GLOBAL MASTERMIND
環球大通

# GLOBAL MASTERMIND HOLDINGS LIMITED
# 環球大通集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8063

# ANNUAL REPORT 2018

*For identification purposes only

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# Contents

## BOARD OF DIRECTORS

### Executive Directors

Mr. Cheung Kwok Wai, Elton *(Chairman)*
Mr. Mung Kin Keung
Mr. Mung Bun Man, Alan *(Managing Director)*
Mr. Tse Ke Li

### Independent Non-Executive Directors

Mr. Tsai Yung Chieh, David
Mr. Law Kwok Ho, Kenward
Mr. Fung Wai Ching

## COMPLIANCE OFFICER

Mr. Mung Bun Man, Alan

## COMPANY SECRETARY

Mr. Lee Chan Wah

## AUDIT COMMITTEE

Mr. Law Kwok Ho, Kenward *(Committee Chairman)*
Mr. Tsai Yung Chieh, David
Mr. Fung Wai Ching

## REMUNERATION COMMITTEE

Mr. Tsai Yung Chieh, David *(Committee Chairman)*
Mr. Mung Bun Man, Alan
Mr. Law Kwok Ho, Kenward
Mr. Fung Wai Ching

## NOMINATION COMMITTEE

Mr. Fung Wai Ching *(Committee Chairman)*
Mr. Mung Bun Man, Alan
Mr. Tsai Yung Chieh, David

## CORPORATE GOVERNANCE COMMITTEE

Mr. Mung Bun Man, Alan *(Committee Chairman)*
Mr. Fung Wai Ching
Mr. Lee Chan Wah

## AUTHORIZED REPRESENTATIVES

Mr. Mung Bun Man, Alan
Mr. Lee Chan Wah

## AUDITOR

Moore Stephens CPA Limited

## REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1201, 12/F.
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

## WEBSITE

www.globalmholdings.com

## E-MAIL ADDRESS

enquiry@globalmastermind.co

## STOCK CODE

8063

## RESULTS

*For the year ended 31 December*

| | 2018<br>HK$'000 | 2017<br>HK$'000 | 2016<br>HK$'000 | (Note)<br>2015<br>HK$'000 | (Note)<br>2014<br>HK$'000 |
|---|---|---|---|---|---|
| Service income from provision of travel related services | **31,896** | 33,907 | 37,374 | 41,243 | 47,320 |
| Interest income from money lending business | **16,528** | 14,331 | 9,281 | – | – |
| Commission income from securities brokerage | **4,052** | 511 | – | – | – |
| Interest income from margin financing | **2,603** | 20 | – | – | – |
| Interest income from initial public offering ("IPO") financing | **12** | 13 | – | – | – |
| Handling and settlement income arising from securities brokerage | **5,143** | 767 | – | – | – |
| Asset management fee income | **362** | – | – | – | – |
| Net realised gain (loss) on securities investment | **3,802** | 1,221 | (3,643) | 99 | (356) |
| Net unrealised (loss) gain on securities investment | **(7,960)** | 5,313 | 174 | (2,705) | (349) |
| Sales of hotel rooms | **–** | – | – | 15,498 | 1,649 |
| Costs of sale of hotel rooms | **–** | – | – | (14,075) | (1,500) |
| Other income, other gains and losses | **9,747** | 13,760 | 6,713 | 7,624 | 8,578 |
| Gain on disposal of investments | **–** | – | – | – | 12,309 |
| Staff costs | **(46,982)** | (52,921) | (39,525) | (41,121) | (37,680) |
| Depreciation and amortisation expenses | **(5,712)** | (8,492) | (11,342) | (10,079) | (11,227) |
| Impairment loss on intangible assets | **(4,212)** | (16,000) | (19,000) | (21,000) | – |
| Impairment loss on loan receivables | **(13,304)** | – | – | – | – |
| Impairment loss on trade receivables | **(24,306)** | – | – | – | – |
| Impairment loss on goodwill | **–** | – | – | – | (8,393) |
| Impairment loss on interest in a joint venture | **–** | – | (2,845) | – | – |
| Impairment loss on available-for-sale investments | **–** | – | (13,886) | (88,200) | – |
| Other expenses | **(35,796)** | (21,894) | (20,739) | (19,954) | (18,092) |
| Share of profit of a joint venture | **71** | 66 | 701 | 1,853 | 2,071 |
| Finance costs | **(2,063)** | (701) | (2,755) | (737) | (73) |
| Loss before tax | **(66,119)** | (30,099) | (59,492) | (131,554) | (5,743) |
| Income tax credit | **1,463** | 1,650 | 3,700 | 5,372 | 208 |
| Loss for the year | **(64,656)** | (28,449) | (55,792) | (126,182) | (5,535) |

Note: As a result of changes in presentation format of the consolidated statement of profit or loss and other comprehensive income, the figures in 2015 and 2014 have been reclassified to conform to the current year's presentation.

## ASSETS AND LIABILITIES

*As at 31 December*

| | 2018<br>HK$'000 | 2017<br>HK$'000 | 2016<br>HK$'000 | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|---|---|---|
| **Total assets** | **831,759** | 732,568 | 662,315 | 437,869 | 653,883 |
| **Total liabilities** | **(161,454)** | (64,512) | (59,944) | (80,438) | (85,019) |
| **Equity attributable to owner of the Company** | **670,305** | 668,056 | 602,371 | 357,431 | 568,864 |

# Chairman's Statement

Dear Shareholders,

On behalf of the board of directors of the Company (the "Directors" and the "Board", respectively), I am pleased to present the consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 to the shareholders of the Company (the "Shareholders").

## RESULTS

During the year under review, the Group recorded consolidated revenue of approximately HK$64,398,000, representing an increase of approximately 26.8% as compared to that of last year. The increase was mainly contributed by the increase in the revenue of the financial services business. Loss attributable to owners of the Company was approximately HK$64,656,000, representing an increase of approximately 127.3% as compared to the loss of HK$28,449,000 in 2017. The significant increase in loss was mainly attributed to (i) the recognition of an impairment loss arising from the loss allowances on the expected credit losses of the trade receivables and loan receivables after adoption of Hong Kong Financial Reporting Standard 9 "Financial Instruments" that has changed the Group's impairment model by replacing the Hong Kong Accounting Standard 39 "incurred loss model" to the "expected credit losses model"; (ii) the recognition of a net unrealised loss on securities investment; and (iii) the recognition of a loss on fair value changes of investment properties in the current year.

The Board does not recommend the payment of any dividend for the year ended 31 December 2018.

## BUSINESS DEVELOPMENT

The principal activities of the Group are the provision and operation of travel business, treasury management business, money lending business and provision of securities, futures and asset management services.

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In view of the significant decline in revenue of the travel business in Hong Kong during the year and the deteriorating operating environment due to fierce competition from competitors in the foreseeable future, the Group disposed of the subsidiary of travel business in Hong Kong in December 2018. Details please refer to the sub-section headed "Travel Business" under the section headed "Business Review".

On 8 May 2018, the Group was granted a licence of dealing in futures contracts (Type 2 regulated activity under the Securities Futures Ordinance (the "SFO")) by the Securities and Futures Commission (the "SFC"). The Group has commenced to provide futures broking business to the clients.

Furthermore, on 12 July 2018, the Group had lodged an application to the SFC for the licence of advising on corporate finance (Type 6 regulated activity under the SFO, the "Advising on Corporate Finance Business"), which was granted by the SFC on 11 March 2019.

## PROSPECT

Looking ahead, the Board believes that the economic outlook for 2019 remains uncertain as the global market are still influenced by uncertain events, such as the US-China trade war and Brexit. However, the Board recognises that continued uncertainty often coincides with a good opportunity to invest. Accordingly, we will look at possible business investments in order to further diversify our businesses and broaden our revenue base.

