendix 14 of the Listing Rules.

The Board is pleased to report compliance with code provisions of the CG Code for the period from January 1, 2018 to December 31, 2018, except CG Code A.2.1, A.6.7 and E.1.2.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules regarding directors' securities since its listing on November 19, 2007. Having made specific enquiries to all Directors, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code for the Current Year.

THE BOARD

The Board is responsible for the formulation of business policies and strategies in relation to the business operation of the Group, for nomination and appointment of directors, and to ensure the availability of resources as well as to the effectiveness of its system of internal control. The senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. In addition, the Board has also established Board sub-committees and has delegated to these Board committees various responsibilities set out in their terms of reference respectively. Each Director shall ensure that he/she carries out his/her duty in good faith and in compliance with the standards of applicable laws and regulations, and acts as in the interests of the Company and its shareholders at all times. From January 1, 2018 to December 31, 2018, 6 Board meetings, one Extraordinary General Meeting held on March 20, 2018 and one Annual General Meeting held on June 22, 2018 were held and the attendance of each director is set out as follows:

	Number of Attendance	
Directors	**Board Meetings**	**General Meetings**
Executive Directors		
Cheung Kwan *(Chairlady)*	5/6	0/2
Wei Jiafu *(Resigned on March 29, 2018) (note 1)*	4/4	1/1
Wong Kwong Sum *(Resigned on August 7, 2018) (note 2)*	3/4	2/2
Liu Hu	4/6	0/2
Ling Zack Xiange *(Appointed on August 8, 2018 and resigned on January 15, 2019) (note 3)*	2/2	N/A
Liang Jian *(Appointed on November 28, 2018 and resigned on December 18, 2018) (note 4)*	0/1	N/A
Sun Yu *(Appointed on December 18, 2018) (note 5)*	N/A	N/A
Zhao Hong Mei *(Appointed on January 9, 2019) (note 6)*	N/A	N/A
Non-executive Director		
Wang Angel Yunxiao *(Co-Chairlady) (Retired on March 20, 2018) (note 7)*	0/3	N/A
Wang Dayong *(Co-Chairman) (Appointed on August 18, 2018) (note 8)*	2/2	N/A
Li Xin (Appointed on January 9, 2019) *(note 9)*	N/A	N/A
Independent Non-executive Directors		
Anthony Espina	5/6	0/2
Ho Chun Chung, Patrick *(Resigned on October 16, 2018) (note 10)*	5/5	0/2
Wong Tin Yau, Kelvin *(Resigned on February 14, 2018) (note 11)*	3/3	N/A
Wang Jun Sheng *(Appointed on October 16, 2018) (note 12)*	0/1	N/A
Ge Ming *(Resigned on December 18, 2018)*	5/6	0/2
Jin Xin *(Appointed on December 18, 2018) (note 13)*	N/A	N/A

Two executive Directors and three Independent Non-executive Director were unable to attend 2018 AGM due to their prior engagements, other Directors, the Company Secretary and the auditors had attended the AGM to answer questions at the meeting.

Board minutes are kept by the Company Secretary and are open for inspection by the Directors.

Notes:

1. Dr. Wei Jaifu resigned on March 29, 2018 and he was eligible to attend 4 board meetings and 1 general meeting.

2. Mr. Wong Kwong Sum resigned on August 7, 2018 and he was eligible to attend 4 board meetings and 2 general meetings.

3. Mr. Ling Zack Xiange was appointed on August 8, 2018 and resigned on January 15, 2019 and he was eligible to attend 2 board meeting but not eligible to attend the general meetings.

4. Mr. Liang Jian was appointed on November 28, 2018 and resigned on December 18, 2018 and he was eligible to attend 1 board meeting but not eligible to attend the general meetings.

5. Mr. Sun Yu was appointed on December 18, 2018 and he was not eligible to attend the board meetings and general meetings.

6. Ms. Zhao Hong Mei was appointed on January 9, 2019 and she was not eligible to attend the board meetings and general meetings.

7. Ms. Wang Angel Yunxiao retired on March 20, 2018 and she was eligible to attend 3 board meetings but not eligible to attend the general meetings.

8. Mr. Wang Dayong was appointed on August 18, 2018 and he was eligible to attend 2 board meetings but not eligible to attend the general meetings.

9. Mr. Li Xin was appointed on January 9, 2019 and he was not eligible to attend the board meetings and general meetings.

10. Mr. Ho Chun Chung, Patrick resigned on October 16, 2018 and he was eligible to attend 5 board meetings and 2 general meetings.

11. Mr. Wong Tin Yau, Kelvin resigned on February 14, 2018 and he was eligible to attend 3 board meetings but not eligible to attend the general meetings.

12. Mr. Wang Jun Sheng was appointed on October 16, 2018, he was eligible to attend 1 board meeting but not eligible to attend the general meetings.

13. Ms. Jin Xin was appointed on December 18, 2018 and she was not eligible to attend the board meetings and general meetings.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

For the year ended December 31, 2018, the Company has complied with the code provisions set out in the CG Code as set out in Appendix 14 of the Listing Rules except the following.

Under A.2.1 of the CG Code, the role of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual and the division of responsibilities between Chairman and Chief Executive Officer should be established and set out in writing. Since January 10, 2011, the Company has not had any Chief Executive Officer. The functions of Chief Executive Officer were performed by the Executive Committee. The Board considers that this structure will not impair the balance of the power and authority between the Board and the management of the Company, and has been effective in discharging its responsibilities satisfactorily and facilitating the Company's operation and business development.

Code provision A.6.7 of the Code requires that Independent Non-executive Directors and other Non-executive Directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Three Independent Non-executive Directors did not attend the extraordinary general meeting held on March 20, 2018 and the annual general meeting held on June 22, 2018 due to their other business engagements.

Pursuant to E.1.2 of the CG Code, the chairman of the Board should attend the AGM. Ms. Cheung, the chairlady of the Board, was absent from the Company's AGM held on June 22, 2018 due to other business commitments. Mr. Wong Kwong Sum, Executive Director chaired the AGM pursuant to the Articles of Association of the Company and was available to answer questions.

NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors are persons with academic and professional qualifications as stated in Directors and Senior Management section. They support the effective discharge of the duties and responsibilities of the Board. Each Independent Non-executive Director has provided an annual confirmation of independence to the Company and the Company considers these Directors to be independent under Rule 3.13 of the Listing Rules.

No service contracts were signed between the Non-executive Directors and the Company.

The change of the Non-executive Directors and Independent Non-executive Directors during the Current Year are set out in the section headed "the Board" in this corporate governance report.

BOARD COMMITTEES

A. Executive Committee

To assist the board of directors in running the operations on a daily basis, the Board had set up a sub-committee, namely Executive Committee on July 15, 2009. The terms of reference of the Executive Committee are available on the Company's website at www.aifgroup.com and the website of the Stock Exchange.

During the Current Year, six Executive Committee meetings were held. The attendance of each member of Executive Committee is set out as follows:

Directors	**Number of Attendance/ Number of Executive Committee Meeting(s) held**
Executive Directors	
Cheung Kwan *(Chairlady)*	5/6
Liu Hu	4/6
Sun Yu *(Appointed on December 18, 2018) (note 1)*	N/A
Zhao Hong Mei *(Appointed on January 9, 2019) (note 2)*	N/A
Wei Jiafu *(Resigned on March 29, 2018) (note 3)*	4/4
Wong Kwong Sum *(Resigned on August 7, 2018) (note 4)*	3/4
Ling Zack Xiange *(Appointed on August 8, 2018 and resigned on January 15, 2019) (note 5)*	2/2
Liang Jian *(Appointed on November 28, 2018 and resigned on December 18, 2018) (note 6)*	0/1

Notes:

1. Mr. Sun Yu was appointed on December 18, 2018 and he was not eligible to attend the Executive Committee meetings.

2. Ms. Zhao Hong Mei was appointed on January 9, 2019 and she was not eligible to attend the Executive Committee meetings.

3. Dr. Wei Jaifu resigned on March 29, 2018 and he was eligible to attend 4 Executive Committee meetings.

4. Mr. Wong Kwong Sum resigned on August 7, 2018 and he was eligible to attend 4 Executive Committee meetings.

5. Mr. Ling Zack Xiange was appointed on August 8, 2018 and resigned on January 15, 2019 and he was eligible to attend 2 Executive Committee meetings.

6. Mr. Liang Jian was appointed on November 28, 2018 and resigned on December 18, 2018 and he was eligible to attend 1 Executive Committee meeting.

B. Remuneration Committee

The Remuneration Committee was established on October 30, 2007. The Remuneration Committee assists the Board to determine the policy for the remuneration of executive directors and senior management, assessing performance of executive directors and senior management and approving the terms of executive directors' and senior management's service contracts and to develop a formal and transparent remuneration policy. The Remuneration Committee makes recommendations to the board on the remuneration packages of individual executive directors and senior management.

The Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. Anthony Espina, Mr. Wang Jun Sheng and Ms. Jin Xin. Mr. Mr. Wang Jun Sheng is the Chairman of the Remuneration Committee. The terms of reference of Remuneration Committee are available on the Company's website at www.aifgroup.com and the website of the Stock Exchange.

During the Current Year, two Remuneration Committee meetings were held. The attendance of each member of Remuneration Committee is set out as follows:

Directors	**Number of Attendance/ Number of Remuneration Committee Meeting(s) held**
Independent Non-executive Directors	
Wang Jun Sheng *(Chairman) (Appointed on October 16, 2018) (note 1)*	N/A
Anthony Espina	2/2
Jin Xin *(Appointed on December 18, 2018) (note 2)*	N/A
Wong Tin Yau, Kelvin *(Resigned on February 14, 2018) (note 3)*	N/A
Ho Chun Chung, Patrick *(Chairman) (Resigned on October 16, 2018)*	2/2
Ge Ming *(Resigned on December 18, 2018)*	2/2

During these meetings, the Remuneration Committee reviewed the remuneration packaged for all Directors and senior management, the employee's salary increment proposal and relevant reports.

Notes:

1. Mr. Wang Jun Sheng was appointed on October 16, 2018 and he was not eligible to attend the Remuneration Committee meetings.

2. Ms. Jin Xin was appointed on December 18, 2018 and she was not eligible to attend the Remuneration Committee meetings.

3. Mr. Wong Tin Yau, Kelvin resigned on February 14, 2018 and he was not eligible to attend the Remuneration Committee meetings.

Details of remuneration paid to members of senior management other than the directors fell within the following bands:

	Number of individuals
HK$1,000,001 to HK$1,500,000	2
HK$1,500,001 to HK$2,000,000	1

C. Audit Committee

The Audit Committee was established on October 30, 2007. The primary duties of the Audit Committee are to make recommendations on the appointment, re-appointment and removal of external auditor, to review financial statements and making recommendations on the financial reporting, and to review and supervise the financial reporting and internal control procedures of the Group. The Audit Committee shall meet at least twice a year. The Audit Committee had reviewed the Group's internal control during the Current Year. The Group's final results for the Current Year had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee had also reviewed this annual report, and confirmed that this annual report is complete and accurate, and complies with all relevant rules and regulations, including but not limited to the Listing Rules. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditor.

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Anthony Espina, Mr. Wang Jun Sheng and Ms. Jin Xin. Mr. Anthony Espina is the Chairman of the Audit Committee. The terms of reference of Audit Committee are available on the Company's website at www.aifgroup.com and the website of the Stock Exchange.

During the Current Year, two Audit Committee meetings were held to consider and approve the audited consolidated financial statements for the Current Year and the unaudited consolidated financial statements for the six months ended June 30, 2018. The attendance of each member of Audit Committee is set out as follows:

Directors	Number of Attendance/ Number of Audit Committee Meeting(s) held
Independent Non-executive Directors	
Anthony Espina *(Chairman)*	2/2
Wang Jun Sheng *(Appointed on October 16, 2018) (note 1)*	N/A
Jin Xin *(Appointed on December 18, 2018) (note 2)*	N/A
Wong Tin Yau, Kelvin *(Resigned on February 14, 2018) (note 3)*	N/A
Ho Chun Chung, Patrick *(Resigned on October 16, 2018)*	2/2
Ge Ming *(Resigned on December 18, 2018)*	2/2

Notes:

1. Mr. Wang Jun Sheng was appointed on October 16, 2018 and he was not eligible to attend the Audit Committee meeting.

2. Ms. Jin Xin was appointed on December 18, 2018 and she was not eligible to attend the Audit Committee meeting.

3. Mr. Wong Tin Yau, Kelvin resigned on February 14, 2018 and he was not eligible to attend the Audit Committee meeting.

D. Nomination Committee

The Nomination Committee was established on March 27, 2012. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of the Board's succession, to ensure that the candidates to be nominated as Directors are experienced, high caliber individuals.

The Nomination Committee shall meet at least once every year.

The Board has adopted the "Nomination Policy" on January 1, 2019 in relation to the nomination, appointment, re-appointment of new Directors and the nomination procedure of the Company, which provides that in evaluating and selecting any candidate for directorship, the Nomination Committee shall consider the candidates' character and integrity, skills, experience and professional expertise, diversity on the Board, independence, willingness to devote adequate time to discharge duties as a Board member and such other criteria that are appropriate to the business of the Company.

The Nomination Committee comprises three Independent Non-executive Directors, namely Mr. Anthony Espina, Mr. Wang Jun Sheng and Ms. Jin Xin; and one Executive Director, Ms. Cheung Kwan. Mr. Wang Jun Sheng is the Chairman of the Nomination Committee. The terms of reference of Nomination Committee are available on the Company's website at www.aifgroup.com and the website of the Stock Exchange.

During the Current Year, one Nomination Committee meetings were held. The attendance of each member of Nomination Committee is set out as follows:

Directors	Number of Attendance/ Number of Nomination Committee Meeting(s) held
Independent Non-executive Directors	
Wang Jun Sheng *(Chairman) (Appointed on October 16, 2018) (note 1)*	N/A
Anthony Espina	1/1
Jin Xin *(Appointed on December 18, 2018) (note 2)*	N/A
Wong Tin Yau, Kelvin *(Resigned on February 14, 2018) (note 3)*	N/A
Ho Chun Chung, Patrick *(Resigned on October 16, 2018)*	1/1
Ge Ming *(Resigned on December 18, 2018)*	1/1
Executive Directors	
Cheung Kwan	0/1
Wong Kwong Sum *(Resigned on August 7, 2018)*	1/1
Ling Zack Xiange *(Appointed on August 8, 2018 and resigned on January 15, 2019) (note 4)*	N/A

During these meetings, the Nomination Committee reviewed the board structure of the Company and recommended candidates for directorship.

Notes:

1. Mr. Wang Jun Sheng was appointed on October 16, 2018 and he was not eligible to attend the Nomination Committee meeting.

2. Ms. Jin Xin was appointed on December 18, 2018 and she was not eligible to attend the Nomination Committee meeting.

3. Mr. Wong Tin Yau, Kelvin resigned on February 14, 2018 and he was not eligible to attend the Nomination Committee meeting.

4. Mr. Ling Zack Xiange was appointed on August 8, 2018 and resigned on January 15, 2019 and he was not eligible to attend the Nomination Committee meeting.

E. Risk Management Committee

The Risk Management Committee was established on December 28, 2015. The Risk Management Committee is responsible for assisting the Board to evaluate and determine the nature and extent of the risks the Board is willing to take in achieving the Group's strategic objectives, ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems, and assisting the Board to oversee management in the design, implementation and monitoring of the risk management and internal control system.

The Risk Management Committee comprises three Executive Directors, namely, Ms. Cheung Kwan and Mr. Liu Hu and Mr. Sun Yu. Mr. Sun Yu is the Chairman of the Risk Management Committee. The terms of reference of Risk Management Committee are available on the Company's website at www.aifgroup.com and the website of the Stock Exchange.

During the Current Year, one Risk Management Committee meetings were held. The attendance of each member of Risk Management Committee is set out as follows:

Directors	**Number of Attendance/ Number of Risk Management Committee Meeting(s) held**
Executive Directors	
Sun Yu *(Chairman) (Appointed on January 15, 2019) (note 1)*	N/A
Cheung Kwan	1/1
Liu Hu	1/1
Wei Jiafu *(Chairman) (Resigned on March 29, 2018)*	1/1
Wong Kwong Sum *(Chairman) (Appointed on March 29, 2018 and resigned on August 7, 2018) (note 2)*	N/A
Ling Zack Xiange *(Chairman) (Appointed on August 8, 2018 and resigned on January 15, 2019) (note 3)*	N/A

During these meetings, the Risk Management Committee reviewed the Group's risk management process and internal control system.

Notes:

1. Mr. Sun Yu was appointed on January 15, 2019 and he was not eligible to attend the Risk Management Committee meeting.

2. Mr. Wong Kwong Sum was appointed on March 29, 2018 and resigned on August 7, 2018 and he was not eligible to attend the Risk Management Committee meeting.

3. Mr. Ling Zack Xiange was appointed on August 8, 2018 and resigned on January 15, 2019 and he was not eligible to attend the Risk Management Committee meeting.

Internal Control and Risk Management

The Board is responsible for maintaining a sound and effective internal control and risk management systems. Such systems are in place and designed to manage risk rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement or loss in order to safeguard the interests of the shareholders and the assets of the Group against unauthorised use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations.

During the Current Year, the Group has engaged a professional firm as an independent advisor to hold an annual internal control review to aid the Group in ensuring the internal control is functioning adequately.

Corporate Governance Functions

No Corporation governance committee has been established and the Board is responsible for performing the corporate governance functions such as development and reviewing the Company's policies and practices on corporate governance; reviewing and monitoring the training and continuous professional development of directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; and reviewing the Company's compliance with the code and disclosure in this Corporate Governance Report.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association. The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of Independent Non-executive Directors.

According to Article 130, one-third of the Directors for the time being, or if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation at every Annual General Meeting provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. Mr. Wong Kwang Sum as Executive Director and Mr. Anthony Espina and Mr. Ge Ming as Independent Non-executive Directors shall retire from office at Annual General Meeting and shall offer themselves for re-election.

The Non-executive Director and the Independent Non-executive Directors were appointed for a fixed term and are subject to re-election in compliance with CG Code A.4.1.

Board Diversity Policy

The Board has adopted a Board Diversity Policy in August 2013 which sets out the approach to achieve diversity on the Board.

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Company also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Nomination Committee has set measurable objectives based on four focus areas: gender, age, working experience and ethnicity to implement the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

Board Process

The Board held meetings from time to time whenever necessary. Reasonable prior notice of regular Board meetings is given to all directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all directors at reasonable time before the date of every Board meeting in order to allow sufficient time for the directors to review the documents.

Minutes of every Board meeting are circulated to all directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the Company Secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

Professional Development

Each newly appointed Director receives induction on the first occasion of his/her appointment, so as to ensure that he/she has an appropriate understanding of the business and operations of the Company.

To assist directors' continuing professional development, the Company recommends directors to attend relevant seminars to develop and refresh their knowledge and skills. All directors also participate in continuous professional development programmes to develop and refresh their knowledge and skills in relation to their contribution to the Board. A record of the training received by the respective directors are kept and updated by the Company Secretary of the Company.

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

DIRECTOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group for the Current Year and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. The Director also ensure the timely publication of such consolidated financial statements.

The statement of the external auditor of the Company, CHENG & CHENG LIMITED, with regard to its reporting responsibilities on the Group's consolidated financial statements, is set out in the Independent Auditor's Report included in this annual report.

The Directors confirm that, to the best of their knowledge, having made an reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions which may cause the Group not to continue as a going concern.

BUSINESS MODEL AND STRATEGY

The Group has the mission to excelling its diversified business whilst maintaining long term profitability and assets growth with adoption of flexible business model and strategy and prudential risk and capital management framework. The Board have played and will continue to play a proactive role in the Group's development of business model to preserve the culture of the Group in serving customers well with premium service quality; the Group's business strategic drive for business expansion and opportunities; and the Group's setting of strategic goals, priorities and initiatives undertaken to motivate staff to achieve business and financial targets. Details of the Group's Business Review and Financial Review during the Current Year are set out in the "Management Discussion and Analysis" section of this annual report.

AUDITOR'S REMUNERATION

For the Current Year, the fees paid/payable to the Company's auditor in respect of audit and non-audit services provided by the Company's auditor to the Group were as follows:

	HK$'000
Audit services	1,200
Non-audit services	250
	1,450

COMPANY SECRETARY

Mr. Tsang King Sun ("Mr. Tsang") was appointed as the Company secretary and Chief Financial Officer of the Company on November 3, 2017. The biographical details of Mr. Tsang are set out under the section headed "Directors and Senior Management". According to the Rule 3.29 of the Listing Rules, Mr. Tsang has taken no less than 15 hours of relevant professional training during the financial year ended December 31, 2018.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the Group's system of risk management and internal control and for monitoring its adequacy and effectiveness. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for (i) safeguarding assets against unauthorised use or disposition; (ii) maintaining proper accounting records; and (iii) ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board through the Risk Management Committee, has overseen the Company's risk management and internal control systems on an ongoing basis. A year-end review of the effectiveness of the Group's risk management and internal control systems has been conducted annually and the systems are considered to be effective and adequate by the Risk Management Committee, and the significant risk issues, if any, are referred to the Board with management responses and recommendations for consideration.

The Group also has an internal audit function to carry out an analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

For the year ended December 31, 2018, the Board has, through the Risk Management Committee conducted a review of the effectiveness of the Group's internal control systems, including financial control, operational control and compliance controls. The Board is of the view that the internal control systems are effective and adequate and there are no irregularities, improprieties, fraud or other deficiencies that suggest material deficiency in the effectiveness of the Group's internal control systems.

The Company engaged ZHONGHUI ANDA Risk Services Limited ("ZHONGHUI ANDA Risk") as the internal control consultant, to perform an independent internal control review to assess the effectiveness of the financial, operational and compliance controls, and risk management functions of the Company and the Group's major subsidiaries on a rotation basis. The Audit Committee and the Board, having discussed with ZHONGHUI ANDA Risk and reviewed the internal control review report compiled by ZHONGHUI ANDA Risk, were reasonably satisfied that no material deficiencies or inadequacies existed or identified for the financial year ended December 31, 2018.

Shareholders' Rights

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an Annual General Meeting, shall be called an Extraordinary General Meeting ("EGM").

– Right to convene Extraordinary General Meeting

Any two or more members or any one member of the Company which is a recognised clearing house (or its nominee(s)) holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the Company Secretary of the Company at the Company's principal place of business at Unit 3201, 32/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the Company Secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all registered members. On the contrary, if the request has been verified in not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within twenty-one days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting to be held with a further 21 days, the requisitionist(s), may convene a meeting in the same manner within three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The Notice period to be given to all registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

– At least 14 clear days' notice writing (and not less than 10 clear business days) if the proposal constitutes an ordinary resolution of the Company;

– At least 21 clear days' notice in writing (and not less than 10 clear business days) if the proposal constitutes a special resolution of the Company in EGM.

– **Right to put enquiries to the Board**

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the Company Secretary.

– Right to put forward proposals at general meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 79 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 116 of the Company's Articles of Association, no person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Company Secretary notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and notice in writing signed by the person to be proposed of his willingness to be elected. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

Investor Relations

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.aifgroup.com.

Constitutional Documents

During the Current Year, there has been no change in the Company's constitutional documents.

On behalf of the Board

Ms. Cheung Kwan
Chairlady and Executive Director

Hong Kong
March 31, 2019

CHENG & CHENG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
鄭鄭會計師事務所有限公司
10/F., Allied Kajima Building,
138 Gloucester Road, Wanchai, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ASIA INVESTMENT FINANCE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Asia Investment Finance Group Limited (the "Company") and its subsidiaries ("the Group") set out on pages 55 to 159, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current 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.

Key Audit Matter	How the matter was addressed in our audit
Goodwill and other intangible asset impairment assessment – Securities brokerage and assets management segment and trading of security products and provison of security services segment Refer to note 13 and note 15 to the consolidated financial statements	
The Group's goodwill and intangible assets as at December 31, 2018 were amounting to approximately HK$44 million and approximately HK$45 million respectively. Securities brokerage and assets management segment Goodwill and intangible assets with indefinite useful lives which have been allocated to securities brokerage and assets management segment were amounting to approximately HK$3 million and approximately HK$18 million respectively. This segment incurred loss in the year ended December 31, 2018. This has increased the risk that the carrying amounts of goodwill and other assets including the intangible assets mentioned above may be impaired.	Our audit procedures in relation to impairment assessment included: – Evaluating the independent external valuer's competence, capabilities and objectivity; – Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the acquired companies' industry and assessed the inputs within the valuation models; – Checking, on a sample basis, the accuracy and relevance of the input data used; and – Reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.

Key Audit Matter	How the matter was addressed in our audit
Goodwill and other intangible asset impairment assessment – Securities brokerage and assets management segment and trading of security products and provison of security services segment (continued) Refer to note 13 and note 15 to the consolidated financial statements Trading of security products and provision of security services segment Goodwill and intangible assets with 5 year useful lives which have been allocated to trading of security products and provision of security services segment were amounting to approximately HK$41 million and HK$27 million respectively. This segment incurred loss in the year ended December 31, 2018. This has increased the risk that the carrying amounts of goodwill and other assets including the intangible assets mentioned above may be impaired. The Group engaged an independent external valuer to assist in the valuation of goodwill and other intangible assets. Managements concluded that there is no impairment on goodwill and other assets including intangible assets in respect of the securities brokerage and assets management segment and trading of security products and provision of security services segment. This conclusion was based on a discounted cash flow and market comparison model respectively that required significant management judgement with respect to the discount rate and the underlying cash flows, in particular future revenue growth and adjusting factors on comparable transactions.	

Key Audit Matter	How the matter was addressed in our audit
Impairment assessment on loan receivables and other receivables	
Refer to note 19, note 21 and note 37(a)(i) to the consolidated financial statements	
The gross carrying amounts of the Group's loan receivables and other receivables as at December 31, 2018 were approximately HK$190 million and HK$125 million, respectively, and provision for impairment losses thereon were approximately HK$16 million and HK$42 million, respectively. The adoption of HKFRS 9 has fundamentally changed the Group's accounting for loss allowance by replacing HKAS 39's incurred loss approach with a forward-looking expected credit losses ("ECLs") approach. The measurement of ECL requires the application of significant judgement and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumption used in the ECLs model (for exposures assessed individually), such as the expected future cash flows, amount of collaterals and forward-looking macroeconomic factors. The Group engaged an independent external valuer to assist in the valuation for ECLs for loan receivables and other receivables. We identified the impairment assessment of loan receivables and other receivables as a key audit matter due to its significance to the Group's consolidated financial position and required significant degree of judgement by management in identification of impairment and the determination of the amount of impairment loss.	Our audit procedures in relation to impairment assessment included: – Evaluating the independent external valuer's competence, capabilities and objectivity; – Assessing the methodologies used and the appropriateness of the key assumptions used in ECL calculation by valuer; – Analysing and testing, on a sample basis, the accuracy of the ageing profile of loan receivables and other receivables by checking to the loan agreement and other source documents, to ensure that it was appropriate for management to use them for impairment assessment; – Conducting a detailed discussion with management on overdue loan receivables as to whether these aged receivables were impaired; – Reviewing the adequacy and appropriateness of the ECLs made by management with reference to the ageing profiles, default history, settlement records, subsequent settlements and other facts and circumstances currently available for the significant overdue receivables.

Key Audit Matter	How the matter was addressed in our audit
Impairment assessment on interest in an associate	
Refer to note 16 to the consolidated financial statements	
At December 31, 2018, the Group hold 21.6% equity interest of an insurance broker in the People's Republic of China (the "PRC"). This investment is accounted for as an associate using the equity method, because of the significant influence that comes from the shareholding. The carrying amount of the interest in this associate is approximately HK$41 million as at December 31, 2018. The associate incurred loss for the period ended December 31, 2018. This has increased the risk that the carrying amount of interest in the associate may be impaired. The Group engaged an independent external valuer to assist in the valuation of the recoverable amount of interest in the associate. The recoverable amount of the associate has been determined with reference to its value in use. Management concluded that there is no impairment in respect of the carrying amount of interest in an associate. This conclusion was based on a discount cash flow that required significant management judgement with respect to the discount rate and the underlying cash flows, in particular future revenue growth.	Our audit procedures in relation to management's impairment assessment included: – Evaluating the independent external valuer's competence, capabilities and objectivity; – Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the acquired companies' industry and assessed the inputs within the valuation models; – Checking, on a sample basis, the accuracy and relevance of the input data used; and – Reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.

Key Audit Matter	How the matter was addressed in our audit
Business Combination Refer to note 32 to the consolidated financial statements As detailed in note 32, approximately HK$41 million of goodwill and approximately HK$27 million of intangible assets has been recognised in connection with the business combinations resulting from the acquisition of trading of security products and provision of security services business during the year. Significant judgement has been exercised by management in establishing the initial estimates of the fair values of the identifiable assets and liabilities acquired together with the goodwill ad intangible assets arising on acquisitions in preparing their purchase price allocation. The Group engaged an independent external valuer in assist in the valuation of the goodwill and intangible assets arising, in addition to considering the estimated useful lives of identified intangible assets.	Our audit procedures in relation to business combination included: – Obtaining and reviewing the sales and purchase agreements and understood the terms and conditions of the transaction to assess compliance with HKFRS 3 Business Combinations; – Testing the initial consideration to the signed purchase agreement and assessing the appropriateness of the fair value of the total consideration determined by the management; – Evaluating the independent external valuer's competence, capabilities and objectivity; – Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the acquired companies' industry and assessed the inputs within the valuation model; and – Checking, on a sample basis, the accuracy and relevance of the input data used. We also reviewed the disclosure presented in note 32 to the consolidated financial statements to conform compliance with the provisions within HKFRS 3.

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee assists the directors of the Company in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

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

CHENG & CHENG LIMITED
Certified Public Accountants

Chan Shek Chi
Practising Certificate Number P05540
Hong Kong
March 31, 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	3 & 33	**66,933**	176,728
Cost of sales and services		**(50,556)**	(155,059)
Gross profit		**16,377**	21,669
Other revenue and other net (loss)/gain	4	**(9,821)**	(3,998)
Operating expenses		**(86,657)**	(113,030)
Loss from operations		**(80,101)**	(95,359)
Finance costs			
Other loans		**(915)**	(924)
Notional interest		**(6,513)**	(6,485)
	5	**(7,428)**	(7,409)
Other non-operating expenses			
Share of loss of an associate		**(4,984)**	(3,813)
Loss on disposal of an associate	16	**(5,086)**	–
Gain on disposal of subsidiaries		**–**	222
		(10,070)	(3,591)
Loss before impairment and taxation		**(97,599)**	(106,359)
Impairment loss on loan receivables, net	19	**(13,707)**	–
Impairment loss on trade receivables, net	20	**(1,308)**	–
Reversal of impairment loss/(impairment loss) on other receivables, net	21	**9,715**	(34,774)
		(5,300)	(34,774)
Loss before tax	6	**(102,899)**	(141,133)
Income tax expense	7	**(432)**	(1,827)
Loss for the year		**(103,331)**	(142,960)

For the year ended December 31, 2018

	Note	2018 HK$'000	2017 HK$'000
Other comprehensive (loss)/income for the year			
Item that may be reclassified subsequently to profit or loss:			
Release of translation reserve upon disposal of foreign subsidiaries		**–**	8
Exchange differences on translating financial statements of:			
– subsidiaries		**(7,249)**	11,886
– associate		**(750)**	–
		(7,999)	11,886
		(7,999)	11,894
Total comprehensive loss for the year		**(111,330)**	(131,066)
Loss for the year attributable to:			
Equity shareholders of the Company		**(103,031)**	(141,274)
Non-controlling interests		**(300)**	(1,686)
		(103,331)	(142,960)
Total comprehensive loss for the year attributable to:			
Equity shareholders of the Company		**(110,864)**	(130,590)
Non-controlling interests		**(466)**	(476)
		(111,330)	(131,066)
Dividends	8	**N/A**	N/A
Loss per share	9		
– Basic		**HK1.10 cents**	HK1.51 cents
– Diluted		**HK1.10 cents**	HK1.51 cents

The notes on pages 62 to 159 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	12	**24,816**	30,199
Intangible assets	13	**45,388**	18,388
Deposit paid	21	**400**	12,624
Loan receivables	19	**62,929**	–
Goodwill	15	**43,528**	3,000
Contingent consideration receivables	32	**5,830**	–
Interest in an associate	16	**41,382**	52,187
		224,273	116,398
Current assets			
Inventories	17	**3,786**	31,860
Trading securities	18	**1,201**	34,392
Loan receivables	19	**111,128**	104,836
Trade receivables	20	**19,185**	14,163
Prepayments, deposits and other receivables	21	**136,437**	135,991
Tax recoverable		**130**	130
Client trust bank balance	22	**3,229**	9,345
Cash and cash equivalents	23	**22,910**	78,460
		298,006	409,177
Total Assets		**522,279**	525,575
Capital and reserves			
Share capital	24	**932,717**	932,717
Reserves		**(666,797)**	(588,918)
Equity attributable to shareholders of the Company		**265,920**	343,799
Non-controlling interests		**26,698**	13,935
Total Equity		**292,618**	357,734
Non-current liabilities			
Convertible bonds	31	**45,600**	–
Deferred tax liabilities	30	**6,750**	–
		52,350	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	Note	**2018** **HK$'000**	2017 HK$'000
Current liabilities			
Trade payables	27	**6,483**	14,901
Accruals and other payables	28	**57,272**	53,816
Other loan	29	**13,000**	–
Convertible bonds	31	**99,095**	99,124
Tax payables		**1,461**	–
		177,311	167,841
Total Equity and Liabilities		**522,279**	525,575
Net current assets		**120,695**	241,336
Total assets less current liabilities		**344,968**	357,734

Approved and authorised for issue by the Board of Directors on March 31, 2019.