On the other hand, the Board believes that the continuing integration of the Hong Kong and China stock markets through the cross-border Stock Connect Scheme and the recent announcement from MSCI, a stock index provider, about the increase the inclusion factor of China A-shares in its benchmark indexes to 20 percent by November 2019 will generate positive impacts on both Hong Kong and China stock markets in the long run. The Group will concentrate resources to further develop its financial services business in order to capture these surging business opportunities. Following the grant of the licence by the SFC to the Group to carry on the Advising on Corporate Finance Business, the Board believes that the Group will render more comprehensive services to its clients and its income stream will be diversified and broadened in the future.

## APPRECIATION

On behalf of the Board and management, I would like to express my sincere gratitude to all our clients, investors, suppliers, business partners and Shareholders for their continued valuable support and trust. I would also like to take this opportunity to thank all of our staff for their tireless efforts, diligence and contribution during last year.

**Cheung Kwok Wai, Elton**
*Chairman*

Hong Kong, 25 March 2019

## FINANCIAL REVIEW

Global Mastermind Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") recorded a loss attributable to owners of the Company of HK$64,656,000 for the year ended 31 December 2018 (for the year ended 31 December 2017: HK$28,449,000), representing basic loss per share of HK1.52 cents (for the year ended 31 December 2017: HK0.73 cent). The increase in loss attributable to owners of the Company was mainly attributed to (i) the recognition of an impairment loss arising from the loss allowances on the expected credit losses of the trade receivables and loan receivables after adoption of Hong Kong Financial Reporting Standard ("HKFRS") 9 "Financial Instruments" that has changed the Group's impairment model by replacing the Hong Kong Accounting Standard ("HKAS") 39 "incurred loss model" to the "expected credit losses model"; (ii) the recognition of a net unrealised loss on securities investment; and (iii) the recognition of a loss on fair value changes of investment properties.

### Revenue and profitability

An analysis of the Group's revenue for the year ended 31 December 2018 and 2017 was as follows:

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Services income from provision of travel related services | **31,896** | 33,907 |
| Interest income from money lending business | **16,528** | 14,331 |
| Net realised gain on securities investment | **3,802** | 1,221 |
| Revenue derived from financial services business | **12,172** | 1,311 |
| | **64,398** | 50,770 |

For the year ended 31 December 2018, the consolidated revenue of the Group amounted to HK$64,398,000, comprised of (i) services income from provision of travel related services of HK$31,896,000 (for the year ended 31 December 2017: HK$33,907,000); (ii) interest income from money lending business of HK$16,528,000 (for the year ended 31 December 2017: HK$14,331,000); (iii) net realised gain on securities investment of HK$3,802,000 (for the year ended 31 December 2017: HK$1,221,000); and (iv) revenue derived from financial services business of HK$12,172,000 (for the year ended 31 December 2017: HK$1,311,000) (including commission income from securities brokerage; interest income from margin financing and IPO financing; handling and settlement income arising from securities brokerage; and asset management fee income), representing an increase of 26.8% as compared to HK$50,770,000 for the year ended 31 December 2017. The increase was mainly contributed by the financial services business which has commenced full operation since the third quarter of 2017.

The revenue arising from travel business in Singapore consists of agency commission and service income (both from customers and suppliers) generated from the provision of travel related services, related to airtickets, hotel rooms, Free Independent Traveler ("FIT") packages and ground transportation handling services.

Corporate customers are business travelers who require travel products and services for their travel purposes. Wholesale customers are usually travel services providers who purchase airtickets, hotel rooms, FIT packages and other travel related products. Meetings, Incentives, Conventions and Exhibitions ("MICE") customers refer to customers who are mainly corporate customers, convention organisers and special projects organisers who require one stop professional MICE/special project/event management services.

The revenue arising from travel agency operation in Hong Kong consists of rendering travel agency services related to air ticketing and air/hotel packages.

For the year ended 31 December 2018, approximately 49.5% or HK$31,896,000 (for the year ended 31 December 2017: HK$33,907,000) of the total revenue was derived from the provision of travel related services of which HK$30,815,000 (for the year ended 31 December 2017: HK$31,838,000) and HK$1,081,000 (for the year ended 31 December 2017: HK$2,069,000) was generated from the market in Singapore and Hong Kong respectively.

The interest income revenue derived from the provision of money lending services amounted to HK$16,528,000 for the year ended 31 December 2018 (for the year ended 31 December 2017: HK$14,331,000), representing approximately 25.7 % of the total revenue.

For treasury management business, net realised gain of HK$3,802,000 was generated from securities investment (for the year ended 31 December 2017: HK$1,221,000), representing approximately 5.9% of the total revenue for the year end ended 31 December 2018.

For the financial services business, revenue of HK$12,172,000 (for the year ended 31 December 2017: HK$1,311,000), representing approximately 18.9% of the total consolidated revenue, was generated, including (i) commission income from securities brokerage of HK$4,052,000 (for the year ended 31 December 2017: HK$511,000); (ii) interest income from margin financing of HK$2,603,000 (for the year ended 31 December 2017: HK$20,000); (iii) interest income from IPO financing of HK$12,000 (for the year ended 31 December 2017: HK$13,000); (iv) handling and settlement income arising from securities brokerage of HK$5,143,000 (for the year ended 31 December 2017: HK$767,000); and (v) asset management fee income of HK$362,000 (for the year ended 31 December 2017: Nil), for the year ended 31 December 2018.

### Other income, other gains and losses

Other income, other gains and losses for the year ended 31 December 2018 amounted to HK$9,747,000 representing a decrease of 29.2% as compared to HK$13,760,000 of the last year. The decrease was mainly attributed to the loss on fair value changes of investment properties incurred during the year.

During the year, three properties held for own-use were changed for rental purpose, the carrying value of the investment properties increased to HK$192,100,000 as at 15 October 2018, being the commencement date of the tenancy agreements, from the carrying value of HK$126,553,000 under property, plant and equipment before the date of transfer into investment properties. In accordance with the valuation report performed by an independent professional qualified valuer not connected to the Group, as at 31 December 2018, the fair value of the investment properties was HK$187,800,000. Accordingly, the loss on fair value changes of investment properties of HK$4,300,000 was recorded (for the year ended 31 December 2017: Nil).

### Expenditure

For the reporting period, staff costs amounted to HK$46,982,000 (for the year ended 31 December 2017: HK$52,921,000). Depreciation and amortisation expenses amounted to HK$5,712,000 (for the year ended 31 December 2017: HK$8,492,000). Other expenses amounted to HK$35,796,000 (for the year ended 31 December 2017: HK$21,894,000).

The decrease in staff costs was mainly due to the absence of the provision of equity-settled share-based payment expenses in the current year. The increase in other expenses was mainly due to the increase in rental expenses and the administrative expenses of the financial services business which has commenced full operation in 2018. The decrease in depreciation and amortisation expenses was mainly resulting from the absence of amortisation of intangible assets of customer relationship in the current year.

### Impairment loss on intangible assets

The management performs regular review on the carrying values of intangible assets of the acquired business to determine any potential impairment loss according to Hong Kong Accounting Standard 36 "Impairment of Assets" ("HKAS 36"). If the recoverable amount of an asset (or a cash generating unit ("CGU")) is less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. According to HKAS 36, the recoverable amount of an asset or a CGU is the higher of its fair value less costs to sell and its value in use; and the value in use of an asset is; (a) estimating the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal; and (b) applying the appropriate discount rate to those future cash flows.

The test of impairment loss on intangible assets is calculated based on the recoverable amounts of the CGUs of trade name in the travel business in Singapore, which were purchased as part of the acquisition of Safe2Travel Pte Ltd ("Safe2Travel") completed on 30 March 2011 and was recognised as their fair value at the date of acquisition. The recoverable amounts of the CGUs were based on their value in use and were determined with the assistance of Ascent Partners Valuation Service Limited ("Ascent Partners"), an independent professional qualified valuer not connected to the Group.

The valuations of travel business in Singapore prepared by Ascent Partners were performed by using a Discounted Cash Flow Model under the income approach which is in accordance with International Valuation Standards issued by International Valuation Standards Council.