On behalf of the board

Ms. Cheung Kwan	**Mr. Sun Yu**
Chairlady and Executive Director	*Executive Director*

The notes on pages 62 to 159 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2018

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Translation reserve	Share option reserve	Capital reserve	Convertible bonds reserve	Statutory reserve	Accumulated losses	Subtotal	Non–controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At January 1, 2018 *(note 2(c))*											
– as originally stated	**932,717**	**3,058,278**	**7,766**	**8,486**	**(15,000)**	**12,663**	**3,420**	**(3,664,531)**	**343,799**	**13,935**	**357,734**
– adoption of HKFRS 9	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,563)**	**(6,563)**	**(503)**	**(7,066)**
– as restated	**932,717**	**3,058,278**	**7,766**	**8,486**	**(15,000)**	**12,663**	**3,420**	**(3,671,094)**	**337,236**	**13,432**	**350,668**
Issue of convertible bonds	**–**	**–**	**–**	**–**	**–**	**24,400**	**–**	**–**	**24,400**	**–**	**24,400**
Grant of share options	**–**	**–**	**–**	**15,148**	**–**	**–**	**–**	**–**	**15,148**	**–**	**15,148**
Lapse of share options	**–**	**–**	**–**	**(8,944)**	**–**	**–**	**–**	**8,944**	**–**	**–**	**–**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,732**	**13,732**
Total comprehensive loss for the year	**–**	**–**	**(7,833)**	**–**	**–**	**–**	**–**	**(103,031)**	**(110,864)**	**(466)**	**(111,330)**
At December 31, 2018	**932,717**	**3,058,278**	**(67)**	**14,690**	**(15,000)**	**37,063**	**3,420**	**(3,765,181)**	**265,920**	**26,698**	**292,618**
At January 1, 2017	936,807	3,057,330	(2,918)	–	(15,000)	12,663	3,420	(3,523,741)	468,561	14,411	482,972
Grant of share options	–	–	–	8,970	–	–	–	–	8,970	–	8,970
Lapsed of share options	–	–	–	(484)	–	–	–	484	–	–	–
Repurchase of shares	(4,090)	948	–	–	–	–	–	–	(3,142)	–	(3,142)
Total comprehensive loss for the year	–	–	10,684	–	–	–	–	(141,274)	(130,590)	(476)	(131,066)
At December 31, 2017	932,717	3,058,278	7,766	8,486	(15,000)	12,663	3,420	(3,664,531)	343,799	13,935	357,734

The notes on pages 62 to 159 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	Note	**2018** **HK$'000**	2017 HK$'000
Operating activities			
Loss before tax		**(102,899)**	(141,133)
Adjustments for:			
Interest income	4	**(5,628)**	(183)
Dividend income	4	**(159)**	(419)
Interest expenses on other borrowings	5	**915**	924
Notional interest expenses on convertible bonds	5	**6,513**	6,485
Share of loss of an associate		**4,984**	3,813
Loss on disposal of an associate		**5,086**	–
Depreciation		**6,275**	6,494
Equity settled share option expenses		**15,148**	8,970
Loss on disposal of property, plant and equipment		**–**	343
Realised loss on disposal of trading securities	4	**30,936**	4,866
Gain on disposal of subsidiaries		**–**	(222)
Impairment loss on loan receivables, net		**13,707**	–
Impairment loss on trade receivables, net		**1,308**	–
(Reversal of impairment loss)/impairment loss on other receivables, net		**(9,715)**	34,774
Unrealised loss/(gain) on fair value changes in trading securities	4	**1,303**	(58)
Gain on convertible bonds restructure	4	**(6,542)**	–
Operating loss before changes in working capital		**(38,768)**	(75,346)
Decrease/(Increase) in inventories		**27,782**	(24,188)
Decrease in trading securities		**1,111**	59,517
Increase in loan receivables		**(85,057)**	(25,081)
Decrease in trade receivables		**3,475**	77,591
Decrease in prepayments, deposits and other receivables		**44,330**	3,376
Decrease/(Increase) in client trust bank balance		**6,116**	(6,753)
(Decrease)/Increase in trade payables		**(13,897)**	6,364
(Decrease)/Increase in accruals and other payables		**(8,549)**	18,018
Cash (used in)/generated from operations		**(63,457)**	33,498
Profits tax refund		**–**	450
Net cash (used in)/generated from operating activities		**(63,457)**	33,948

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	Note	2018 HK$'000	2017 HK$'000
Investing activities			
Purchase of property, plant and equipment		**(124)**	(7,138)
Interest received		**2,177**	183
Acquisition of subsidiaries	32	**2,978**	–
Net proceeds from disposal of property, plant and equipment		**4**	–
Deposit paid for acquisition of equity interest		**–**	(12,624)
Acquisition of an associate		**–**	(56,000)
Net cash outflow arising on disposal of subsidiaries		**–**	(20)
Net cash generated from/(used in) investing activities		**5,035**	(75,599)
Financing activities			
Proceeds from other loan		**13,000**	–
Interest paid		**(728)**	(925)
(Repayment to)/advanced from other payables		**(8,659)**	8,659
Repurchase of shares		**–**	(3,142)
Net cash from financing activities		**3,613**	4,592
Net decrease in cash and cash equivalents		**(54,809)**	(37,059)
Cash and cash equivalents at beginning of year		**78,460**	103,831
Effect of exchange rate changes		**(741)**	11,688
Cash and cash equivalents at end of year	23	**22,910**	78,460

The notes on pages 62 to 159 form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

General information

Asia Investment Finance Group Limited (the "Company") was incorporated and domiciled in the Cayman Islands under Companies Law (2004 Revision) of the Cayman Islands as an exempted company with limited liability on March 20, 2007. The Company's shares were listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") on November 19, 2007.

The Company is an investment holding company. The Group is principally engaged in securities brokerage and asset management, money lending business, credit guarantee and investment business, trading of party products and metals and minerals, trading of security products and provision of security services.

The address of its principal place of business of the Company is Unit 3201, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong and the Company has been registered as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance on September 4, 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and the disclosure requirements of the Hong Kong Companies Ordinance.

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

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(b) Basis of Preparation of the Consolidated Financial Statements

The consolidated financial statements for the year ended December 31, 2018 comprise of the Company and its subsidiaries have been prepared in accordance with HKFRSs and under the historical cost convention except where stated otherwise in the accounting policies set out below.

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

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

Judgements made by management in the application of HKFRSs that have a significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 38.

(c) Changes in accounting policies and disclosures

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

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers and the related amendments
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Annual improvements to HKFRSs 2014 – 2016 cycle	Amendments to HKFRS 1 and HKAS 28
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration

The application of the new HKFRSs in the current year has had no material impact on the Group's consolidated financial statements for the current and prior years, except for the following:

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Changes in accounting policies and disclosures *(continued)*

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

Upon adoption of HKFRS 9, the Group has recognised the transition adjustments against the applicable opening balances in equity at January 1, 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the consolidated statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at January 1, 2018 is as follows:

	December 31, 2017 as originally stated HKAS 39 measurement	**ECL**	**January 1, 2018 as restated HKFRS 9 measurement**
	HK$'000	HK$'000	HK$'000
Loan receivables	104,836	(2,129)	102,707
Financial assets included in prepayments, deposits and other receivables	131,284	(4,937)	126,347
	236,120	(7,066)	229,054

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Changes in accounting policies and disclosures *(continued)*

Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (continued)

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	Impairment allowances under HKAS 39 at December 31, 2017	**Re-measurement**	**ECL allowances under HKFRS 9 at January 1, 2018**
	HK$'000	HK$'000	HK$'000
Loan receivables	–	2,129	2,129
Trade receivables	715	–	715
Financial assets included in prepayments, deposits and other receivables	47,275	4,937	52,212
	47,990	7,066	55,056

Impact on reserves and accumulated losses

The impact of transition to HKFRS 9 on reserves and accumulated losses is as follows:

	Accumulated losses	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000
At January 1, 2018 (originally stated)	3,664,531	(13,935)	3,650,596
Recognition of expected credit losses for loan receivables and financial assets included in prepayment, deposits and other receivables under HKFRS 9	6,563	503	7,066
At January 1, 2018 (restated)	3,671,094	(13,432)	3,657,662

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Changes in accounting policies and disclosures *(continued)*

Impact and changes in accounting policies of application on HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts. The Group elected to use the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in accumulated losses at January 1, 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before January 1, 2018.

(i) Timing of revenue recognition

Previously, revenue from sale of goods was generally recognised at a point in time when the risk and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

– When the customer simultaneously receives and consumes the benefits provided by the Group's performance, as the Group performs;

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

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

If the contract terms and the Group's activities do not fall into any of these 3 situations, then under HKFRS 15 the Group recognizes revenue for the sale of that goods or services at a single point in time, being when control has passed. Transfer of risk and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs. The adoption of HKFRS 15 does not have a significant impact on the Group's financial position and results of operation for the period. There is also no material impact to the Group's accumulated losses as at January 1, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Changes in accounting policies and disclosures *(continued)*

Impact and changes in accounting policies of application on HKFRS 15, Revenue from contracts with customers (continued)

(ii) Presentation of contracts liabilities

Under HKFRS 15, a contracted liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. The adoption of HKFRS 15 does not have a significant impact on the Group's financial position as at January 1, 2018.

As at December 31, 2018, under HKFRS 15, approximately HK$15,779,000 was classified as contract liabilities in relation to the consideration received from customers in advance for the sale of security products.

(d) Possible impact of Amendments, New Standards and Interpretations issued but not yet effective for the year ended December 31, 2018

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 16	Leases[1]
HKFRS 17	Insurance contracts[3]
Amendments to HKFRS 3	Definition of a business[5]
Amendments to HKFRS 9	Prepayment features with negative compensation[1]
Amendments to HKFRS 10 & HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 cycle[1]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[1]
HK(IFRIC)-Int 23	Uncertainty over income tax treatments[1]
Amendments to HKAS 19	Plan amendment, curtailment or settlement[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[4]

1 Effective for annual periods beginning on or after January 1, 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after January 1, 2021
4 Effective for annual periods beginning on or after January 1, 2020
5 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period on or after January 1, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(d) Possible impact of Amendments, New Standards and Interpretations issued but not yet effective for the year ended December 31, 2018 *(continued)*

HKFRS 16 Leases

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

With regards to operating leases from lessee's prospective, HKFRS 16 requires a right-of-use asset and a corresponding liability to be recognized for all leases by lessees except for short-term leases and leases of low value assets.

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

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

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

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$16,643,000, the majority of which is payable between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognized as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted.

However, the Group has not yet assessed the amount of adjustments.

There are no other standards that are not yet effective and would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(e) Business Combinations under Common Control

Business combinations under common control are accounted for in accordance with the merger accounting. In applying merger accounting, the combined financial information incorporates the consolidated financial statements items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under the control of controlling party.

The net assets of the combining entities or businesses are combined using the existing book values prior to the common control combinations from the controlling parties' perspective. No account is recognised in respect of goodwill or excess acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of common control combination.

The comparative amounts in the combined financial statements are presented as if the entities or business had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of an impairment of the asset transferred.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(f) Subsidiaries and Non-controlling Interests

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non–controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

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

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

In the Company's statement of financial position an investment in a subsidiary is stated at cost less any impairment losses unless the investment is classified as held for sale.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(g) Business Combinations

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

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

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

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

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

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(h) Interest in an Associate

An associate is an entity over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in an associate is accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. The Group's investment in an associate includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post–acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of an associate" in consolidated statement of profit or loss and other comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(j) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

Leasehold improvement	the shorter of lease-term or 5 years
Plant and machinery	5 years
Furniture, fixtures and equipment	3 – 6 years
Moulds	5 years
Motor vehicles	3 – 5 years
Vessel	10 years

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

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Intangible Assets (Other than Goodwill)

Intangible assets are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(l) Leased Assets

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

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges

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

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Financial assets

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

Investments in debt and equity securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVTPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 37. These investments are subsequently accounted for as follows, depending on their classification.

Classification

(A) Policy applicable from January 1, 2018

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 FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to 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 FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(x)(A)(v) and note 2(x)(B)(v).

Under HKFRS 9, financial assets such as receivables shall be subsequently measured at amortised cost if both of the following conditions are met: (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from the financial asset is calculated using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Financial assets *(continued)*

Classification (continued)

(B) Policy applicable prior to January 1, 2018

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

Gains or losses arising from changes in the fair value of the FVTPL category are presented in the consolidated statement of profit or loss and other comprehensive income within "Other revenue and other net (loss)/gain" in the period in which they arise. Dividend income from FVTPL is recognised in the consolidated statement of profit or loss and other comprehensive income as part of other income when the Group's right to receive payments is established.

(n) Credit losses and impairment of assets

(i) Credit losses from financial instruments

(A) Policy applicable from January 1, 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the financial assets measured at amortised cost (including cash and cash equivalent, client trust bank balance, trade and other receivables and loan receivables).

Financial assets measured at fair value, including the trading securities and contingent consideration receivables, are not subject to the ECL assessment.

Measurement of ECLs

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

(A) Policy applicable from January 1, 2018 (continued)

Measurement of ECLs *(continued)*

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

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

ECLs are measured on either of the following bases:

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

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

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

(A) Policy applicable from January 1, 2018 (continued)

Significant increases in credit risk

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

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

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

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

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

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

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

(A) Policy applicable from January 1, 2018 (continued)

Basis of calculation of interest income

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

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

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

– significant financial difficulties of the debtor;

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

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

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

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

(B) Policy applicable prior to January 1, 2018

Prior to January 1, 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVTPL (e.g. cash and cash equivalents, client trust bank balance, trade and other receivables and loan receivables). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

– significant financial difficulty of the debtor;

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

– it becoming probable that the debtor will enter bankruptcy or other financial re-organisation; and

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

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associates accounted for under the equity method in the consolidated financial statements, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(n)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(n)(ii).

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments (continued)

(B) Policy applicable prior to January 1, 2018 (continued)

– For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Credit losses and impairment of assets *(continued)*

(ii) Impairment of other assets

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

– property, plant and equipment;

– investment in subsidiaries in the Company's statement of financial position;

– intangible assets; and

– goodwill.

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Credit losses and impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

– Reversals of impairment losses

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

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

(o) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprise all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(p) Convertible Bonds

Convertible bonds that can be converted into equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bond reserve until either the bond is converted or redeemed.

If the convertible bond is converted, the convertible bond reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the convertible bond is redeemed, the convertible bond reserve is released directly to accumulated losses.

(q) Trade and Other Payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowing are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings 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 end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(s) Client Trust Bank Balance

The Group maintains trust and segregated accounts with authorised financial institutions to hold clients' deposits arising from normal business transactions. The Group has classified the clients' monies as client trust bank balance under the current assets in the consolidated statement of financial position as the Group is allowed to retain some or all of the interest income on the clients' monies and recognised corresponding accounts payable to the respective customers in the current liabilities. Under the Hong Kong Securities and Futures Ordinance (Cap. 571), the Group is not allowed to use the clients' monies to settle its own obligation.

(t) 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.

(u) Employee Benefits

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

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

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(u) Employee Benefits *(continued)*

(iii) Share-based payments

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

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

(v) Income Tax

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(v) Income Tax *(continued)*

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(v) Income Tax *(continued)*

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

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(w) Financial Guarantees Issued, Provisions and Contingent Liabilities

(i) Financial guarantees issued

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

Financial guarantee contracts (policies under HKFRS 9 applicable from January 1, 2018)

A financial guarantee contract is recognized initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under HKFRS 9 applicable from January 1, 2018)"; and (ii) the amount liability recognised less, when appropriate, the cumulative amount of income recognised.

Financial guarantee contracts (policies under HKAS 39 applicable before January 1, 2018)

A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transactions costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulated amortisation.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(w) Financial Guarantees Issued, Provisions and Contingent Liabilities *(continued)*

(ii) Other provisions and contingent liabilities

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

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

(x) Revenue Recognition

(A) Policy applicable from January 1, 2018

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when control over a product or service is transferred to the customers.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Credit guarantee service and investment income

Credit guarantee service and investment income consist of guarantee service income rendered by providing financial guarantee to borrowers in obtaining loan from third party. The guarantee fee and related service income are recognised when the service is rendered.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(x) Revenue Recognition *(continued)*

(A) Policy applicable from January 1, 2018 (continued)

(ii) Sales of goods

Sales of party products

Sales of party products to customers. Revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customers.

Sales of security products

Sales of security products to customers. Revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customers.

(iii) Interest income

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 assets.

(iv) Commission income

Commission income from securities brokerage business is recorded as income on a trade date basis.

(v) Dividend income

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

(vi) Assets management income is recognized on accrual basis when services are provided.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(x) Revenue Recognition *(continued)*

(A) Policy applicable from January 1, 2018 (continued)

(vii) Security service income

Security service income is recognised when the relevant services are provided.

(viii) Other income not stated above is recognised whenever received or received.

(B) Policy applicable prior to January 1, 2018

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

(i) Credit guarantee service and investment income

Credit guarantee service and investment income consist of guarantee fee and related service income are recognised when the service is rendered.

(ii) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts. Any compensation from the cancel of contracts are recognised when it is received.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(x) Revenue Recognition *(continued)*

(B) Policy applicable prior to January 1, 2018 (continued)

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

(iv) Commission income

Commission income from securities brokerage business is recorded as income on a trade date basis.

(v) Dividend income

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

(vi) Assets management income is recognized on accrual basis when services are provided.

(vii) Other income not stated above is recognised whenever received or receivable.

(y) Foreign Currencies

The Group's consolidated financial statements are presented in Hong Kong dollars, which is also the Company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation.

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(y) Foreign Currencies *(continued)*

(i) Transactions and balances (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Hong Kong dollars at the rate of exchange prevailing at the reporting date and their income and expenses items are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss.

(z) Borrowing Costs

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

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(aa) Related Parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(bb) Segment Reporting

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

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

3. REVENUE

An analysis of revenue is as follows:

	2018	2017
	HK$'000	HK$'000
Credit guarantee service and investment income	**212**	1,552
Sales of party products	**51,479**	61,294
Sales of metals and minerals	**–**	99,325
Brokerage commission income and assets management income	**1,211**	1,639
Interest income from money lending business	**12,514**	12,918
Sales of security products	**1,248**	–
Provision of security services	**269**	–
	66,933	176,728

Disaggregation by major products or service lines within the scope of HKFRS 15

	2018	2017
	HK$'000	HK$'000
Sales of party products	**51,479**	61,294
Sales of metals and minerals	**–**	99,325
Brokerage commission income and assets management income (excluded interest income from cash and margin client)	**623**	1,639
Sales of security products	**1,248**	–
Provision of security service	**269**	–
	53,619	162,258

3. REVENUE *(CONTINUED)*

	2018 HK$'000	2017 HK$'000
Revenue from other sources		
Credit guarantee service and investment income	**212**	1,552
Interest income from money lending business	**12,514**	12,918
Interest income from cash and margin client earned from brokerage commission income and assets management income	**588**	–
	13,314	14,470
Total	**66,933**	176,728
Disaggregation by timing of revenue recognition within the scope of HKFRS 15		
– Over time	**269**	–
– At a point in time	**53,350**	162,258
	53,619	162,258

4. OTHER REVENUE AND OTHER NET (LOSS)/GAIN

	2018 HK$'000	2017 HK$'000
Gain on convertible bonds restructure *(note 31(a))*	**6,542**	–
Net exchange gain/(loss)	**910**	(27)
Unrealised (loss)/gain on fair value changes in trading securities	**(1,303)**	58
Realised loss on disposal of trading securities	**(30,936)**	(4,866)
Loss on disposal of property, plant and equipment	**–**	(343)
Dividend income	**159**	419
Interest income	**5,628**	183
Sundry income	**9,179**	578
	(9,821)	(3,998)

5. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest expenses on other loans	**184**	864
Margin interest	**731**	60
Notional interest expenses on convertible bonds *(note 31)*	**6,513**	6,485
Total interest expenses on financial liabilities not at fair value through profit or loss	**7,428**	7,409

6. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting) the following:

	2018 HK$'000	2017 HK$'000
Auditor's remuneration		
– Audit service	**1,200**	930
– Non-audit service	**250**	130
Cost of inventories included in cost of sales	**50,422**	155,048
Cost of service included in cost of sales	**134**	–
Depreciation	**6,275**	6,494
Loss on disposal of property, plant and equipment	**–**	343
Staff costs (including directors' emoluments):		
– Salaries, wages and other benefits	**25,435**	42,773
– Contributions to defined contribution retirement plans	**399**	517
– Share-based payment expenses	**14,756**	6,370
Operating lease charges in respect of land and buildings	**18,825**	23,594
Share-based payment expenses to non-employees	**392**	2,600
Net exchange (gain)/loss	**(910)**	27
Impairment loss on trade receivables, net	**1,308**	–
(Reversal of impairment loss)/impairment loss on other receivables, net	**(9,715)**	34,774
Impairment loss on loan receivables, net	**13,707**	–
Unrealised loss/(gain) on fair value changes in trading securities	**1,303**	(58)
Realised loss on disposal of trading securities	**30,936**	4,866

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) The amount of taxation charged to the consolidated statement of profit or loss and other comprehensive income represents:

	2018	2017
	HK$'000	HK$'000
Current tax		
Hong Kong Profits Tax	**432**	–
Deferred tax		
Reversal of temporary differences	**–**	1,827
Total income tax expense	**432**	1,827

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

No PRC income tax has been provided for the Group as the Group's subsidiaries in the PRC did not have any assessable profit for the years ended December 31, 2018 and 2017.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is exempted from any income tax in the Cayman Islands and the BVI.

(b) Reconciliation between actual tax expense and notional tax on loss before taxation at the applicable tax rates:

	2018	2017
	HK$'000	HK$'000
Loss before tax	**(102,899)**	(141,133)
Notional tax on loss before tax, calculated at the rates applicable to profit in the tax jurisdictions concerned	**(16,978)**	(23,287)
Effect of different tax rate in other country	**(635)**	(2,256)
Tax effect of income not subject to taxation	**(3,279)**	(363)
Tax effect of expenses not deductible for taxation purposes	**10,940**	12,220
Tax effect of share of loss of an associate	**1,246**	953
Unused tax losses not recognised	**8,701**	13,283
Tax effect of origination and reversal of temporary differences	**–**	1,277
Others	**437**	–
Income tax expense	**432**	1,827

8. DIVIDENDS

The Board of the Company did not recommend any final dividend for the year ended December 31, 2018. No dividend was paid during the year (2017: Nil).

9. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to equity shareholders of the Company over the weighted average number of ordinary shares issued during the year.

	2018	2017
	HK$'000	HK$'000
Loss attributable to equity shareholders	**(103,031)**	(141,274)

	2018	2017
	'000 shares	'000 shares
Weighted average number of ordinary shares		
At the beginning of the year	**9,327,172**	9,368,072
Effect of repurchase	**–**	(29,200)
At the end of the year	**9,327,172**	9,338,872

Total issued ordinary shares at December 31, 2018 and 2017 was 9,327,172,000 shares.

(b) Diluted loss per share

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options or conversion of outstanding convertible bonds which had anti-dilutive effect and would result in a reduction in loss per share during the years ended December 31, 2018 and 2017. Therefore, the diluted loss per share is same as basic loss per share during the years ended December 31, 2018 and 2017.

10. RETIREMENT BENEFITS COSTS

The Group has implemented a provident fund scheme for its staff in Hong Kong in compliance with the requirements of the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance") effective from December 1, 2000. The Group contributed according to the minimum requirements of the MPF Ordinance and the contributions are charged to the consolidated statement of profit or loss and other comprehensive income.

The employees of the Group's subsidiaries that operated in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute pension, based on a certain percentage of their payroll costs, to the pension schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

11. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST PAY

(a) Directors' remuneration is disclosed as follows:

	For the year ended December 31, 2018					
	Fees HK$'000	Basic salaries, allowance and other benefits HK$'000	Discretionary Bonus HK$'000	Contributions to retirement scheme HK$'000	Share-based payment expenses HK$'000	Total HK$'000
Executive Directors						
Cheung Kwan *(Chairlady)*	6,000	–	–	18	7,332	13,350
Liu Hu	800	–	–	18	512	1,330
Sun Yu *(appointed on December 18, 2018)*	–	–	–	–	–	–
Wei Jiafu *(resigned on March 29, 2018)*	390	–	–	–	–	390
Wong Kwong Sum *(resigned on August 7, 2018)*	360	–	–	11	–	371
Ling Zack Xiange *(appointed on August 8, 2018 and resigned on January 15, 2019)*	255	–	–	–	267	522
Liang Jian *(appointed on November 28, 2018 and resigned on December 18, 2018)*	–	–	–	–	–	–
Non-executive Directors						
Wong Dayong *(appointed on August 18, 2018)*	–	–	–	–	481	481
Wang Angel Yunxiao *(retired on March 20, 2018)*	–	–	–	–	–	–
Independent Non-executive Directors						
Anthony Espina	240	–	–	–	–	240
Wang Jun Sheng *(appointed on October 16, 2018)*	50	–	–	–	–	50
Jin Xin *(appointed on December 18, 2018)*	9	–	–	–	–	9
Wong Tin Yau, Kelvin *(resigned on February 14, 2018)*	29	–	–	–	–	29
Ho Chun Chung, Patrick *(resigned on October 16, 2018)*	190	–	–	–	–	190
Ge Ming *(resigned on December 18, 2018)*	231	–	–	–	–	231
	8,554	–	–	47	8,592	17,193

As at December 31, 2018 and 2017, share options have been granted and held by the directors under the Company's share option scheme, details please refer to note 25.

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

None of the directors has waived any emoluments for the years ended December 31, 2018 and 2017.

11. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST PAY *(CONTINUED)*

(a) Directors' remuneration is disclosed as follows: *(continued)*

	For the year ended December 31, 2017					
	Fees HK$'000	Basic salaries, allowance and other benefits HK$'000	Discretionary Bonus HK$'000	Contribution to retirement scheme HK$'000	Share-based payment expenses HK$'000	Total HK$'000
Executive Directors						
Cheung Kwan	6,600	–	–	18	–	6,618
Wei Jiafu *(resigned on March 29, 2018)*	1,960	–	–	–	539	2,499
Cheng Wen *(resigned on July 25, 2017)*	1,285	–	–	10	–	1,295
Huang Shenglan *(resigned on June 16, 2017)*	1,119	–	–	–	–	1,119
Wong Kwong Sum	670	–	–	18	180	868
Liu Hu *(appointed on November 29, 2017)*	106	–	–	2	844	952
Non-executive Directors						
Wang Angel Yunxiao *(appointed on July 13, 2017 and retired on March 20, 2018)*	–	–	–	–	1,620	1,620
Independent Non-executive Directors						
Ho Chun Chung, Patrick	219	–	–	–	162	381
Anthony Espina	219	–	–	–	162	381
Ge Ming *(appointed on May 9, 2017)*	155	–	–	–	162	317
Wong Tin Yau, Kelvin *(resigned on February 14, 2018)*	219	–	–	–	162	381
	12,552	–	–	48	3,831	16,431

11. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST PAY *(CONTINUED)*

(b) Individuals with highest emoluments

Of the five individuals with the highest paid in the Group, two (2017: three) were directors of the Company whose emoluments are disclosed in note 11(a) above. The emoluments of the remaining three (2017: two) individual were as follows:

	2018	2017
	HK$'000	HK$'000
Salaries and other benefits	**4,111**	4,307
Contributions to defined contribution retirement plans	**66**	54
Discretionary bonus	**121**	1,400
Share-based payment expenses	**101**	–
	4,399	5,761

Their emoluments were within the following bands:

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

During the years ended December 31, 2018 and 2017, no inducement payment or compensation for loss of office was paid to the five highest paid individuals.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Moulds HK$'000	Motor vehicles HK$'000	Vessel HK$'000	Total HK$'000
Cost							
At January 1, 2017	3,959	648	2,313	114	2,300	27,000	36,334
Additions	5,130	46	1,941	21	–	–	7,138
Disposal	(852)	–	(59)	–	–	–	(911)
Exchange adjustments	–	–	34	–	30	–	64
At December 31, 2017 and January 1, 2018	8,237	694	4,229	135	2,330	27,000	42,625
Additions	**–**	**86**	**24**	**14**	**–**	**–**	**124**
Disposal	**–**	**–**	**(3)**	**–**	**(29)**	**–**	**(32)**
Acquisition of subsidiaries	**203**	**–**	**110**	**–**	**467**	**–**	**780**
Exchange adjustments	**–**	**–**	**(26)**	**–**	**(22)**	**–**	**(48)**
At December 31, 2018	**8,440**	**780**	**4,334**	**149**	**2,746**	**27,000**	**43,449**
Accumulated depreciation							
At January 1, 2017	2,806	130	755	17	719	2,025	6,452
Charge for the year	2,266	136	691	24	677	2,700	6,494
Written back on disposal	(555)	–	(12)	–	–	–	(567)
Exchange adjustments	–	–	28	–	19	–	47
At December 31, 2017 and January 1, 2018	4,517	266	1,462	41	1,415	4,725	12,426
Charge for the year	**2,109**	**152**	**654**	**29**	**631**	**2,700**	**6,275**
Written back on disposal	**–**	**–**	**(14)**	**–**	**(14)**	**–**	**(28)**
Exchange adjustments	**–**	**–**	**(23)**	**–**	**(17)**	**–**	**(40)**
At December 31, 2018	**6,626**	**418**	**2,079**	**70**	**2,015**	**7,425**	**18,633**
Net book values							
At December 31, 2018	**1,814**	**362**	**2,255**	**79**	**731**	**19,575**	**24,816**
At December 31, 2017	3,720	428	2,767	94	915	22,275	30,199

13. INTANGIBLE ASSETS

	Type 1 Regulated Activity License HK$'000	Type 4 and Type 9 Regulated Activity License HK$'000	Money Lending License HK$'000	Software Licenses HK$'000	Total HK$'000
Cost					
As at January 1, 2017, December 31, 2017 and January 1, 2018	12,388	5,500	500	–	18,388
Acquisition of subsidiaries	–	–	–	27,000	27,000
As at December 31, 2018	12,388	5,500	500	27,000	45,388
Accumulated amortisation and impairment loss					
As at January 1, 2017, December 31, 2017, January 1, 2018 and December 31, 2018	–	–	–	–	–
Carrying values					
As at December 31, 2018	12,388	5,500	500	27,000	45,388
As at December 31, 2017	12,388	5,500	500	–	18,388

The regulated activities licenses and software licenses acquired in business combinations were recognised at fair value at the acquisition date for securities brokerage and asset management business and trading of security products and provision of security services business respectively. The regulated activities licenses have indefinite useful lives and carried at cost less accumulated impairment losses. The software licenses have estimated useful lives of 5 years and carried at cost less accumulated amortisation and impairment loss.

For the purposes of impairment tests, intangible assets have been allocated to the following cash generating units ("CGU"). The carrying amount of intangible assets as at the end of the reporting period is allocated as follows:

	2018 **HK$'000**	2017 HK$'000
Securities brokerage and assets management business	**18,388**	18,388
Trading of security products and provision of Security services business	**27,000**	–
	45,388	18,388

Please refer to note 15 for details of impairment testings.

14. INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries represents investments in unlisted shares at cost.

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of establishment/ incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Principal activities
Directly held				
Silver Pattern Limited	British Virgin Islands	US$1	100%	Investment holdings
Market Season Limited	British Virgin Islands	US$1	100%	Investment holdings
Harmonic Strait Group Limited	Hong Kong	HK$1	100%	Trading of metals and minerals
Asiagoal Holdings Limited	Hong Kong	HK$1	100%	Investment holdings
AIF International Great Trading Limited	Hong Kong	HK$1	100%	Investment holdings
Indirectly held				
Harmonic Strait Export Limited	Hong Kong	HK$1	100%	Trading of party products
Hong Kong New Smart Energy Group Limited	Hong Kong	HK$1,000,000	100%	Investment holdings
Green Link Holdings Limited	Hong Kong	HK$1	100%	Investment holdings
International Security Net Co., Limited	Hong Kong	HK$10,000	100%	Provision of security service
AIF Securities Limited	Hong Kong	HK$40,000,000	100%	Engaging in the business of a dealer in securities
AIF Finance Limited	Hong Kong	HK$100,000	100%	Money lending business

14. INVESTMENT IN SUBSIDIARIES *(CONTINUED)*

Name of company	Place of establishment/ incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Principal activities
AIF Asset Management Limited	Hong Kong	HK$3,000,000	100%	Provision of securities advisory and asset management services
和協海峽融資擔保有限公司#	PRC	US$20,000,000	90%	Provision of credit service, conduct investment business and money lending business
滙金協和投資咨詢(深圳)有限公司	PRC	HK$30,000,000	100%	Investment holdings
深圳瀚宏供應鏈管理有限公司	PRC	RMB10,000,000	90%	Provision of supply chain management service, operating import and export business and trading of metals
德威可信(北京)科技有限公司 Dewe Kexin (Beijing) Technology Co., Ltd*	PRC	–	51%	Trading of security products

\# This subsidiary is registered as a sino-foreign joint venture limited liability company incorporated in the PRC.