The management also considered that the income approach (i.e. cash flow approach), which was consistently applied in prior years, as the most appropriate approach for and adopted in the valuations because it eliminates the discrepancy in time value of money by using a discount rate to reflect all business risks including intrinsic and extrinsic uncertainties in relation to the business operation.

The cost of equity was determined based on the Capital Asset Pricing Model with additional risk premium built in to reflect the risks specific to Safe2Travel, an indirect wholly-owned subsidiary of the Company, of which its principal activities are the provision of travel related services in Singapore. Weighted Average Cost of Capital ("WACC" or "discount rate") was then estimated by using the debt/equity weights of the Company and its subsidiaries. The WACC or discount rate of 15.10% (2017: 15.36%) was derived by reference to the market data of the selected guideline public companies principally located in Asia in the travel industry. Cash flows after the five-year period were extrapolated using a 1.89% (2017: 1.72%) terminal growth rate in considering the economic condition of the market.

The valuations also adopted the financial budgets approved by management covering a five-year period. In preparing the cash flows projections, management assumed there would be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of Safe2Travel and its subsidiaries.

During the six months ended 30 June 2018, the management, with the assistance of Ascent Partners, reviewed the carrying amounts of the intangible assets were higher than the respective recoverable amounts, an impairment loss of HK$2,000,000 was recognised in profit or loss during the period.

As at 31 December 2018, the management further assessed the current and expected performance of travel business in Singapore with reference to the valuation report prepared by Ascent Partners, which indicated the recoverable amounts of the CGUs, while as compared with the impairment test conducted in the second quarter of 2018, were below the respective carrying amounts of intangible assets. On this basis, an additional impairment loss on intangible assets of HK$2,212,000 was recognised.

As a result, for the year ended 31 December 2018, the Group recognised an impairment loss on intangible assets amounting to HK$4,212,000, which was the impairment loss on trade name regarding the travel business in Singapore (for the year ended 31 December 2017: an impairment loss on trade name regarding the travel business in Singapore of HK$16,000,000).

During the year under review, the travel segment in Singapore continued to operate under the atmosphere of a slowing global and Singapore domestic economy. As a result, the management has seen that the overall travel budgets of majority of our clients from the oil and gas companies, natural resources companies, property developers, fashion merchandising companies to multinational corporations have been reduced as compared with previous years. The reduced travel expenses of our major clients, coupled with the adoption of new travel policy by some of our corporate clients to include low cost carriers has affected our top line revenues due to the lower fares consumption. Certain of our major clients with their headquarters based on United States or Europe have been asked to change to use their respective globalised travel management companies instead of us due to globalisation requirement from their headquarters.

All of these factors have led to the actual sales and profit generated from the travel segment in Singapore to have fallen below expectation and have also led the management to adjust the cash flow projections and valuation assumptions accordingly to reflect a more stringent and competitive business environment in which we are operating.

### Impairment loss on loan receivables and trade receivables

Loss allowances on the expected credit loss of the loan receivables of HK$13,304,000 (for the year ended 31 December 2017: Nil) and the trade receivables from travel business in Singapore of HK$24,306,000 (for the year ended 31 December 2017: Nil) were recognised in the current year. The losses were made based on the valuations prepared by independent professional qualified valuers not connected to the Group in accordance with the new impairment model of HKFRS 9 Financial Instruments.

### Finance costs

The finance costs of HK$2,063,000 (for the year ended 31 December 2017: HK$701,000), out of which (i) HK$933,000 was attributed to the interest on short term bank borrowings (for the year ended 31 December 2017: HK$701,000); and (ii) HK$1,130,000 was attributed to the imputed interest expense on the convertible bonds issued on 13 November 2018 (for the year ended 31 December 2017: Nil).

### Share of Profit of a Joint Venture

On 30 July 2013, Jade Emperor International Limited ("Jade Emperor"), an indirect wholly-owned subsidiary of the Company, entered into a venture participation agreement (the "Participation Agreement") with Matrix Triumph Sdn. Bhd. ("MTSB") and Discover Orient Holidays Sdn. Bhd. ("DOH") for participation and involvement in the business being conducted by DOH at a cash consideration of HK$14,000,000. DOH engages principally in the business of operating as tours and travel agents in Malaysia.

Pursuant to the terms of the Participation Agreement, DOH shall pay to Jade Emperor a management fee which is equivalent to 90% of the profit before taxation of DOH. MTSB unconditionally and irrevocably guaranteed to Jade Emperor that the profit before taxation for the three financial years commencing from the financial year ended 31 December 2013 shall be no less than one million Malaysian Ringgit for each financial year.

In addition to the Participation Agreement, MTSB and Jade Emperor also entered into an option agreement (the "Option Agreement") on the same day, pursuant to which MTSB granted a call option to Jade Emperor to acquire the entire issued share capital in DOH at a price to be agreed by the parties with reference to the profit before taxation of DOH or such comparables at the time of exercise of the option during the period of 10 years from the date of the Option Agreement. In the opinion of the Directors, in the view of the price of the call option will be at market value on a mutually agreed basis by the parties at the time of exercise of the option, and therefore the value of the call option has no material financial impact to the Group.

The transaction was completed on 31 August 2013 and the details of the transaction were set out in the Company's announcement dated 30 July 2013.

Based on the unaudited management accounts of DOH, the Group shared a profit from the joint venture amounting to HK$71,000 (for the year ended 31 December 2017: HK$66,000).

At the end of the reporting year, the management of the Company, with the assistance of Ascent Partners, performed an impairment assessment on its interest in the joint venture. No impairment loss on interest in the joint venture was identified and recognised into profit or loss in the current year (for the year ended 31 December 2017: Nil) after taking into account of its recoverable amount which is based on its value in use.

## BUSINESS REVIEW

### Travel business

During the year under review, the performance of the segment in travel business was not satisfactory. Operating under the atmosphere of a slowing global and Singapore domestic economy and fierce competition in the industry exerted pressure on the Group's travel business in Singapore which led to a decrease in revenue to HK$30,815,000 for the year ended 31 December 2018 (for the year ended 31 December 2017: HK$31,838,000). In addition, due to facing intense competition with other providers of hotel accommodations and airline tickets, and online travel reservation services, the Group's travel business in Hong Kong recorded a significant decrease in revenue to HK$1,081,000 for the year ended 31 December 2018 (for the year ended 31 December 2017: HK$2,069,000). The overall revenue in this segment decreased to HK$31,896,000 for the year ended 31 December 2018 (for the year ended 31 December 2017: HK$33,907,000), representing a decrease of 5.9% as compared to last corresponding year. As at 31 December 2018, the Group had gross trade receivables from travel business in Singapore, before loss allowance of expected credit loss, of approximately HK$144,810,000 (31 December 2017: HK$140,911,000). Loss allowance on the expected credit loss of that trade receivables of HK$24,306,000 was provided, based on a valuation prepared by an independent professional qualified valuer not connected to the Group, upon transition to HKFRS 9 Financial Instruments in the current year.

***Disposal of Perfect Well Tours Limited***

On 21 December 2018, to streamline the travel business, Time Tic Investments Limited ("Time Tic"), as vendor, a direct wholly-owned subsidiary of the Company, entered into an agreement with an independent third party, as purchaser, pursuant to which Time Tic had agreed to sell and the purchaser had agreed to purchase the entire issued share capital of Perfect Well Tours Limited ("Perfect Well") and the aggregate principal amount of the interest-free loans owing by Perfect Well to Time Tic at a consideration of HK$2,290,000 (the "Disposal"). Perfect Well is a wholly-owned subsidiary of Time Tic and is principally engaged in the provision of travel agency services related to air ticketing and air/hotel packages, and is a registered and licensed travel agent in Hong Kong. The Disposal was completed on 27 December 2018. Upon completion, Perfect Well ceased to be a subsidiary of the Group. A gain of HK$29,000 was recorded as a result of the Disposal. The net proceeds from the Disposal would be utilised as general working capital of the Group.