* The English name is for identification purpose only.

14. INVESTMENT IN SUBSIDIARIES *(CONTINUED)*

Material partially-owned subsidiary

The following table lists out the information relating to 和協海峽融資擔保有限公司, a subsidiary of the Group in which the Group has material non-controlling interests. The summarised financial information presented below represents the amounts before any inter-company elimination.

	2018	2017
	HK$'000	HK$'000
Non-controlling interests percentage	**10%**	10%
Current assets	**84,506**	139,527
Non-current assets	**63,033**	29,750
Current liabilities	**(15,804)**	(4,936)
Non-current liabilities	**–**	–
Net assets	**131,735**	164,341
Carrying amount of non-controlling interests	**13,173**	16,434
Revenue	**191**	1,552
Profit for the year	**4,763**	8,132
Total comprehensive (loss)/income	**(2,867)**	8,132
Profit allocated to non-controlling interests	**476**	813
Dividend paid to non-controlling interests	**–**	–
Cash flows (used in)/generated from operating activities	**(22,282)**	39,720
Cash flows used in investing activities	**–**	(9,921)
Cash flows generated from financing activities	**–**	–

15. GOODWILL

	2018	2017
	HK$'000	HK$'000
At the beginning of the year	**3,000**	3,000
Acquisition of subsidiaries *(note 32)*	**40,528**	–
At the end of the year	**43,528**	3,000

Impairment tests for cash-generating units containing goodwill

For the purposes of impairment tests, goodwill has been allocated to the following cash generating units ("CGU"). The carrying amount of goodwill as at the end of the reporting period is allocated as follows:

	2018	2017
	HK$'000	HK$'000
Securities brokerage and assets management business	**3,000**	3,000
Trading of security products and provision of security services business	**40,528**	–
	43,528	3,000

15. GOODWILL *(CONTINUED)*

Securities brokerage and assets management business

As at December 31, 2018, the recoverable amount of the CGUs of securities brokerage and assets management business segment has been determined on the basis of their fair value less cost of disposal using market based approach. A price-to-book multiple of 2.11 has been adopted in arriving at the fair value of the CGUs. The fair value measurement of the CGUs are at Level 3 of the fair value hierarchy.

The CGU of securities brokerage and asset management business held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The licenses will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. The respective recoverable amounts of the cash generating units relate to securities brokerage and assets management business, whereby these licenses are allocated to, are determined based on fair value less cost of disposal by market approach. The measurement is categorised as level 3 measurement through an analysis of recent sales or offerings of comparable transactions.

Trading of security products and provision of security services business

The valuation used the value-in-use approach and is based on a five-year performance projection and certain key assumptions (updated with latest market data) including growth rates, expected changes to revenue and direct cost and a discount rate of 18% during the budgeted period which is determined based on a estimated performance, management's expectations for the market development and future business plan. The discount rate used reflects specific risks relating to trading of security products and provision of security services.

Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted income and gross profit margin. Such estimation is based on management's expectations for the market development and efficiency improvement.

In view of above, there was no impairment on goodwill and intangible assets of the CGU of securities brokerage and asset management business and the CGU of trading of security products and provision of security services business as at December 31, 2018 and 2017.

The fair value of the CGU of securities brokerage and asset management business and the CGUs of trading of security products and provision of security service business as at December 31, 2018 have been arrived at on the basis of the valuations carried out by an independent firm of professional valuer with recognised qualifications and experience. The management has reviewed the useful life and concluded that events and circumstances continued to support the useful life assessment.

16. INTEREST IN AN ASSOCIATE

The following list contains the associate which is an unlisted corporate entity of which the quoted market price is not available:

Name of associate	Place of incorporation and business	Particulars of issued and paid up capital		Proportion of ownership interest		Principal activity
		2018	2017	**2018**	2017	
Sunrise Insurance Broker Company Limited ("Sunrise Insurance")	PRC	**RMB55,555,500**	RMB50,000,000	**21.6%**	24%	Provision of insurance brokerage service

During the year, Sunrise Insurance increased the paid-up capital from RMB50,000,000 to RMB55,555,500. The Group's interest in Sunrise Insurance was diluted from 24% to 21.6% and it recognized a loss of disposal of the associate of HK$5,086,000 during the year.

The associate is accounted for using the equity method in the consolidated financial statements.

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

	Sunrise Insurance	
	2018	2017
	HK$'000	HK$'000
Gross amount of the associate		
Current assets	**35,651**	21,623
Non-current assets	**5,510**	5,258
Current liabilities	**(53,317)**	(25,816)
Equity	**(12,156)**	1,065
Post acquisition result		
Revenue	**183,205**	48,851
Loss for the period	**(22,281)**	(15,888)
Total comprehensive loss	**(23,453)**	(15,888)
Reconciled to the Group's interest in the associate		
Gross amounts of the net (liabilities)/assets of the associate	**(12,156)**	1,065
Group's effective interest	**21.6%**	24%
Group's share of net (liabilities)/assets of the associate	**(2,626)**	256
Goodwill	**44,008**	51,931
Carrying amount in the consolidated financial statements	**41,382**	52,187

17. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2018 HK$'000	2017 HK$'000
Raw materials	**1,277**	4,489
Work-in-progress	**967**	1,426
Finished goods	**1,542**	25,945
	3,786	31,860

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	2018 HK$'000	2017 HK$'000
Carrying amount of inventories sold	**50,422**	155,048

18. TRADING SECURITIES

	2018 HK$'000	2017 HK$'000
Trading securities		
– Listed equity shares listed in Hong Kong	**1,201**	34,392

The trading securities are initially recognised at fair value. The Group holds the trading securities for trading purpose. At the end of reporting period the fair value is re-measured, with any resultant gain or loss being recognized in profits or loss. The fair value is measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

19. LOAN RECEIVABLES

	2018 HK$'000	2017 HK$'000
Loan receivables from money lending business	**189,893**	104,836
Less: Impairment *(note (c))*	**(15,836)**	–
	174,057	104,836
Representing:		
Current portion	**111,128**	104,836
Non-current portion	**62,929**	–
	174,057	104,836

(a) Loan receivables bear interest at rates ranged from 5% to 17% per annum (2017: 10% to 20%), and with repayment terms, mutually agreed between the contracting parties. During the year, the Group lent the loans to independent customers in total of HK$189,893,000, of which HK$12,000,000 was secured by a personal guarantee of a customer, HK$83,618,000 was secured by unlisted equity shares of some PRC companies provided by the customers and HK$15,510,000 was secured by both trading securities and unlisted equity shares of a PRC company of a customer.

(b) The loan receivables at the end of the reporting period are analysed by the remaining period to contractual maturity date as follows:

	2018 HK$'000	2017 HK$'000
Repayable:		
Within 1 year	**111,128**	104,836
1 to 3 years	**62,929**	–
	174,057	104,836

19. LOAN RECEIVABLES *(CONTINUED)*

(c) Movement in the loss allowance for impairment of loan receivables:

	2018	2017
	HK$'000	HK$'000
At January 1	**–**	–
Effect on adoption of HKFRS 9	**2,129**	–
	2,129	–
Impairment loss	**13,707**	–
At December 31	**15,836**	–

The amounts represented impairment loss made on the overdue loans amounting to HK$11,427,000 and loss allowance made on the assessment of increasing of credit risk of the bullet loans which interest and principal repayable in total at the repayment date in June 2020 amounting to HK$4,409,000.

20. TRADE RECEIVABLES

	2018	2017
	HK$'000	HK$'000
Trade receivables arising from dealing in securities:		
– Clients arising from dealing in securities	**3,659**	772
– Clearing house	**588**	2,011
	4,247	2,783
Interest receivables arising from money lending business	**1,056**	326
Trade receivables arising from credit guarantee service and investment income	**1,123**	1,822
Trade receivables arising from trading of party products	**8,944**	9,947
Trade receivables arising from trading of security products	**1,257**	–
Trade receivables arising from provision of security services	**4,575**	–
	21,202	14,878
Less: Impairment *(note (d))*	**(2,017)**	(715)
	19,185	14,163

Customers from trading of party products and trading of security products and customers from provision of security services are usually offered a credit period of up to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

20. TRADE RECEIVABLES *(CONTINUED)*

(a) An ageing analysis of trade receivables based on the date of the invoice and net of provision of impairment loss is as follows:

	2018 **HK$'000**	2017 HK$'000
Within 30 days	**10,970**	8,288
31 to 60 days	**1,786**	3,762
61 to 90 days	**3,576**	854
Over 90 days	**2,853**	1,259
	19,185	14,163
Trade receivables from dealing in securities not past due	**(4,247)**	(2,783)
	14,938	11,380

(b) Trade receivables neither past due nor impaired

	Trade receivables from securities brokerage and assets management HK$'000	**Trade receivables from money lending business** HK$'000	**Trade receivables from provision of credit guarantee service and investment income** HK$'000	**Trade receivables from trading of party products** HK$'000	**Trade receivables from sales of security products and provision of security services** HK$'000	**Total** HK$'000
As at December 31, 2018						
Neither past due nor impaired	**4,247**	**194**	**–**	**4,409**	**1,848**	**10,698**
As at December 31, 2017						
Neither past due nor impaired	2,783	–	667	6,487	–	9,937

Trade receivables from securities brokerage and assets management represent trade receivables from cash and custodian clients which are neither past due nor impaired represent unsettled client trades or securities exchanges transacted on the last two business days prior to the end of the reporting year. No ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis does not give additional value in view of the nature of these trade receivables.

Save as disclosed above, trade receivables from all other businesses that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

20. TRADE RECEIVABLES *(CONTINUED)*

(c) Trade receivables past due but not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	Trade receivables from securities brokerage and assets management	Trade receivables from money lending business	Trade receivables from credit guarantee service and investment income	Trade receivables from trading of party products	Trade receivables from sales of security products and provision of security services	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at December 31, 2018						
Less than 1 month past due	**–**	**–**	**–**	**2,091**	**–**	**2,091**
1 to 3 months past due	**–**	**–**	**–**	**2,339**	**1,907**	**4,246**
Over 3 months past due	**–**	**–**	**–**	**105**	**2,045**	**2,150**
	–	**–**	**–**	**4,535**	**3,952**	**8,487**
As at December 31, 2017						
Less than 1 month past due	–	326	–	2,525	–	2,851
1 to 3 months past due	–	–	–	784	–	784
Over 3 months past due	–	–	440	151	–	591
	–	326	440	3,460	–	4,226

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

20. TRADE RECEIVABLES *(CONTINUED)*

(d) Impairment losses on trade receivables

	2018	2017
	HK$'000	HK$'000
Movement in the loss allowance for impairment of trade receivables:		
As at January 1	**715**	895
Impairment loss	**1,308**	–
Uncollectible amounts written off	**–**	(180)
Exchange adjustments	**(6)**	–
As at December 31	**2,017**	715

As at December 31, 2018, the amounts represented impairment loss on overdue interest receivables of HK$862,000 from money lending business, impairment loss on overdue interest receivables of HK$421,000 and overdue account receivables of HK$702,000 from credit guarantee service and investment income business and impairment loss on overdue balance of HK$32,000 from sales of security products business respectively. The management considered that the above amounts had low possibility to be recovered.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade deposits and other receivables	**155,942**	169,722
Prepayments and other deposits	**23,314**	26,168
	179,256	195,890
Less: Impairment loss on other receivables *(Note a)*	**(42,419)**	(47,275)
	136,837	148,615
Representing:		
Current-portion	**136,437**	135,991
Non-current portion	**400**	12,624
	136,837	148,615

The amount of prepayments, deposits and other receivables expected to be recovered or recognised as expense after more than one year is approximately HK$400,000 (2017: HK$12,624,000). The remaining amount are expected to be recovered or recognised as expense within one year.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(CONTINUED)*

(a) Impairment losses on other receivables

	2018 HK$'000	2017 HK$'000
Movement in the loss allowance for impairment of other receivables		
As at January 1	**47,275**	12,501
Effect on adoption of HKFRS 9	**4,937**	–
	52,212	12,501
Impairment loss	**2,028**	38,244
Reversal of impairment loss	**(11,743)**	(3,470)
Exchange adjustment	**(78)**	–
As at December 31	**42,419**	47,275

As at December 31, 2018, HK$26,501,000 (2017:HK$38,244,000) was made as provision for an independent third party due to the legal title of certain collateral is uncertain and HK$8,953,000 (2017: HK$9,031,000) was made as provision for overdue balance, which were under the credit guarantee service and investment business. In addition, impairment loss was made during the year due to (i) opening effect on adoption of HKFRS 9 amounting HK$4,937,000 and (ii) the increased credit risk for the other receivables amounting HK$2,028,000.

Other receivables of HK$11,743,000 (2017: HK$3,470,000) were recovered during the year. As a result, a reversal of impairment loss has been recognised in profit or loss.

22. CLIENT TRUST BANK BALANCE

The Group receives and holds monies deposited by clients and other institutions in the course of the conduct of the regulated activities of securities brokerage. These clients' monies are maintained in one trust bank account. The Group has recognised the corresponding trade payables to respective clients (Note 27).

23. CASH AND CASH EQUIVALENTS

	2018 HK$'000	2017 HK$'000
Cash and bank balances	**22,910**	78,460
Cash and cash equivalents in the statement of cash flows	**22,910**	78,460

Cash and cash equivalents in the consolidated statement of cash flows as at December 31, 2018 and 2017 were approximately HK$22,910,000 and HK$78,460,000 respectively.

Cash and cash equivalents include short-term bank deposit, carrying interest at prevailing market rates.

24. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorized:		
As at January 1, 2017, December 31, 2017, January 1, 2018 and December 31, 2018	100,000,000	10,000,000
Issued and fully paid:		
As at January 1, 2017	9,368,072	936,807
Repurchased during the year (Note b)	(40,900)	(4,090)
As at December 31, 2017, January 1, 2018 and 31 December, 2018	9,327,172	932,717

(a) The Company has a share option scheme, under which the Company may grant options to any employee or director to subscribe for shares of the Company, up to a maximum of 10% of the issued share capital of the Company (absolute maximum number of share option: 932,717,200 (2017: 932,717,200 shares)). 981,000,000 share options were granted during the year (2017: 660,000,000) and there were 876,000,000 outstanding share options as at December 31, 2018 (2017: 573,000,000).

(b) During the year ended December 31, 2017, the Company repurchased its own ordinary shares on the Stock Exchange of Hong Kong Limited as follows:

Month/year	**Number of shares repurchased**	**Highest price paid per share** HK$	**Lowest price paid per share** HK$	**Aggregate price paid** HK$'000
March 2017	8,500,000	0.075	0.071	619
March 2017	26,500,000	0.082	0.076	2,076
July 2017	5,900,000	0.075	0.073	437
	40,900,000			3,132

An aggregate of 40,900,000 shares were repurchased in aggregate amount of approximately HK$3.1 million and cancelled in May and July 2017.

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS

At the annual general meeting of the Company held on June 26, 2017, the shareholders of the Company approved the adoption of a new share option scheme (the "Share Option Scheme") which took effect from June 26, 2017 (the "Commencement Date"). The purpose of the Share Option Scheme is to provide incentives or rewards to participants (the "Participants") of the Share Option Scheme for their contribution to, and continuing efforts to promote the interests of the Group. The Participants (as defined in the Share Option Scheme) include any employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any of its subsidiaries) and any distributor, contractor, business partner, promoter, service provider, customer, supplier, consultant, agent and adviser or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from June 26, 2017. The existing scheme mandate limit in respect of the granting of options to subscribe for shares under the Share Option Scheme was refreshed and renewed at the annual general meeting of the Company held on June 22, 2018. The maximum number of the ordinary shares (the "Shares") of the Company upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% (ie. 932,717,200 shares) of the ordinary shares of the Company in issue as at June 22, 2018 being the date of approval of the refreshment of the existing scheme mandate limit.

Save as disclosed above, the other principal terms of the Share Option Scheme are as follows:

(i) The overall maximum number of Shares which may be issued upon the exercise of all outstanding options grants and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the Shares in issue from time to time.

(ii) The total number of Shares in respect of which options may be granted to each eligible participant in any 12-month period must not exceed 1% of the issued share capital of the Company for the time being.

(iii) The subscription price shall be a price determined by the Directors, but shall not be less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations on the date of grant, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant; and (c) the nominal value of the Share.

(iv) An option may be accepted by an eligible participant for a period of 21 days from the date upon which the offer of the grant of option is made. A non-refundable nominal consideration of HK$1.00 is payable by the grantee upon acceptance of an option.

The total number of Shares available for issue under the Share Option Scheme was 876,000,000 as at December 31, 2018, representing 9.4% of the issued Shares (9,327,172,000 Shares) of the Company as at December 31, 2018 and the date of this report.

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(CONTINUED)*

Details of the share options granted and summary of movements of the outstanding share options for the year ended December 31, 2018 under the Share Option Scheme are as follows:

					Number of share options				
	Date of grant	**Exercise price** HK$	Note	**Exercisable period**	**Outstanding as at January 1, 2018**	**Granted**	**Exercised**	**Lapsed**	**Outstanding as at December 31, 2018**
Executive Directors									
Cheung Kwan	July 27,2017	0.15	(i)	From July 27, 2017 to July 26, 2020	–	250,000,000	–	–	250,000,000
Wei Jiafu	July 27, 2017	0.15	(ii)	From July 27, 2017 to July 26, 2020	30,000,000	–	–	(30,000,000)	–
Wong Kwong Sum	July 27, 2017	0.15	(ii)	From July 27, 2017 to July 26, 2020	10,000,000	–	–	(10,000,000)	–
Liu Hu	November 29, 2017	0.15	(iv)	From November 29, 2017 to November 28, 2020	50,000,000	–	–	–	50,000,000
Ling Zack Xiange	September 7, 2018	0.15	(v)	From September 7, 2018 to September 6, 2021	–	50,000,000	–	–	50,000,000
Non-executive Director									
Wang Angel Yunxiao	July 27, 2017	0.15	(ii)	From July 27, 2017 to July 26, 2020	90,000,000	–	–	(90,000,000)	–
Wang Dayong	September 7, 2018	0.15	(v)	From September 7, 2018 to September 6, 2021	–	90,000,000	–	–	90,000,000
Independent Non-executive Directors									
Anthony Espina	July 27, 2017	0.15	(ii)	From July 27, 2017 to July 26, 2020	9,000,000	–	–	–	9,000,000
Wong Tin Yau, Kelvin	July 27, 2017	0.15	(ii)	From July 27, 2017 to July 26, 2020	9,000,000	–	–	(9,000,000)	–
Ho Chun Chung, Patrick	July 27, 2017	0.15	(ii)	From July 27, 2017 to July 26, 2020	9,000,000	–	–	(9,000,000)	–
Ge Ming	July 27, 2017	0.15	(ii) & (vii)	From July 27, 2017 to July 26, 2020	9,000,000	–	–	–	9,000,000
Employees	July 27, 2017	0.15	(ii)	From July 27, 2017 to July 26, 2020	14,000,000	–	–	–	14,000,000
	November 29, 2017	0.15	(iv)	From November 29, 2017 to November 28, 2020	150,000,000	–	–	(80,000,000)	70,000,000
	September 7, 2018	0.15	(v)	From September 7, 2018 to September 6, 2021	–	141,000,000	–	–	141,000,000
	September 7, 2018	0.15	(vi)	From September 7, 2018 to September 6, 2021	–	450,000,000	–	(450,000,000)	–

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(CONTINUED)*

Details of the share options granted and summary of movements of the outstanding share options for the year ended December 31, 2018 under the Share Option Scheme are as follows: *(continued)*

	Date of grant	Exercise price HK$	Note	Exercisable period	Number of share options: Outstanding as at January 1, 2018	Granted	Exercised	Lapsed	Outstanding as at December 31, 2018
Consultants	July 27, 2017	0.15	(ii)	From July 27, 2017 to July 26, 2020	40,000,000	–	–	–	40,000,000
	July 27, 2017	0.15	(iii)	From January 1, 2018 to July 26, 2020	153,000,000	–	–	–	153,000,000
					573,000,000	981,000,000	–	(678,000,000)	876,000,000

Notes

(i) Share options were conditionally granted and vested subject to the approval of the shareholders of the Company, and such approval was obtained on March 20, 2018.

(ii) Share options were vested immediately on the date of the options granted.

(iii) Each of the one third of the share options will be vested on the date of the options granted, January 1, 2018 and January 1, 2019 respectively. The exercise period is from the effective vested dates to July 26, 2020.

(iv) 50% of the share options were vested immediately on the date of the options granted and the remaining 50% of the share options will be vested on November 29, 2018. The exercise period is from the effective vested dates to November 28, 2020.

(v) Each of the one third of the share options will be vested on the date of the options granted, January 1, 2020 and January 1, 2021 respectively. The exercise period is from the effective vested dates to September 6, 2021.

(vi) Share options will be vested on the date of grant and exercisable for 3 years from September 7, 2018 to September 6, 2019 (the "Relevant Period"), subject to the fulfillment of certain performance targets during the Relevant Period and the performance targets were determined by the Board of the Company. In the event that the performance targets are not fulfilled by September 6, 2019, the share options will be automatically cancelled.

(vii) Mr Ge Ming resigned as independent non-executive director and his share options have been retained as determined by the Board for his past contribution to the Company.

(viii) As at December 31, 2018, 876,000,000 (2017: 573,000,000) share options were outstanding, out of which 637,667,000 (2017: 371,000,000) share options are exercisable.

(ix) The share options outstanding at December 31, 2018 had an exercise price of HK$0.15 (2017: HK$0.15) and a weighted average remaining contractual life of 1.97 years (2017: 2.65 years).

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(CONTINUED)*

(a) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Date of grant	**July 27, 2017**	**November 29, 2017**	**March 20, 2018**	**September 7, 2018**
Fair value at measurement date	HK$0.017	HK$0.017	HK$0.029	HK$0.012
Share price	HK$0.07	HK$0.10	HK$0.12	HK$0.06
Exercise price	HK$0.15	HK$0.15	HK$0.15	HK$0.15
Expected volatility	83.19%	80.16%	63.21%	63.69%
Option life	3 years	3 years	2.35 years	3 years
Expected dividend	0%	0%	0%	0%
Risk-free interest rate (based on Exchange Fund Notes)	0.898%	1.403%	1.43%	2.12%

The expected volatility is based on the historic volatility. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

(b) The fair value of the share options granted under the Share Option Scheme of HK$15,148,000 (2017: HK$8,970,000) was recognised in share-based payment expenses and the share option reserve of the Group during the year.

26. RESERVES

The Company

	Share premium	Contributed surplus	Convertible bond reserve	Share option reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At January 1, 2017	3,057,330	31,971	12,663	–	(3,569,951)	(467,987)
Repurchase of shares	948	–	–	–	–	948
Grant of share options	–	–	–	8,970	–	8,970
Lapsed of share options	–	–	–	(484)	484	–
Total comprehensive loss for the year	–	–	–	–	(128,407)	(128,407)
At December 31, 2017 and January 1, 2018	**3,058,278**	**31,971**	**12,663**	**8,486**	**(3,697,874)**	**(586,476)**
Issue of convertible bonds	**–**	**–**	**24,400**	**–**	**–**	**24,400**
Grant of share options	**–**	**–**	**–**	**15,148**	**–**	**15,148**
Lapsed of share options	**–**	**–**	**–**	**(8,944)**	**8,944**	**–**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(128,760)**	**(128,760)**
At December 31, 2018	**3,058,278**	**31,971**	**37,063**	**14,690**	**(3,817,690)**	**(675,688)**

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in share premium account are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operation.

26. RESERVES *(CONTINUED)*

(iii) Capital reserve

Capital reserve of the Group represents the difference between the nominal values of the ordinary shares issued by the Company and the share capital of Silver Pattern Limited acquired through the share swap pursuant to the reorganisation of the Group for the listing of the Company's shares (the "Reorganisation") in 2017.

(iv) Contributed surplus

Contributed surplus represents the excess of the fair value of the shares of Silver Pattern Limited determined on the basis of the consolidated net assets of Silver Pattern Limited at the due of the Reorganisation over the normal value of the shares issued by the Company in exchange thereof.

(v) Convertible bond reserve

The convertible bond reserve represents the unexercised equity component of the convertible bond issued by the Company recognised in accordance with the accounting policy adopted for convertible bond.

(vi) Statutory reserve

The Company's subsidiaries incorporated in the PRC are required to make appropriations to statutory reserves from their profit for the year after offsetting accumulated losses carried forward from prior years as determined under the PRC accounting regulations and before distribution to equity holders. The percentages to be appropriated to such statutory reserve are determined according to relevant regulations in the PRC. Enterprises in Mainland China are required to transfer at least 10% of their profit after taxation to the statutory surplus reserve until the balance of the reserve is equal to 50% of their registered capital.

(vii) Distributability of reserves

At December 31, 2018 and 2017, no reserves were available for distribution to equity shareholders of the Company.

(viii) Share option reserve

The share option reserve represents the recognition of the value of equity-settled share-based payments provided to non-employee and employees, including key management personnel, as part of the remuneration. Please refer to note 25 for further details.

27. TRADE PAYABLES

	2018	2017
	HK$'000	HK$'000
Trade payables arising from dealing in securities:		
– Clients arising from dealing in securities	**587**	2,006
– Clearing house	**476**	711
– Clients' money	**3,229**	9,202
	4,292	11,919
Trade payables arising from trading of party products	**2,191**	2,982
	6,483	14,901

The ageing analysis of trade payables arising from trading of party products is as follows:

	2018	2017
	HK$'000	HK$'000
0 to 30 days	**1,168**	2,145
31 to 60 days	**530**	641
61 to 90 days	**268**	196
Over 90 days	**225**	–
	2,191	2,982

The trade payables arising from trading of party products are non-interest bearing and are normally settled within 90 days. The carrying amounts of the trade payables at the end of the reporting period approximated their fair values.

28. ACCRUALS AND OTHER PAYABLES

	2018	2017
	HK$'000	HK$'000
Accrued salaries and bonus	**6,706**	8,601
Contract liabilities *(note (a))*	**15,779**	–
Deposits received	**398**	23,170
Other accrued expenses and other payables	**34,389**	22,045
	57,272	53,816

The carrying amounts of accruals and other payables at the end of the reporting period approximated their fair values. All of the accrued expenses and other payables are expected to be settled or recognised as income within one year.

Note

(a) Movements in contract liabilities

	2018
	HK$'000
Balance at January 1, 2018	–
Increase in contract liabilities as a result of billing in advance of sales of security products	15,779
Balance at December 31, 2018	15,779

The typical payment terms which impact on the amount of contract liability recognized in above:

Sales of security product

When the group receives a deposit before delivery of goods, this will give rise to contract liabilities at the time of deposit received, until the control of the goods has transferred to the customer, being at the point the goods are delivered to the customers.

29. OTHER LOAN

As at December 31 2018, the Group's other loan was unsecured and would be repayable within one year with fixed interest rate of 5% per annum.

30. DEFERRED TAXATION IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Deferred tax liabilities/(assets) recognised:

The component of deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Intangible assets	**Depreciation allowance in excess of the related depreciation**	**Unused tax losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At January 1, 2017	–	(1,809)	(18)	(1,827)
Reversal of temporary differences	–	1,809	18	1,827
At December 31, 2017	–	–	–	–
Acquisition of subsidiaries	6,750	–	–	6,750
At December 31, 2018	6,750	–	–	6,750

Deferred tax assets have not been recognised in respect of the tax losses of HK$149,106,000 (2017: HK$96,371,000) as it is not probable that sufficient future taxable profits will be available in the subsidiaries in which the losses arose against which the unused tax losses can be utilised in the near future.

31. CONVERTIBLE BONDS

	Note	**2018** Liability portion HK$'000	Equity portion HK$'000	Total HK$'000	2017 Liability portion HK$'000	Equity portion HK$'000	Total HK$'000
Convertible bonds due in 2019	(a)	**99,095**	**12,663**	**111,758**	99,124	12,663	111,787
Convertible bonds due in 2021	(b)	**45,600**	**24,400**	**70,000**	–	–	–
At December 31		**144,695**	**37,063**	**181,758**	99,124	12,663	111,787
Representing:							
Current liabilities		**99,095**	**–**	**99,095**	99,124	–	99,124
Non-current liabilities		**45,600**	**–**	**45,600**	–	–	–
Convertible bonds reserve		**–**	**37,063**	**37,063**	–	12,663	12,663

(a) On February 18, 2016, the Company issued two-year unsecured convertible bond at 0% coupon rate of principal amount of HK$100,000,000 to the sole bondholder (the "Bondholder"), which is a company wholly owned by Ms. Cheung Kwan ("Ms. Cheung") (the chairlady and executive director and the substantial shareholder of the Company). The annualized effective interest rate of the liability portion of the convertible bonds was 7% at the date of issue of the convertible bonds which was determined based on a valuation performed by an independent valuer using discounted cash flow model at an equivalent market interest rate for a similar bond without a conversion option. The conversion price was HK$0.1 per conversion share and a maximum of 1,000,000,000 conversion shares would be allotted and issued upon exercise of the conversion rights attaching to the convertible bond in full.

On January 10, 2018, the Company and the Bondholder entered into a deed of variation for the extension of the conversion period and the maturity date of the convertible bonds with the principal amount of HK$100,000,000 by a period of one year, such that the maturity date becomes February 18, 2019 (the "Extended Maturity Date"). Apart from the extension of the conversion period and the maturity date, all other terms and conditions of the outstanding convertible bonds remain unchanged. The Extended Maturity Date of the convertible bonds was approved by the shareholders at the Company's extraordinary general meeting on March 20, 2018 and completed with effect on March 29, 2018. Details of Extended Maturity Date of the convertible bonds are set out in the Company's circular on February 28, 2018 and the Company's announcements on January 10, 2019, March 20, 2018 and April 6, 2018.

The Extended Maturity Date of the convertible bonds is considered not to be a substantial modification of terms of the convertible bonds. As such, the amount of future cash flow of the extended convertible bonds as at February 18, 2018 is discounted by the original effective interest rate amounted to approximately HK$93,458,000. The difference between the carrying amount of the convertible bonds and the amount of discounted future cash flow of the extended convertible bonds of approximately HK$6,542,000 has been recognised as gain on convertible bonds restructure in other revenue and other net (loss)/gain (note 4).

31. CONVERTIBLE BONDS *(CONTINUED)*

(a) *(continued)*

Subsequent to the end of the reporting period, the Company and the Bondholder conditionally agreed the proposed alteration of terms of the convertible bonds. Details refer to note 39(b) in this report.

If no Bondholder exercise the conversion rights on maturity date, the Company shall redeem each convertible bond then outstanding at a value equal to the aggregate principal amount then outstanding on the maturity date.

	Liability portion
	HK$'000
At January 1, 2017	92,639
Imputed interest amortised	6,485
At December 31, 2017	99,124
Gain on convertible bonds restructure	(6,542)
Imputed interest amortised	6,513
At December 31, 2018	99,095

(b) During the year, the Company issued convertible bonds of principal amount of HK$70 million for the consideration of acquisition of two subsidiaries. Further details are set out in note 32. The convertible bonds do not bear interest and will be mature on the third anniversary of the date of issue with conversion price of HK$0.1 per share.

	Liability portion
	HK$'000
Convertible bonds issued at December 17, 2018 and at December 31, 2018	45,600

At the date of issue of the convertible bonds, the fair value of the liability component of the convertible bonds were determined based on a valuation performed by an independent valuer using discounted cash flow model at an equivalent market interest rate for a similar bond without a conversion option. The effective interest rate of the liability component is 15.4% per annum.

(c) No new shares of the Company were issued upon exercise of the convertible bonds during the years ended December 31, 2018 and 2017.

32. BUSINESS COMBINATION

On December 5, 2018, the Group and two independent third parties (the "Vendors") entered into a sale and purchase agreement, pursuant to which the Group agreed to purchase and the Vendors agreed to dispose of 100% equity interest in International Security Net Co., Limited ("International Security") and 51% equity interest in Dewe Kexin (Beijing) Technology Co., Ltd. ("Dewe Kexin") (collectively the "Acquired Group") at a total consideration of HK$70 million which was satisfied by convertible bonds of principal amount of HK$70 million (the "Consideration").