### Money lending business

During the reporting year, the Group's money lending business generated interest income on loans of HK$16,528,000 (for the year ended 31 December 2017: HK$14,331,000), representing an increase of 15.3% as compared to that of last year. The increase was contributed by the increase in the average monthly balance of loan receivables (excluding accrued interest receivables and impairment loss on loan receivables). The average monthly balance of loan receivables (excluding accrued interest receivables and impairment loss on loan receivables) increased from HK$152,289,000 in 2017 to HK$159,981,000 in 2018. During the year under review, the Group granted new loans in the aggregate principal amount of HK$135,000,000 (2017: HK$137,126,000) to its customers and received prepayment and repayment of HK$54,424,000 (2017: HK$134,915,000) from its customers. As at 31 December 2018, the Group's gross loan receivables together with accrued interest receivables, before loss allowance of expected credit loss, amounted to HK$216,940,000 (31 December 2017: HK$134,389,000). Loss allowance on the expected credit loss of the loan receivables of HK$13,304,000 was provided, based on a valuation prepared by an independent professional qualified valuer not connected to the Group, upon transition to HKFRS 9 Financial Instruments in the current year. Return on loans receivables (excluding accrued interest receivable and impairment loss on loan receivables) for the year ended 31 December 2018 is 10.3% (for the year ended 31 December 2017: 9.4%).

### Treasury management business

During the year under review, the Group acquired Hong Kong equities and Shenzhen A-Share with the aggregate market value of HK$102,493,000 and RMB4,873,000 (equivalent to HK$5,918,000) respectively. For the last corresponding year, the Group acquired Hong Kong equities with the aggregate market value of HK$23,642,000. In addition, the Group disposed Hong Kong equities with market value of HK$51,201,000 (for the year ended 31 December 2017: HK$31,710,000) with a carrying amount of financial assets at fair value through profit or loss plus transaction costs of HK$47,664,000 (for the year ended 31 December 2017: HK$30,690,000). Adding the dividend income from securities investment of HK$265,000 (for the year ended 31 December 2017: HK$201,000), the Group's trading of financial assets at fair value through profit or loss recorded a net realised gain of HK$3,802,000 (for the year ended 31 December 2017: HK$1,221,000). At 31 December 2018, the Group remeasured its equity portfolio at market prices and recorded an unrealised loss of HK$7,960,000 (for the year ended 31 December 2017: an unrealised gain of HK$5,313,000) arising on change in fair value of financial assets at fair value through profit or loss.

### Financial services business

During the year under review, as a result of full operation in the current year, revenue in this segment was increased by 8.3 times to HK$12,172,000 (for the year ended 31 December 2017: HK$1,311,000). Commission income from securities brokerage for the year was increased by 6.9 times to HK$4,052,000 (for the year ended 31 December 2017: HK$511,000). Interest income from margin financing and IPO financing for the year was increased by 78.2 times to HK$2,615,000 (for the year ended 31 December 2017: HK$33,000). The handling and settlement income arising from securities business increased by 5.7 times to HK$5,143,000 (for the year ended 31 December 2017: HK$767,000). The Group also derived revenue of HK$362,000 from asset management services (for the year ended 31 December 2017: Nil).

Total outstanding loan of securities margin financing as at 31 December 2018 amounted to HK$18,714,000 (31 December 2017: HK$784,000). No impairment loss on accounts receivables from margin clients was charged during the year (for the year ended 31 December 2017: Nil).

On 8 May 2018, Global Mastermind Futures Limited, an indirect wholly-owned subsidiary of the Company, was granted a licence by the Securities and Futures Commission (the "SFC") to carry on Type 2 (Dealing in futures contracts) regulated activity under the Securities and Futures Ordinance (the "SFO").

On 12 July 2018, Global Mastermind Securities Limited, an indirect wholly-owned subsidiary of the Company, had lodged an application to the SFC for the licence to carry on Type 6 (Advising on corporate finance) regulated activity (the "Advising on Corporate Finance Business") under the SFO. The licence was granted by the SFC on 11 March 2019.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained sufficient working capital during the year. As at 31 December 2018, the working capital, calculated by current assets less current liabilities, of the Group was of HK$422,282,000 compared to HK$511,996,000 as at 31 December 2017.

As at 31 December 2018, the Group's current ratio was 6.0 times (as at 31 December 2017: 9.0 times), calculated by current assets of HK$506,608,000 (as at 31 December 2017: HK$575,782,000) divided by current liabilities of HK$84,326,000 (as at 31 December 2017: HK$63,786,000).

As at 31 December 2018, the Group's gearing ratio, expressed as percentage of total borrowings, including the liability component of convertible bonds, obligations under finance lease and bank borrowings, of the Group to total equity attributable to owners of the Company, was 13.7%, as compared with 1.4% as at 31 December 2017. The significant increase was mainly attributed to the record of liability component of convertible bonds issued on 13 November 2018.

During the year under review, net cash used in operating activities amounted to HK$175,951,000 (for the year ended 31 December 2017: net cash generated from operating activities of HK$6,028,000). Net cash generated from investing activities for the current year was HK$3,169,000 (for the year ended 31 December 2017: net cash generated from investing activities of HK$3,897,000). Net cash generated from financing activities in the current year amounted to HK$84,101,000 (for the year ended 31 December 2017: net cash generated from financing activities of HK$66,778,000). As a result, cash and cash equivalents of the Group as at 31 December 2018 was HK$146,440,000, compared with HK$228,301,000 as at 31 December 2017. The decrease in cash and cash equivalent was mainly attributed to the net cash outflow from money lending business and more acquisition of financial assets made during the year under review.

## CAPITAL STRUCTURE

As at 31 December 2018, the Company has 4,262,867,050 shares of HK$0.01 each (the "Shares") in issue.

**(a) Issue of convertible bonds under general mandate**

On 29 October 2018, the Company entered into a subscription agreement (the "Subscription Agreement") with Heng Tai Finance Limited (the "Subscriber"), a subsidiary of Heng Tai Consumables Group Limited, a company incorporated in the Cayman Islands and listed on the Main Board of the Stock Exchange under stock code: 197. Pursuant to the Subscription Agreement, the Subscriber had conditionally agreed to subscribe, and the Company had conditionally agreed to issue the convertible bonds in the principal amount of HK$80,000,000 (the "Convertible Bonds"). The Convertible Bonds are unsecured and bear coupon rate of 8% per annum. The Convertible Bonds can be converted into shares of the Company of an initial conversion price of HK$0.115 per conversion share, subject to adjustment, during its conversion period for a period of 24 months from the issue date of the Convertible Bonds. Upon exercise of the conversion rights attached to the Convertible Bonds in full, the holder of the Convertible Bonds is entitled to convert up to 695,652,173 shares of the Company. The conversion shares will be allotted and issued pursuant to the general mandate granted to the directors pursuant to the ordinary resolution passed by shareholders of the Company at the annual general meeting of the Company held on 7 June 2018. The net proceeds from the issue of the Convertible Bonds (after deducting all related expenses), were estimated to be approximately HK$79,500,000, out of which (i) HK$60,000,000 were intended to be used for financing the Group's money lending business; (ii) HK$2,300,000 were intended to be used for increase the paid-up share capital of Global Mastermind Asset Management Limited ("Global Mastermind Asset Management"), which is a licensed corporation to carry on Type 9 (Asset management) regulated activity under the SFO; and (iii) HK$17,200,000 were intended to be used for general working capital purposes and/or securities margin financing business. Details of the transaction have been set out in the Company's announcement dated 29 October 2018. The Convertible Bonds were issued on 13 November 2018.

**(b)** As at 31 December 2018, the total borrowings of the Group amounted to HK$91,879,000 (31 December 2017: HK$9,516,000), representing the liability component of the Convertible Bonds of HK$76,009,000 (31 December 2017: Nil); the obligations under finance lease of HK$1,308,000 (31 December 2017: Nil); and short term secured bank borrowings of HK$14,562,000 (31 December 2017: HK$9,516,000), which are repayable within one year.

## USE OF PROCEEDS FROM FUND RAISING ACTIVITIES

### Issue of convertible bonds under general mandate

On 13 November 2018, the Company issued the Convertible Bonds in the principal amount of HK$80,000,000. As at 31 December 2018, out of the net proceeds of HK$79,500,000 from the issue of the Convertible Bonds, (i) HK$60,000,000 had been utilised for financing the Group's money lending business; (ii) HK$2,300,000 had been utilised for increase the paid-up share capital of Global Mastermind Asset Management; and (iii) HK$17,200,000 had been utilised for general working capital purposes.

## EXCHANGE RATE RISK

Foreign currency transactions have been translated into the functional currencies using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the end of the reporting period were recognised in the profit or loss.

In the event of fluctuating foreign exchange rates, there is a risk exposure to that settlement to suppliers or payment from customers may not be reconciled. The exposed amount of foreign currencies would be monitored regularly, forward contracts would be entered for hedging the risks if considered necessary.

## PLEDGE OF ASSETS

As at 31 December 2018, the gross carrying amount of trade receivables from travel business in Singapore amounting to Singapore Dollar ("SG$") 21,026,000 (equivalent to approximately HK$120,504,000) (31 December 2017: SG$22,526,000 (equivalent to approximately HK$131,625,000)) have been pledged to a bank in Singapore by way of a floating charge. In addition, bank deposits of SG$222,000 (equivalent to approximately HK$1,272,000) (31 December 2017: SG$222,000 (equivalent to approximately HK$1,297,000)) of the Group were pledged to secure a credit facility as at 31 December 2018.

As at 31 December 2018, banking facilities in an aggregate sum of HK$50,692,000 (31 December 2017: HK$41,487,000) were available to the Group. Details of the banking facilities are as follows:

A bank in Singapore has provided banker's guarantee, bank overdrafts and commercial card guarantee to a subsidiary of the Company in Singapore in an aggregate amount of approximately SG$7,100,000 (equivalent to approximately HK$40,692,000) (31 December 2017: SG$7,100,000 (equivalent to approximately HK$41,487,000)), of which the amounts utilised as at 31 December 2018 were approximately SG$5,123,000 (equivalent to approximately HK$29,359,000) (31 December 2017: SG$3,052,000 (equivalent to approximately HK$17,834,000)). The banker's guarantee for travel business in Singapore had been given in favour to international airlines.

A bank in Hong Kong has provided a shares overdraft facility to a subsidiary of the Company in Hong Kong for securities brokerage business in an aggregate amount of HK$10,000,000 (31 December 2017: nil). No amount of the shares overdraft facility has been utilised and no securities have been pledged to the bank as at 31 December 2018.

As at 31 December 2018, cash collateral placed by the Group and included in other receivables of approximately SG$640,000 (equivalent to approximately HK$3,668,000) (31 December 2017: SG$565,000 (equivalent to approximately HK$3,301,000)) was pledged for financial guarantees of SG$3,663,000 (equivalent to approximately HK$20,993,000) (31 December 2017: SG$5,421,000 (equivalent to approximately HK$31,676,000)), given by insurance companies in favour of the Group's customers of the travel business as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom financial guarantees have been given, such customers may demand the respective insurance companies to pay to them the sum stipulated in such demand. The Group will become liable to compensate such insurance companies accordingly. The financial guarantees will be released upon completion of the contract works.

At the end of the reporting period, it is not considered it is probable that a claim will be made against the Group.

## CONTINGENT LIABILITIES

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

## SIGNIFICANT INVESTMENT

The Group did not enter into any significant investment during the year ended 31 December 2018.

## MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as the disposal of Perfect Well Tours Limited under the sub-section headed "Travel Business" under the section headed "Business Review", the Group did not make any material acquisitions and disposals of subsidiaries and affiliated companies for the year ended 31 December 2018.

## FUTURE BUSINESS STRATEGIES

The travel business environment is continuing to be challenging. The Group's profitability of travel business in Singapore is facing pressure from the rising costs of operations and stiff price driven competition. Our management team will cautiously monitor the market, adopt appropriate measures and business strategies in response to changing market conditions.

The Group will adopt a conservative investment approach towards its treasury management business in the coming quarters. The management will cautiously monitor China and Hong Kong equity markets, change the Group's equity portfolio mix from time to time and realise the equities held by the Group into cash as and when appropriate.

For the money lending business, the management will adopt a more cautious approach during their assessments and approval of new loans in order to mitigate its credit risk.

For the financial services business, the Group will exert more marketing efforts by allocating more resources to promote our services to the customers, in order to increase and broaden the income stream in the future. In addition, the Group will adopt a more cautious approach to the credit control of its margin financing business.

## EVENTS AFTER THE REPORTING PERIOD

On 11 March 2019, Global Mastermind Securities Limited, an indirect wholly-owned subsidiary of the Company, was granted a licence to carry on Advising on Corporate Finance Business by the SFC.

Save as disclosed above, there is no material subsequent event undertaken by the Company or by the Group after 31 December 2018 and up to the date of this report.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Group faces the following key risks and uncertainties. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below. Investors are advised to make their own judgment or consult their own investment advisers before making any investment in the shares.

| Principal risks | Description | Mitigating actions |
|---|---|---|
| Business risk | Business risk is the risk of rapid changes in customers' preference and intense and /or price driven competition faced by the travel business and brokerage business which could impact the Group's performance. | • Continuous review of market trends and maintain a competitive position by recruiting and retaining experienced staff to provide flexible and comprehensive support services to the customers. |
| Economic risk | Economic risk is the risk that any downturn in economic conditions could impact the Group's performance. | • Regularly track and closely monitor the trends of macro economy and investment equities markets.<br>• Periodical review the investment portfolio on a timely basis, including trading positions and activities, unrealised profit or loss and risk exposure etc.<br>• Limit the investment loss by setting up the investment cap for each individual investment. |
| Credit risk | Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. | • Fully understand customers and carry out credit quality assessment on customers before granting new loans.<br>• Regularly monitor loan receivables and assess the recoverability of loan receivables on an ongoing basis. |

| Principal risks | Description | Mitigating actions |
|---|---|---|
| | | • Margin calls are made when the outstanding balances due from margin customers exceed their respective limits with consideration of the credibility of the customers and quality and liquidity of the stocks the customers held.<br>• Failure to meet margin calls may result in prohibition of further purchases of securities or liquidation of the customer's position. |
| Liquidity risk | Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due or failure to satisfy the capital requirements to carry out the Group's financial services business in the ordinary course. | • Regularly monitor liquidity and financial position of the Group.<br>• Maintain appropriate liquidity to cover its commitments.<br>• Maintain adequate liquid capital to comply with the Securities and Futures (Financial Resources) Rules.<br>• Limit liquidity risk exposure on treasury management business by investing in securities listed on stock markets.<br>• Ensure acceptable and appropriate finance in place or available before committing investment projects.<br>• Maintain revolving loan facilities and bank overdraft facilities etc. to meet any contingency in operations. |

| Principal risks | Description | Mitigating actions |
|---|---|---|
| Price risk | Price risk is the risk of fluctuations of fair values on financial assets and investment properties will affect the Group's performance and the value of its holding equities. | • Frequently review and monitor investment portfolio to ensure prompt action taken and the loss arising from the changes in the fair values is capped within an acceptable range.<br>• Spread price risk exposure by investing a number of equities. |
| Exchange risk | Exchange risk is the risk that changes in foreign exchange rates will affect the Group's income and the value of its holdings of assets. | • Continuously monitor the exchange rate trend, the Group's statement of financial position and cash flow and adopt financial instruments when appropriate, such as forward exchange contracts, foreign currency options and forward rate agreements, to hedge this exchange risk. |
| People risk | People risk is the risk that loss of the services of any directors, senior management and other key personnel could have a material adverse effect on the Group's business operations and financial performance. | • Provide attractive and competitive reward and benefit packages to retain the experienced, qualified and competent employees we need.<br>• Provide the right working environment to its staff to enable them to do the best job possible and maximise their satisfaction at work. |
| Legal and regulatory risk | Legal and regulatory risk is the risk that a breach of laws and regulations could lead to litigation, investigations or disputes, resulting in additional costs being incurred, civil and/or criminal proceedings and reputational damage. | • Closely monitor changes and developments in the regulatory environment and ensure that sufficient resources being made available to implement any required changes timely.<br>• Seek legal or other specialist advice as appropriate. |