The convertible bonds include three tranches of principal amount of HK$8.75 million, HK$26.25 million and HK$35 million respectively which shall become convertible from the date of settlement of the Compensation for each of the years ended December 31, 2018, 2019 and 2020 ("the Relevant Years") (details refer to the following paragraph) until maturity date. The Vendors guaranteed that the combined audited consolidated profit after tax (excluding extraordinary and exceptional items) of the Acquired Group under the HKFRSs (the "Net Profit of Each of the Relevant Years") shall be not less than HK$10 million, HK$30 million and HK$40 million for each of the three years ended/ending December 31, 2018, 2019 and 2020 respectively (the "Guarantee Profit of Each of the Relevant Years"), failing which the Vendors shall pay the compensation (the "Compensation") to the Group to be calculated as follows:

The Consideration x (the Guaranteed Profit of the Each of the Relevant Years – the Net Profit of Each of the Relevant Years)/the Guaranteed Profit of the Each of the Relevant Years

The Vendors and the Group shall procure the auditor nominated by the Group to complete the audited financial statements of the Acquired Group for each of the year ended/ending December 31, 2018, 2019 and 2020 within 3 months after the end of the Relevant Years. The Compensation (if any) shall be paid by the Vendors to the Group within 7 business days after determination of the Net Profit of Each of the Relevant Years. The Vendors shall be entitled to elect to pay the Compensation in cash or by way of set off against an equivalent principal amount of the convertible bonds.

On December 17, 2018, the acquisition was completed. International Security is a limited company incorporated in Hong Kong and engaged in integrated security service solution for protection of assets and personnel and its principal activities include public safety consulting services; overseas on-site public safety management services; public safety training service and public safety technology guarantee service. Dewe Kexin is a limited company incorporated in the PRC and is a network security high-tech company. Based on the computing technology, it builds independent and credible information security products and solutions for public. Providing information security services to the PRC agencies and conglomerate, Dewe Kexin is the industry's leading provider of total security products solutions. The Directors considered that the acquisition of the Acquired Group is in line with the Group's business diversification strategy. In view of continued and stable growth of the PRC and the effect of Belt and Road Initiative, there will be a continued development and expansion in the PRC. The acquisition represents an investment opportunity for the Group to diversify and further expand its business. Details of the acquisition is set out in the Company's announcements on December 5, 2018 and December 17, 2018.

32. BUSINESS COMBINATION *(CONTINUED)*

The fair values of identifiable assets and liabilities of the Acquired Group as at the date of completion on the acquisition are as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	780
Intangible assets	27,000
Trade receivables	9,836
Prepayments, deposits and other receivables	29,915
Cash and cash equivalents	2,978
Trade and other payables	(26,385)
Deferred tax liabilities	(6,750)
Total identifiable net assets at fair value	37,374
Less: Non-controlling interests	(13,732)
Total identifiable net assets at fair value shared by the Group	23,642
Goodwill	40,528
	64,170
Consideration satisfied by:	
Convertible bonds	70,000
Contingent consideration receivable	(5,830)
Total consideration	64,170
An analysis of the consolidated cash flows in respect of the acquisition of subsidiaries is as follows:	
Cash consideration paid	–
Cash and cash equivalents acquired	2,978
Net inflow of cash and cash equivalents included in cash flows from investing activities	2,978

32. BUSINESS COMBINATION *(CONTINUED)*

(i) The Acquired Group contributed revenue and net loss after tax of HK$1,517,000 and HK$357,000 respectively to the Group for the period between the date of completion on the acquisition and the end of the reporting period.

Had the acquisition of the Acquired Group taken place at January 1 2018, the revenue and the net loss after tax of the Group for the year ended December 31, 2018 would have been HK$245,946,000 and HK$91,622,000 respectively.

(ii) The fair value of trade and other receivables were HK$9,836,000 and HK$4,936,000 respectively as at the date of completion of the acquisition. The gross contractual amounts of trade and other receivables were HK$9,836,000 and HK$4,936,000. None of the receivables was expected to be uncollectible at the date of completion on the acquisition.

(iii) The Group incurred transaction costs of HK$290,000 for the acquisitions. The transaction costs have been expensed and included in operating expenses in the consolidated statement of profit or loss and other comprehensive income.

(iv) Goodwill arising from the acquisition of the Acquired Group is attributable to the expansion on the Group's businesses into trading of security products and provision of security services business in the PRC and HK and revenue sources from the anticipated profitability and revenue growth of the Acquired Group. None of the goodwill recognised is expected to be deductible for income tax purpose.

(v) The Group has elected to measure the non-controlling interests in Acquired Group at the non-controlling interests' proportionate share of Acquired Group's identifiable net assets.

(vi) If the Acquired Group could not fulfil the Guaranteed Profit of Each of Relevant Years, the Vendor shall pay the Compensation to the Group in according the calculation disclosed above. If the Net Profit of Each of Relevant Years are negative, it shall be deemed to be zero. The Group expected the Acquired Group could meet the guarantee profit for the year ended December 31, 2018.

33. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The Group has six (2017: five) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

– Securities brokerage and assets management
– Money lending business
– Credit guarantee and investment business
– Trading of party products
– Trading of metals and minerals
– Trading of security products and provision of security services

33. SEGMENT REPORTING *(CONTINUED)*

(a) Segment Revenues and Results

The accounting policies of the operating segments are the same as the accounting policies of the Group. Segment profit represents the profit earned by each segment without allocation of administrative expenses, certain other revenue and other net (loss)/income, other non-operating expenses and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

The following is an analysis of the Group's revenue and results by operation segment:

Year ended December 31, 2018

	Securities brokerage and assets management HK$'000	Money lending business HK$'000	Credit guarantee and investment business HK$'000	Trading of party products HK$'000	Trading of metals and minerals HK$'000	Trading of security products and provision of security services HK$'000	Unallocated HK$'000	Total HK$'000
Revenue								
Segment revenue	1,237	12,514	212	51,479	–	1,517	–	66,959
Inter-segment revenue	(26)	–	–	–	–	–	–	(26)
External sales	1,211	12,514	212	51,479	–	1,517	–	66,933
Result								
Segment results	(49,754)	(6,725)	5,604	(2,969)	(909)	(651)	–	(55,404)
Reconciliation:								
Gain on convertible bonds restructure								6,542
Bank interest income								228
Unallocated corporate expenses								(21,619)
Share option expenses								(15,148)
Finance costs								(7,428)
Share of loss of an associate								(4,984)
Loss on disposal of an associate								(5,086)
Loss before tax								(102,899)
Income tax								(432)
Loss for the year								(103,331)

33. SEGMENT REPORTING *(CONTINUED)*

(a) Segment Revenues and Results *(continued)*

Year ended December 31, 2018 *(continued)*

	Securities brokerage and assets management HK$'000	Money lending business HK$'000	Credit guarantee and investment business HK$'000	Trading of party products HK$'000	Trading of metals and minerals HK$'000	Trading of security products and provision of security services HK$'000	Unallocated HK$'000	Total HK$'000
Other segment information:								
Capital expenditure of property, plant and equipment	–	–	–	124	–	–	–	124
Depreciation	5,391	3	265	584	17	15	–	6,275
Impairment loss on loan receivables	–	13,707	–	–	–	–	–	13,707
Impairment loss on trade receivable	–	862	446	–	–	–	–	1,308
(Reversal of impairment loss)/impairment loss on other receivables	–	–	(13,008)	–	–	724	2,569	(9,715)
Realized loss on disposal of trading securities	30,936	–	–	–	–	–	–	30,936
Unrealized loss on fair value change in trading securities	1,303	–	–	–	–	–	–	1,303

33. SEGMENT REPORTING *(CONTINUED)*

(a) Segment Revenues and Results *(continued)*

Year ended December 31, 2017

	Securities brokerage and assets management HK$'000	Money lending business HK$'000	Credit guarantee and investment business HK$'000	Trading of party products HK$'000	Trading of metals and minerals HK$'000	Trading of security products and provision of security services HK$'000	Unallocated HK$'000	Total HK$'000
Revenue								
Segment revenue	2,006	12,918	1,552	61,294	99,325	–	–	177,095
Inter-segment revenue	(367)	–	–	–	–	–	–	(367)
External sales	1,639	12,918	1,552	61,294	99,325	–	–	176,728
Result								
Segment results	(22,092)	(377)	(16,027)	(1,811)	(4,103)	–	–	(44,410)
Reconciliation:								
Bank interest income								183
Gain on disposal of subsidiaries								222
Unallocated corporate expenses								(76,936)
Share option expenses								(8,970)
Finance costs								(7,409)
Share of loss of an associate								(3,813)
Loss before tax								(141,133)
Income tax								(1,827)
Loss for the year								(142,960)
Other segment information:								
Capital expenditure of property, plant and equipment	7,071	–	–	67	–	–	–	7,138
Depreciation	5,404	3	456	613	18	–	–	6,494
Impairment loss on other receivables	–	–	9,920	–	24,854	–	–	34,774
Loss on disposal of property, plant and equipment	343	–	–	–	–	–	–	343
Realized loss on disposal of trading securities	4,866	–	–	–	–	–	–	4,866
Unrealized gain on fair value change in trading securities	(58)	–	–	–	–	–	–	(58)

33. SEGMENT REPORTING *(CONTINUED)*

(b) Segment Assets and Liabilities

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than certain plant and equipment, trading securities, tax recoverable, certain prepayments, deposits and other receivables and bank balances and cash; and

- all liabilities are allocated to operating segments other than certain other payables, deferred tax liabilities and convertible bonds.

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

Year ended December 31, 2018

	Securities brokerage and assets management HK$'000	Money lending business HK$'000	Credit guarantee and investment business HK$'000	Trading of party products HK$'000	Trading of metals and minerals HK$'000	Trading of security products and provision of security services HK$'000	Total HK$'000
ASSETS							
Segment assets	53,924	174,762	25,191	14,325	11,799	104,662	384,663
Bank balances and cash (included restricted cash)							26,139
Unallocated corporate assets							111,477
Consolidated total assets							522,279
LIABILITIES							
Segment liabilities	8,747	599	5,560	5,821	2,112	22,027	44,866
Unallocated corporate liabilities							184,795
Consolidated total liabilities							229,661

33. SEGMENT REPORTING *(CONTINUED)*

(b) Segment Assets and Liabilities *(continued)*

Year ended December 31, 2017

	Securities brokerage and assets management HK$'000	Money lending business HK$'000	Credit guarantee and investment business HK$'000	Trading of party products HK$'000	Trading of metals and minerals HK$'000	Trading of security products and provision of security services HK$'000	Total HK$'000
ASSETS							
Segment assets	43,176	107,806	82,315	19,027	67,131	–	319,455
Bank balances and cash (included restricted cash)							87,805
Unallocated corporate assets							118,315
Consolidated total assets							525,575
LIABILITIES							
Segment liabilities	13,531	837	3,604	2,982	34,896	–	55,850
Unallocated corporate liabilities							111,991
Consolidated total liabilities							167,841

(c) Geographic information

Revenue

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

	2018 HK$'000	2017 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Hong Kong	**52,371**	62,933
Mainland China	**1,248**	99,325
	53,619	162,258
Revenue from other sources		
Hong Kong	**13,102**	12,918
Mainland China	**212**	1,552
	13,314	14,470
Total	**66,933**	176,728

33. SEGMENT REPORTING *(CONTINUED)*

(c) Geographic information *(continued)*

Specified non-current assets

The following table sets out information about the geographical location of the Group's property, plant and equipment, intangible assets, goodwill and interest in an associate ("Specified non-current assets"). The geographical location of the Specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment; the location of the operation to which they are allocated, in the case of intangible assets, and goodwill; and the location of operations, in the case of interest in an associate.

	2018 **HK$'000**	2017 HK$'000
Hong Kong	**64,226**	50,793
Mainland China	**90,888**	52,981
Total	**155,114**	103,774

(d) Revenues from customers, which are all in the Trading of party products business, contributing 10% or more of the total revenue of the Group are as follows:

	2018 **HK$'000**	2017 HK$'000
Customer A	**14,755**	*
Customer B	**8,978**	*
Customer C	**8,768**	*
Customer D	**7,643**	*
Customer E	**7,277**	*

* The transactions with these respective customers did not contribute 10% or more of total revenue of the Group during the year ended December 31, 2017. One customer amounted to HK$99,325,000 from trading of metals and minerals business had contributed over 10% of the total sales of the Group during the year ended December 31, 2017.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	**2018** **HK$'000**	2017 HK$'000
Non-current assets			
Investment in subsidiaries		**117,861**	47,861
Amounts due from subsidiaries		**295,903**	–
		413,764	47,861
Current assets			
Prepayments, deposits and other receivables		**6,097**	10,033
Amounts due from subsidiaries		**–**	401,742
Cash and cash equivalents		**3**	19
		6,100	411,794
Total Assets		**419,864**	459,655
Capital and reserves			
Share capital	24	**932,717**	932,717
Reserves	26	**(675,688)**	(586,476)
		257,029	346,241
Current liabilities			
Amounts due to subsidiaries		**16,230**	13,248
Accruals and other payables		**1,910**	1,042
Convertible bonds		**99,095**	99,124
		117,235	113,414
Non-current liabilities			
Convertible bonds		**45,600**	–
Total Equity and Liabilities		**419,864**	459,655
Net current (liabilities)/assets		**(111,135)**	298,380
Total assets less current liabilities		**302,629**	346,241

35. RELATED PARTY TRANSACTIONS

During the year, the Group had the following significant transactions with related parties:

(a) As at December 31, 2018 and 2017, the Company had outstanding unsecured convertible bonds of principal amount of HK$100,000,000 held by the Bondholder, which is a company wholly owned by Ms. Cheung (the chairlady and executive director and the substantial shareholder of the Company). The convertible bonds are charged at 0% coupon rate, unsecured and repayable on February 18, 2019. Further details of the convertible bonds are set out in note 31(a).

(b) **Compensation of key management of the Group:**

	2018	2017
	HK$'000	HK$'000
Salaries, allowance and other benefits	**11,916**	12,552
Contributions to defined contribution retirement plans	**113**	48
Discretionary bonus	**121**	–
Share-based payment	**8,212**	3,831
	20,362	16,431

Note: Further details of post-employment benefits and directors' and employees' emoluments are included in note 10 & 11 to the consolidated financial statements. Total remuneration is included in staff costs (see note 6).

36. COMMITMENTS

(a) Capital Commitments

As at December 31, 2018, the Group did not have capital commitments contracted but not provided for in the consolidated financial statements.

(b) Operating Lease Commitments

The Group leases office premises under operating lease arrangements. At the end of each reporting period, the Group had future aggregate minimum lease payment under non-cancellable operating leases arrangements as follows:

	2018	2017
	HK$'000	HK$'000
Within one year	**15,043**	19,454
In the second to fifth year, inclusive	**1,600**	18,816
Beyond five years	**–**	1,423
	16,643	39,693

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Financial risk factors

The Group's major financial instruments include, cash and cash equivalents, client trust bank balance, trade receivables, deposits and other receivables, loan receivables, trading securities, contingent consideration receivables, trade payable, other payables, other loan and convertible bonds. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk, currency risk and equity price risk. The Group does not hold or issue derivate financial instruments either for hedging or trading purposes. The policies on how to mitigate these risks are set out as below.

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

Fair values of financial assets and liabilities:

Financial instruments not measured at fair value

At the end of the reporting period, the fair values of the Group's financial assets and liabilities not measured at fair value are not materially different from their carrying amount.

Financial instruments measured at fair value

Group's valuation process

The fair values of trading securities are measured with reference to quoted market prices.

The fair values of contingent consideration receivables are arrived at on the basis of a valuation carried out by independent firm of professional valuer with recognised qualifications and experience.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

Financial assets	Fair value as at December 31, 2018 HK$'000	Fair value as at December 31, 2017 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
1) Trading securities – Listed equity securities	**1,201**	34,392	Level 1	Quoted prices in active market	–
2) Contingent consideration receivables	**5,830**	–	Level 3	Expected discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow into the Group arising from the contingent consideration, based on an appropriate discount rate.	Discount rate of 5.13% *(Note a)*

Note a: An increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the contingent consideration receivables, and vice versa. A 1% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of the contingent consideration receivables by HK$110,000.

Reconciliation of Level 3 fair value measurement of the contingent consideration receivables is as follows:–

	Contingent consideration receivables 2018 HK$'000
Balance at the beginning of the year	–
Arising from acquisition of subsidiaries at fair value included in Level 3 category	5,830
Balance at end of the year	5,830

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

Financial instruments in Level 1

The fair values of trading securities are based on quoted market prices at the end of the reporting period. The quoted market price used is the current bid price.

(i) Credit risk

Credit risk arises from the possibility that the counterparty to transaction is unwilling or unable to fulfill its obligation thereby incurring financial loss to the Group.

– Trade and other receivables

As at December 31, 2018, the maximum exposure to credit risk is represented by the carrying amount of trade and other receivables in the consolidated statement of financial position.

In respect of trade and other receivables, in order to minimise risk, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of customers' financial position and condition are performed on all customers periodically. In addition, credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables are usually due within 90 days from the date of billing. Debtors with overdue balances, which will be reviewed on a case-by-case basis, are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collaterals from customers.