| Principal risks | Description | Mitigating actions |
|---|---|---|
| Information technology risk | Information technology risk is the risk on failure of the information technology ("IT") system, operation errors of the IT system, virus and hacker attack and customer data loss and exposure, resulting in business disruption, legal proceedings from customers and/or credit card companies; loss of clients; reputational damage; and even cause investigations by regulatory authorities. | • Continuously strengthen the security of the Group's IT system by including but not limited to upgrade appropriate new generation of firewall and anti- virus software to prevent potential cyber-attacks.<br>• Regularly backup the Group's data to reduce the impact of data loss.<br>• Through different channel to keep informed of possible cyber-attacks and identify and implement measures to mitigate the occurrence of possible attacks.<br>• Establish business contingency plan to ensure business continuity in the event of business disruption. |

## ENVIRONMENTAL POLICIES

The Group is committed to acting in an environmentally responsible manner in our business operations and promoting green measures towards environmental protection to our employees. Our Group adheres to the principle of Recycling, Reducing and Reusing. Doubled-sided printing and copying, promoting to use recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance etc., are implemented by the Group. In order to enhance environmental sustainability, our Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the Group's business operations.

## COMPLIANCE WITH REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with relevant requirements could lead to adverse impact on business operation and financial position of the Group. The Board as a whole is responsible to ensure the Group is in compliance with relevant laws and regulations that have a significant impact on the Company.

During the year, the Group has complied with applicable laws and regulations such as Travel Agents Ordinance and Travel Agents Regulations applicable for its travel business in Singapore and in Hong Kong; Money Lenders Ordinance and Money Lenders Regulations for its money lending business in Hong Kong; Securities and Futures Ordinance for its financial services business in Hong Kong; the GEM Listing Rule; the Hong Kong Companies Ordinance (Cap. 622) and other applicable local laws and regulations in which the Group operates.

For the year ended 31 December 2018, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

## RELATIONSHIP WITH EMPLOYEE, CUSTOMERS, SUPPLIERS AND OTHERS

During the year under review, the Group's aggregate sales attributable to its five largest customers and the largest customer were in 30.7% and 9.3% of the Group's total consolidated revenue respectively.

In addition, the Group's aggregate purchase attributable to its five largest suppliers was also less than 30% of the Group's total purchases.

Saved as disclosed above, none of the directors, their associates or any shareholder, which to the knowledge of the directors owned more than 5% of the Company's issued share capital, had any interest in the share capital of any of the five largest customers or suppliers of the Group.

## EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board on the basis of their merits, qualifications and competence.

The emoluments of the Directors are decided by the Board with reference to the recommendations from the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted the share option scheme ("Option Scheme") as an incentive to Directors and eligible participants, details of the Option Scheme is set out in note 32 of the consolidated financial statements.

## EMPLOYEES INFORMATION

As at 31 December 2018, the total number of employees of the Group was 112.

The Group fixes and reviews the emoluments of its directors and staff based on the qualification, experience, performance and the market rates from time to time so as to maintain the remunerations of the directors and staff at a competitive level. Salary increment is normally approved annually or by special adjustment depending on length of services and individual performance. In addition to salaries, the Group provides employee benefits such as medical insurance and provident funds. Moreover, discretionary bonus and share options will be paid or granted to employees based on the Group's and individual performances.

The Group makes contributions to the Central Provident Fund Scheme in Singapore and the Mandatory Provident Fund in Hong Kong for all qualifying employees in accordance with the statutory requirements in both territories.

## EXECUTIVE DIRECTORS

**Mr. Cheung Kwok Wai, Elton ("Mr. Cheung")**, aged 53, was appointed as the chairman and executive Director on 16 December 2016. He is also a director of a subsidiary of the Company. He has over 29 years of experience in the area of corporate finance and securities industries. He holds a Master Degree in Accounting and Finance from the University of Lancaster in the United Kingdom. Mr. Cheung has been appointed as an executive director of Eternity Investment Limited ("Eternity Investment"), Stock Code: 764), a company listed on the Main Board of the Stock Exchange, since 1 February 2011. From 26 June 2015 to 3 April 2018, Mr. Cheung was an executive director of Man Sang International Limited (Stock Code: 938), a company listed on the Main Board of the Stock Exchange. From 11 October 2016 to 15 December 2016, Mr. Cheung was an executive director of China Healthwise Holdings Limited (Stock Code: 348), a company listed on the Main Board of the Stock Exchange.

As at the date of this report, Mr. Cheung was indirectly interested in 583,832,803 shares of Eternity Investment, representing approximately 15.29% of the issued share capital of Eternity Investment which in turn held 1,237,750,000 shares of the Company, representing approximately 29.04% of the issued share capital of the Company.

**Mr. Mung Kin Keung ("Mr. Mung")**, aged 58, was appointed as an executive Director on 19 June 2014. He holds a Conferment of Honorary Doctoral Degree from Sinte Gleska University of California. In November 2007, Mr. Mung was awarded the 9th World Outstanding Chinese Award by the World Chinese Business Investment Foundation. He has extensive experience in areas of business management, strategic planning and development. He has been appointed as an executive director of Global Mastermind Capital Limited ("GMC", Stock Code: 905), a company listed on the Main Board of the Stock Exchange, since 9 March 2007. On 20 February 2019, Mr. Mung has been re-appointed as an executive director and the co-chairman of CWT International Limited ("CWT International", Stock Code: 521), a company listed on the Main Board of the Stock Exchange. Mr. Mung was an executive director of CWT International from 16 February 2009 to 3 June 2015, during which he was re-designated as a vice-chairman on 10 May 2010 and re-designated as a co-chairman on 24 October 2013, until his resignation on 3 June 2015. From 1 February 2018 to 3 August 2018, Mr. Mung was appointed as the vice chairman and an executive director of Hong Kong International Construction Investment Management Group Co., Limited (Stock Code: 687), a company listed on the Main Board of the Stock Exchange.

Mr. Mung is the father of Mr. Mung Bun Man, Alan, ("Mr. Alan Mung") an executive Director. As at the date of this report, Excellent Mind Investments Limited is interested in 532,000,000 shares of the Company, representing approximately 12.48% of the issued share capital of the Company, which is owned as to 60% by Mr. Mung and 40% by Mr. Alan Mung.

**Mr. Alan Mung**, aged 32, was appointed as an executive Director on 24 March 2014 and the managing Director on 16 December 2016. He is also the compliance officer, a director of certain subsidiaries of the Company, the chairman of corporate governance committee (the "Corporate Governance Committee") and a member of each of remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee") of the Company. He holds a Bachelor of Arts Degree in Business Economics from University of California-Santa Barbara and a Master Degree in Finance from Peking University. Mr. Alan Mung has extensive working experience in investment and asset management. Mr. Alan Mung was appointed as an executive director of GMC from 12 November 2010 to 3 April 2013 and has been re-appointed as executive director of GMC since 31 March 2014. He was an executive director of CWT International from 24 October 2013 to 6 February 2015 and has been re-appointed as a non-executive director since 5 September 2017.

Mr. Alan Mung is the son of Mr. Mung Kin Keung, an executive Director. As at the date of this report, Excellent Mind Investments Limited is interested in 532,000,000 shares of the Company, representing approximately 12.48% of the issued share capital of the Company, which is owned as to 60% by Mr. Mung and 40% by Mr. Alan Mung.