In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At December 31, 2018, the Group has a certain concentration of credit risk as approximately equals to 22.5% (2017: 28.3%) and 46.1% (2017: 76.0%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

– Deposits with banks

The Group mitigates its exposure to credit risk by placing deposits with the financial institutions with established credit rating. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(i) Credit risk (continued)

– Financial guarantee

It represents financing guarantee to customers under the financial guarantee business, individual credit evaluations are performed on all customers. These evaluations focus on the customer's financial background and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At December 31, 2018, the Group has no concentration of credit risk of the total financial guarantee for the Group's largest customer (2017: 41.7%) and the five largest customers (2017: 91.7%) respectively.

– Loan receivables

As at December 31, 2018, the maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of loan receivables in the consolidated statement of financial position.

In respect of loan receivables, in order to minimise risk, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of customers' financial position and condition are performed on all customers periodically. In addition, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are usually due within one to two years from the date of loan agreement. Debtors with overdue balances, which will be reviewed on a case-by-case basis, are requested to settle all outstanding balances before any further credit is granted. The Group obtains collaterals from several customers.

In respect of loan receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At December 31, 2018, the Group has a certain concentration of credit risk as approximately 16.5% (2017: 27.6%) and 75.0% (2017: 100%) of the total loan receivables due from the Group's largest customer and the five largest customers respectively.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(i) Credit risk (continued)

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

Internal credit rating	Description	Loan receivables	Trade receivables	Other receivables
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL	Lifetime ECL– not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL– not credit-impaired	Lifetime ECL– not credit-impaired	Lifetime ECL– not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL– credit-impaired	Lifetime ECL– credit-impaired	Lifetime ECL– credit-impaired

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

2018

Financial assets at amortised costs	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	
				HK$'000	HK$'000
Loan receivables	1	Low risk	Lifetime ECL– not credit-impaired	67,338	
		Low risk	12-month ECL	111,128	
		Loss	Lifetime-credit impaired	11,427	189,893
Trade receivables		Low risk	Lifetime ECL– not credit-impaired	19,185	
		Loss	Lifetime ECL– credit-impaired	2,017	21,202
Other receivables		Low risk	12-month ECL	88,177	
		Doubtful	Lifetime ECL– credit-impaired	36,732	124,909

Note

1 As the loans were bullet loans which interest and principal are repayable in total at the repayment date in Jun 2020. Although it was classified as low risk, lifetime ECL – not credit impaired was considered.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(i) Credit risk (continued)

(i) The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at December 31, 2017 under HKAS 39	–	715	715
Adjustment upon application of HKFRS 39	–	–	–
As at January 1, 2018 – As restated	–	715	715
Impairment losses recognised	–	1,308	1,308
Exchange adjustments	–	(6)	(6)
As at December 31, 2018	–	2,017	2,017

During the year ended December 31, 2018, the impairment allowance was made on credit-impaired debtors. In view of the history of business dealings with other debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balance due from these debtors saved for the credit-impaired debtors.

Changes in the loss allowance for trade receivables are mainly due to:

	December 31, 2018 Increase/(decrease) in lifetime ECL	
	Not credit–impaired HK$'000	Credit-impaired HK$'000
One trade debtor from the credit guarantee service with a gross carrying amount of HK$446,000 defaulted as at December 31,2018	–	446
Two trade debtors from money lending business with a gross carrying amount of HK$862,000 defaulted as at December 31, 2018	–	862

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(i) Credit risk (continued)

(ii) The following tables show reconciliation of loss allowances that has been recognised for loan receivables.

	12-month ECL	**Lifetime ECL (not credit-impaired)**	**Lifetime ECL (credit-impaired)**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
As at December 31, 2017 under HKAS 39	–	–	–	–
Adjustment upon application of HKFRS 9	2,129	–	–	2,129
As at January 1, 2018 – As restated	2,129	–	–	2,129
Impairment loss recognised	–	2,280	11,427	13,707
As at December 31, 2018	2,129	2,280	11,427	15,836

Changes in the loss allowance for loan receivables are mainly due to:

	December 31, 2018		
		Increase/(decrease) in lifetime ECL	
	Increase/ (decrease) in 12-month ECL	**Not credit-impaired**	**Credit-impaired**
	HK$'000	HK$'000	HK$'000
Advance of new loan receivables	–	2,280	–
Advance of new loan receivables which was default payment	–	–	11,427

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(i) Credit risk (continued)

(iii) The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	12-month ECL HK$'000	**Lifetime ECL (not credit-impaired)** HK$'000	**Lifetime ECL (credit-impaired)** HK$'000	**Total** HK$'000
As at December 31, 2017 under HKAS 39	–	–	47,275	47,275
Adjustment upon application of HKFRS 9	4,579	–	358	4,937
As at January 1, 2018 – as restated	4,579	–	47,633	52,212
Impairment loss recognised	1,012	–	1,016	2,028
Impairment loss reversed	–	–	(11,743)	(11,743)
Exchange adjustment	96	–	(174)	(78)
As at December 31, 2018	5,687	–	36,732	42,419

Changes in the loss allowance for other receivables are mainly due to:

	December 31, 2018		
		Increase/(decrease) in lifetime ECL	
	Increase/ (decrease) in 12-month ECL HK$'000	**Not credit-impaired** HK$'000	**Credit-impaired** HK$'000
One debtor under other receivable impaired subsequently repaid	–	–	(11,743)
Several debtors under other receivables were default	1,012	–	1,016

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(ii) Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due.

The Group is responsible for its own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demand, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Sources of liquidity are daily reviewed by the Group to ensure the availability of sufficient liquid funds to meet all obligation. Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows in strict compliance with statutory requirements. This is achieved by monitoring the liquidity position of the individual companies within the Group on a daily basis to ensure the availability of sufficient liquid funds to meet all obligations and compliance with the statutory requirement such as the Hong Kong Securities and Futures (Financial Resources) Rules.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(ii) Liquidity risk (continued)

The following liquidity risk tables set out the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Group is required to pay.

	As at December 31, 2018					
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**More than 5 years HK$'000**	**Total undiscounted cash flows HK$'000**	**Total carrying amount HK$'000**
Trade payables	**6,483**	**–**	**–**	**–**	**6,483**	**6,483**
Accruals and other payables	**57,272**	**–**	**–**	**–**	**57,272**	**57,272**
Convertible bonds	**100,000**	**–**	**70,000**	**–**	**170,000**	**144,695**
Other loan	**13,337**	**–**	**–**	**–**	**13,337**	**13,000**
	177,092	**–**	**70,000**	**–**	**247,092**	**221,450**

	As at December 31, 2017					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Trade payables	14,901	–	–	–	14,901	14,901
Accruals and other payables	53,816	–	–	–	53,816	53,816
Convertible bond	100,000	–	–	–	100,000	99,124
	168,717	–	–	–	168,717	167,841

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(iii) Interest rate risk

The Group's interest rate risk arises primarily from cash and cash equivalents, client trust bank balances, loan receivables, other loan and convertible bonds. Bank balances expose the Group to cash flow interest rate risk; while loan receivables, other loan and convertible bonds issued at fixed rates expose the Group to fair value interest rate risk. The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors monitor the Group's exposure on an ongoing basis and will consider hedging the interest rate should the need arises.

(1) Interest rate profile

The effective interest rate of convertible bonds is disclosed in note 31. The interest rates of loan receivables and other loan are disclosed in notes 19 and 29 respectively.

(2) Sensitivity analysis

At December 31, 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's loss after tax and accumulated losses by approximately HK$261,000 (2017: HK$878,000). Other components of consolidated equity would not be affected (2017: Nil) in response to the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and accumulated losses) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2017.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(iv) Currency risk

The Group is exposed to currency risk primarily through ordinary business operations which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars ("US$"), Renminbi ("RMB") and Hong Kong dollars.

(1) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

		December 31, 2018	
	US$	**RMB**	**HK$**
	HK$'000	**HK$'000**	**HK$'000**
Cash and cash equivalents	**3,347**	**451**	**133**
Trade and other receivables	**6,026**	**547**	**–**
Trade and other payables	**–**	**(554)**	**–**
Overall exposure arising from recognised assets and liabilities	**9,373**	**444**	**133**

		December 31, 2017	
	US$	RMB	HK$
	HK$'000	HK$'000	HK$'000
Cash and cash equivalents	3,039	2,535	4,290
Trade and other receivables	5,353	1,095	–
Trade and other payables	–	(6,379)	–
Overall exposure arising from recognised assets and liabilities	8,392	(2,749)	4,290

Management closely monitors currency risk position to ensure that the net exposure is kept at an acceptable level.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(iv) Currency risk (continued)

(2) Sensitivity analysis

The following table indicates the instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollars would be materially unaffected by any changes in movement in value of the United States dollars against other currencies.

	December 31, 2018		December 31, 2017	
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax and accumulated losses HK$'000**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses HK$'000
Renminbi	**5%**	**23**	5%	93
	(5%)	**(23)**	(5%)	(93)
United States dollars	**5%**	**418**	5%	376
	(5%)	**(418)**	(5%)	(376)
Hong Kong dollars	**5%**	**7**	5%	215
	(5%)	**(7)**	(5%)	(215)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' (loss)/profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re–measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2017.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Financial risk factors *(continued)*

(v) Equity price risk

Equity price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting equity instruments traded in the market.

The Group is exposed to price risk arising from individual equity investment classified as trading securities. The directors of the Company manage the exposure by closely monitoring the portfolio of investments.

The management estimates that reasonable possible change in price is 10%. If the prices of the respective equity instruments had been 10% higher/lower, and held other variables constant, the impacts to the loss for the year and accumulated losses are as follows:

	2018	2017
	HK$'000	HK$'000
Loss for the year and accumulated losses		
Decrease by 10%	**(120)**	(3,439)
Increase by 10%	**120**	3,439

(b) Capital risk management

The primary objective of the Group's capital risk management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives or policies during the year.

The Group monitors capital on the basis of the debt-to-equity ratio, which is calculated as net debt divided by total equity. Net debt is calculated as convertible bond and other loan less cash and cash equivalents. Total equity represents equity attributable to the equity shareholders of the Group.

Another subsidiary of the Group operated in the PRC is subject to the capital requirements under《融資性擔保公司監督管理條例》(2017:《融資性擔保公司暫行管理規定》). The subsidiary is required to maintain a minimum paid up capital of RMB20,000,000 (2017: RMB50,000,000).

All licensed corporations within the Group complied with their required liquid capital during the years ended December 31, 2018 and 2017.

38. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts and liabilities within the next financial year, as discussed below.

(i) Impairment of non-financial assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, or in the case of intangible assets with indefinite useful lives, the recoverable amount of the asset is determined annually. Calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are mainly based on market condition existing at the reporting dates and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(ii) ECLs on trade and other receivables and loans receivables

The measurement of loss allowance under both HKFRS 9 and HKAS 39 across all categories of financial assets require judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining loss allowance and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The provision of ECLs is sensitive to changes in circumstances and of forecast general economic conditions. If the financial condition of the customers or the forecast economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

(iii) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated which is higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. If the carrying amount exceeds the estimated recoverable amount of the cash generating unit, additional impairment allowance may be required. Detail of the recoverable amount calculation are disclosed in note 15.

(iv) Estimated net realisable value of inventories

The Group's management writes down slow-moving or obsolete inventories based on an assessment of the net realisable value of the inventories. Inventories will be written down where events or changes in circumstances indicates that the net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will have an impact on the carrying value of the inventories and revision on the amount of inventories written down in the period in which such estimate has been changed is required to be made.

38. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(a) Key sources of estimation uncertainty *(continued)*

(v) Valuation of share options granted

The fair value of share options granted is estimated using the binomial lattice model at the date of grant by an independent valuer. The binomial lattice model requires input of subjective assumptions such as expected stock price volatility and dividend yield. Changes in the subjective input may materially affect the fair value estimates.

(b) Critical accounting judgements in applying the Group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

39. EVENTS AFTER THE REPORTING PERIOD

The Group had the following significant events subsequent to the end of the reporting period and up to the date of this report:

(a) On March 18, 2019, the Company and each of the four independent third parties (the "Subscribers") entered into the subscription agreements, pursuant to which the Subscribers agreed to subscribe and the Company agreed to issue of 300 million new ordinary shares of the Company at the subscription price of HK$0.1 per share. The estimated net proceeds will be approximately HK$29.9 million after deducting issuing expenses and will be used for working capital of the Group. The transaction has not been completed up the date of this report. Details are set out in the Company's announcement on March 18, 2019.

(b) On February 18, 2019, the Company and the Bondholder entered into a deed of variation, pursuant to which both parties agreed that, subject to fulfillment of condition precedent, (i) the maturity date of the outstanding convertible bonds in the principal amount of HK$100,000,000 will be extended from February 18, 2019 to February 18, 2020; (ii) the outstanding convertible bonds will bear interest at the rate of 5% per annum commencing from February 18, 2019; and (iii) the principal amount of the relevant deed poll and the deed of variation dated February 18, 2016 and January 10, 2018 respectively executed by the Company and the Bondholder (the "Instrument") creating the outstanding convertible bonds will be increased from HK$100,000,000 to HK$105,000,000. Save for the above, all other terms and conditions of the outstanding convertible bonds and the Instrument shall remain unchanged (details of the terms and conditions of the existing outstanding convertible bonds are set out in note 31(a)). The proposed alteration of terms of the convertible bonds has not been completed up to the date of this report. Details are set out in the Company's announcement on February 18, 2019, March 8, 2019 and March 29, 2019.

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group completed the acquisition of the Acquired Group and the consideration was settled by issue of the convertible bonds of the Company. Details are set out in note 32.

(b) Reconciliation of liabilities arising from financing activities

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

	Accruals and other payables arising from financing activities HK$'000	**Other loan HK$'000**	**Convertible bonds HK$'000**	**Total HK$'000**
At January 1, 2018	**8,659**	**–**	**99,124**	**107,783**
Changes from financing cash flows:				
Interests paid	**(728)**	**–**	**–**	**(728)**
Advanced to other payables	**(8,659)**	**–**	**–**	**(8,659)**
Increase in other loan	**–**	**13,000**	**–**	**13,000**
Total changes from financing cash flows	**(9,387)**	**13,000**	**–**	**3,613**
Other changes:				
Issurance of convertible bonds for acquisition of subsidiaries	**–**	**–**	**45,600**	**45,600**
Imputed interest	**728**	**–**	**6,513**	**7,241**
Gain on convertible bonds restructure	**–**	**–**	**(6,542)**	**(6,542)**
	728	**–**	**45,571**	**46,299**
At December 31, 2018	**–**	**13,000**	**144,695**	**157,695**

	Accruals and other payables arising from financing activities HK$'000	Convertible bonds HK$'000	Total HK$'000
At January 1, 2017	–	92,639	92,639
Changes from financing cash flows:			
Interests paid	(925)	–	(925)
Advanced from other payables	8,659	–	8,659
Total changes from financing cash flows	7,734	–	7,734
Other changes:			
Imputed interest	925	6,485	7,410
At December 31, 2017	8,659	99,124	107,783

FINANCIAL SUMMARY

The financial results and the assets and liabilities of the Group for the last five years are summarised as follows:

Results	**Year ended December 31, 2018 HK$'000**	Year ended December 31, 2017 HK$'000	Year ended December 31, 2016 HK$'000	Year ended December 31, 2015 HK$'000	Year ended December 31, 2014 HK$'000
Turnover	**66,933**	176,728	122,128	67,360	130,365
Loss before tax	**(102,899)**	(141,133)	(113,095)	(64,760)	(79,394)
Income tax expenses	**(432)**	(1,827)	–	–	(223)
Loss for the year from continuing operations	**(103,331)**	(142,960)	(113,095)	(64,760)	(79,617)
Discontinued operation					
– Profit/(loss) from discontinued operations	**–**	–	–	–	2,070
Loss for the year	**(103,331)**	(142,960)	(113,095)	(64,760)	(77,547)
Attributable to:					
– Equity shareholders of the Company	**(103,031)**	(141,274)	(113,355)	(64,182)	(75,131)
– Non-controlling interests	**(300)**	(1,686)	260	(578)	(2,416)
	(103,331)	(142,960)	(113,095)	(64,760)	(77,547)

	As at December 31, 2018 HK$'000	As at December 31, 2017 HK$'000	As at December 31, 2016 HK$'000	As at December 31, 2015 HK$'000	As at December 31, 2014 HK$'000
Assets and liabilities					
Total assets	**522,279**	525,575	625,075	359,801	225,737
Total liabilities	**(229,661)**	(167,841)	(142,103)	(51,415)	(250,720)
Total equity	**292,618**	357,734	482,972	308,386	(24,983)