**Mr. Tse Ke Li ("Mr. Tse")**, aged 62, was appointed as an executive Director on 26 October 2007. He is also a director of several subsidiaries of the Company. Mr. Tse has over 13 years' business management experience in a food and beverage company in Canada and investment experience in automobile trading in Canada. He also has several years' experience in property investment and trading. He specialises in marketing and business development.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Law Kwok Ho**, **Kenward ("Mr. Law")**, aged 46, has been appointed as an independent non-executive Director and the chairman of the audit committee of the Company (the "Audit Committee") and a member of the Remuneration Committee on 11 December 2015. Mr. Law graduated from University of New South Wales, Australia with a Bachelor of Commerce in Accountancy. He is a member of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia. Mr. Law has experiences in auditing, taxation and finance for over 19 years. Mr. Law is presently the general manager of a consultancy company in Hong Kong.

**Mr. Tsai Yung Chieh**, **David ("Mr. Tsai")**, aged 51, has been appointed as an independent non-executive Director and the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee on 11 December 2015. He graduated from University of Hong Kong with a LLB Degree. He is a practicing solicitor in Hong Kong since 2001 and is presently a partner of a firm of solicitors in Hong Kong.

**Mr. Fung Wai Ching ("Mr. Fung")**, aged 49, was appointed as an independent non-executive Director on 23 June 2014. He is also the chairman of Nomination Committee and a member of each of the Audit Committee, Remuneration Committee and Corporate Governance Committee. Mr. Fung is presently an owner of a printing company in Hong Kong. He has over 19 years' experience in managing paper, packaging and printing industries in both China and Hong Kong markets. Mr. Fung has been appointed as an independent non-executive director of GMC, since 10 October 2014.

The Company is committed to maintain good corporate governance in management, internal control and risk management procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the value of the shareholders of the Company (the "Shareholders").

## CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. Continuous efforts are made to review and enhance the risk management and internal control systems in light of changes in regulations and developments in best practices.

During the year ended 31 December 2018, the Company was in compliance with the code provisions set out in the CG Code except for the deviations as explained below:

- Code provision A.2.1 of the CG Code provides that the roles and responsibilities of chairman and chief executive officer should be divided. The Company has not appointed chief executive officer, and the roles and functions of the chief executive officer have been performed by the four executive Directors collectively.

- Code provision A.4.1 of the CG Code provides that the non-executive directors should be appointed for a specific term and subject to re-election. The independent non-executive Directors are not appointed for a specific term but they are subject to retirement by rotation at least once every three years in accordance with the articles of association of the Company (the "Articles").

- Code provision D.1.4 of the CG Code provides that issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Directors (except Mr. Mung Kin Keung). However, the Directors shall be subject to retirement by rotation in accordance with the Articles. In any event, all Directors, including those without a letter of appointment, must retire by rotation in the manner prescribed under the Articles, and on re-election of the retiring Directors, Shareholders are given information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant Directors. In addition, the Directors are required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. Besides, the Directors are required to comply with the requirements under statue and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

Save as those mentioned above, in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the year ended 31 December 2018.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standards of dealings regarding securities transactions by directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. All the Directors have confirmed that they have complied with the required standards as set out in the GEM Listing Rules during the year ended 31 December 2018.

## BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall of the Group's strategies, major acquisitions and disposals, annual budgets, quarterly, interim and annual results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The Executive Board (as defined below) and senior management were delegated with the authority and responsibility by the Board for the day-to-day operations of the Group while reserving certain key matters for the approval of the Board. In addition, the Board has also delegated various responsibilities to the board committees. Further details of these committees are set out in this report.

The Board currently consists of the following seven Directors:

### Executive Directors

Mr. Cheung Kwok Wai, Elton
Mr. Mung Kin Keung
Mr. Mung Bun Man, Alan
Mr. Tse Ke Li

### Independent Non-executive Directors

Mr. Tsai Yung Chieh, David
Mr. Law Kwok Ho, Kenward
Mr. Fung Wai Ching

Mr. Mung Kin Keung (an executive Director) is the father of Mr. Mung Bun Man, Alan (the managing Director and an executive Director). Save as disclosed above, there are no relationship (including financial, business, family or other material/relevant relationships) among members of the Board. Such balanced Board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the necessary of balanced skills and experience for effective leadership. The biographical information of the Directors are set out on pages 25 to 26 herein under the section headed "Biographies of Directors".

### Independent Non-executive Directors

The three independent non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of accounting and appropriate expertise. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gives an annual confirmation of his independence to the Company, and the Company considers these Directors are independent under Rule 5.09 of the GEM Listing Rules.

The independent non-executive Directors are not appointed for a specific term but are subject to retirement by rotation at least once every three years at the annual general meeting in accordance with the Articles.

### Chairman and Chief Executive Officer

The Board has appointed Mr. Cheung Kwok Wai, Elton as the chairman of the Company and an executive Director on 16 December 2016. The Company has not appointed chief executive officer, and the roles and functions of the chief executive officer have been performed by the four executive Directors collectively.

The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

### Board Diversity Policy

On 14 August 2013, the Board has adopted a board diversity policy (the "Board Diversity Policy") which sets out the approach to achieve diversity on the Board. The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. 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 Company will also take into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board.

The Board delegated certain duties under the Board Diversity Policy to the Nomination Committee. The Nomination Committee will review and adopt the above measurements when it reviewed the composition of the Board. After assessing the suitability of the Directors' skills and experience to the Company's business, the Nomination Committee considered that the existing Board was appropriately structured.

### Directors' Training

According to the code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.

All Directors have participated in continuous professional development and provided a record of training they received for the financial year ended 31 December 2018 to the Company. The Company has also continuously updated Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

The individual training record of each Director for the year ended 31 December 2018 is set out below:

| Name of Director | Reading professional journals and updates and/or attending seminar(s) relating to the economy, industries and regulatory, director's duties and responsibility etc. |
|---|---|
| Mr. Cheung Kwok Wai, Elton | ✓ |
| Mr. Mung Kin Keung | ✓ |
| Mr. Mung Bun Man, Alan | ✓ |
| Mr. Tse Ke Li | ✓ |
| Mr. Tsai Yung Chieh, David | ✓ |
| Mr. Law Kwok Ho, Kenward | ✓ |
| Mr. Fung Wai Ching | ✓ |

## Board Meetings

The Board has four scheduled meetings a year at quarterly interval and additional meetings are held as and when required. The four scheduled Board meetings for a year are planned in advance. During regular meetings of the Board, the Directors review the operation and financial performances, and review and approve the annual, interim and quarterly results.

During the year ended 31 December 2018, the Board held 15 meetings. All Directors are given an opportunity to include any matter in the agenda for regular Board meetings and are given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance. The attendance is as follows:

| Name of Director | Number of meetings attended |
|---|---|
| *Executive Directors:* | |
| Mr. Cheung Kwok Wai, Elton | 15/15 |
| Mr. Mung Kin Keung | 15/15 |
| Mr. Mung Bun Man, Alan | 15/15 |
| Mr. Tse Ke Li | 7/15 |
| *Independent Non-executive Directors:* | |
| Mr. Fung Wai Ching | 15/15 |
| Mr. Tsai Yung Chieh, David | 15/15 |
| Mr. Law Kwok Ho, Kenward | 15/15 |

Apart from formal meetings, matters requiring Board approval were arranged by means of circulation of written resolutions.

Board minutes and written resolutions are kept by the company secretary of the Company (the "Company Secretary") and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advices and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

### General Meeting

During the year ended 31 December 2018, 1 general meeting of the Company was held. The annual general meeting of the Company was held on 7 June 2018 (the "2018 AGM"). The attendance is as follows:

| Name of Director | Number of attendance 2018 AGM |
|---|---|
| *Executive Directors:* | |
| Mr. Cheung Kwok Wai, Elton | 1/1 |
| Mr. Mung Kin Keung | 0/1 |
| Mr. Mung Bun Man, Alan | 1/1 |
| Mr. Tse Ke Li | 1/1 |
| *Independent Non-executive Directors:* | |
| Mr. Fung Wai Ching | 1/1 |
| Mr. Tsai Yung Chieh, David | 1/1 |
| Mr. Law Kwok Ho, Kenward | 1/1 |

The Board is responsible for maintaining an on-going dialogue with Shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation. Mr. Law Kwok Ho, Kenward (the chairman of the Audit Committee), Mr. Tsai Yung Chieh, David (the chairman of the Remuneration Committee) and Mr. Fung Wai Ching (the chairman of the Nomination Committee) attended the 2018 AGM to answer questions and collected views of Shareholders.

## EXECUTIVE BOARD

The Company established an Executive Board on 20 January 2006 which consists of the executive Directors, currently being Mr. Cheung Kwok Wai, Elton, Mr. Mung Kin Keung, Mr. Mung Bun Man, Alan and Mr. Tse Ke Li. The Executive Board is delegated with authority to handle and/or monitor the management functions and operation of the day-to-day business of the Group.

## NOMINATION COMMITTEE

The Company established the nomination committee (the "Nomination Committee") on 5 January 2012 which currently consists of two independent non-executive Directors, namely Mr. Fung Wai Ching (as chairman) and Mr. Tsai Yung Chieh, David, and an executive Director, namely Mr. Mung Bun Man, Alan, with written terms of reference in compliance with the GEM Listing Rules.

The terms of reference of the Nomination Committee is currently made available on the GEM website and the Company's website.

The functions of the Nomination Committee are to review the structure, size and diversity of the Board and make recommendations on any proposed changes to the Board to complement the Group's corporate strategy; to identify qualified individuals to become members of the Board; to assess the independence of the independent non-executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

When making recommendations regarding the appointment of any proposed candidate to the Board or reappointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:–

(a) reputation for integrity;

(b) accomplishment, experience and reputation in the business and other relevant sectors relate to the Company and/or its subsidiaries;

(c) commitment in respect of sufficient time and attention to the Company's business;

(d) diversity in all aspects, including but not limited to gender, age, cultural/educational and professional background, skills, knowledge and experience;

(e) the ability to assist and support management and make significant contributions to the Company's success;

(f) compliance with the criteria of independence as prescribed under Rule 5.09 of the GEM Listing Rules for the appointment of an independent non-executive Director; and

(g) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

During the year ended 31 December 2018, no new Director was appointed.

In 2018, the Nomination Committee held 1 meeting mainly reviewing the size, structure and composition as well as the diversity of the Board, assessing the independence of the independent non-executive Directors and the Directors to be re-elected at the 2018 AGM before putting forth for discussion and approval by the Board. The attendance is as follows:

| Name of member | Number of meeting attended |
|---|---|
| Mr. Fung Wai Ching *(chairman)* | 1/1 |
| Mr. Mung Bun Man, Alan | 1/1 |
| Mr. Tsai Yung Chieh, David | 1/1 |

## REMUNERATION COMMITTEE

The Company established the remuneration committee (the "Remuneration Committee") on 20 January 2006 which currently consists of three independent non-executive Directors, namely Mr. Tsai Yung Chieh (as chairman), Mr. Law Kwok Ho, Kenward and Mr. Fung Wai Ching, and one executive Director, namely Mr. Mung Bun Man, Alan with written terms of reference in compliance with the GEM Listing Rules.

The terms of reference of the Remuneration Committee is currently made available on the GEM website and the Company's website.

The functions of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure on the remuneration packages for all Directors' and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy; to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management; and to make recommendations to the Board on the remuneration of independent non-executive Directors.

During the year ended 31 December 2018, the Remuneration Committee held 1 meeting for reviewing the remuneration packages of the Directors and senior management and making their recommendations to the Board on the remuneration packages of the Directors. The attendance is as follows:

| Name of member | Number of meeting attended |
|---|---|
| Mr. Tsai Yung Chieh, David *(chairman)* | 1/1 |
| Mr. Law Kwok Ho, Kenward | 1/1 |
| Mr. Fung Wai Ching | 1/1 |
| Mr. Mung Bun Man, Alan | 1/1 |

Apart from formal meetings, matters required Remuneration Committee approval were arranged by means of circulation of written resolutions.

The Company adopted a share option scheme pursuant to the ordinary resolution passed at the annual general meeting of the Company held on 19 May 2011. The purpose of the share option scheme is to enable the Board, at its discretion, to grant options to any eligible participants who include Directors and employees as incentives or rewards for their contribution to the Group. Details of the share option scheme are set out in the Directors' Report and note 32 to the consolidated financial statements.

The emoluments payable to Directors and senior management will depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee, the performance of the Group and the prevailing market conditions. Details of the remuneration of the Directors and senior management are set out in notes 11 and 12 to the consolidated financial statements.

## AUDIT COMMITTEE

The Company established the audit committee (the "Audit Committee") on 19 October 2000 which currently consists of three independent non-executive Directors, namely Mr. Law Kwok Ho, Kenward (as chairman), Mr. Tsai Yung Chieh, David and Mr. Fung Wai Ching, with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2018.

The terms of reference of the Audit Committee is currently made available on the GEM website and the Company's website.

The Audit Committee shall meet not less than four times a year. The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing the quarterly, interim and annual reports and financial statements of the Group; and overseeing the Group's financial reporting system, risk management and internal control systems.

During the financial year ended 31 December 2018, the Audit Committee held 5 meetings for reviewing the first quarterly, interim, third quarterly and annual results of the Group and making recommendation to the Board on the appointment of the external auditor. The Audit Committee were in the opinion that the preparation of the quarterly, interim and final results are complied with the applicable accounting standards and the GEM Listing Rules. The Audit Committee also reviewed the effectiveness of the existing risk management and internal control systems of the Group. The attendance is as follows:

| **Name of member** | **Number of meetings attended** |
|---|---|
| Mr. Law Kwok Ho, Kenward *(chairman)* | 5/5 |
| Mr. Tsai Yung Chieh, David | 5/5 |
| Mr. Fung Wai Ching | 5/5 |

## AUDITOR'S REMUNERATION

On 19 December 2018, the Company received a resignation letter from Deloitte Touche Tohmatsu ("Deloitte") as the auditor of the Company and appointed Moore Stephens CPA Limited ("Moore Stephens") as the auditor of the Company to fill the casual vacancy following the resignation of Deloitte and to hold office until the conclusion of the next annual general meeting of the Company. During the year under review, the remuneration in respect of audit and non-audit services provided by Moore Stephens and Deloitte, are set out below:

| **Services rendered** | **Fee paid/payable**<br>HK$'000 |
|---|---|
| **Moore Stephens** | |
| Audit services | 828 |
| Non-audit services | 300 |
| | |
| **Deloitte** | |
| Non-audit services | 606 |

## CORPORATE GOVERNANCE COMMITTEE

The Company established the corporate governance committee (the "CG Committee"), with written terms of reference in compliance with the GEM Listing Rules, on 21 March 2012. Currently, the CG Committee comprises one executive Director, namely Mr. Mung Bun Man, Alan (as chairman), one independent non-executive Director, namely Mr. Fung Wai Ching and the Company Secretary, Mr. Lee Chan Wah.

The functions of the CG Committee are to develop and review the Company's policies and practices on corporate governance to comply with the CG Code and other legal or regulatory requirements and make recommendations to the Board; to oversee the Company's orientation program for new Director; to review and monitor the training and continuous professional development of Directors and senior management; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's disclosure in the Corporate Governance Report.

During the financial year ended 31 December 2018, the CG Committee held 1 meeting to review the training and continuous professional development of Directors and to review the Company's compliance with the CG Code. The attendance is as follows:

| Name of member | Number of meeting attended |
|---|---|
| Mr. Mung Bun Man, Alan *(chairman)* | 1/1 |
| Mr. Fung Wai Ching | 1/1 |
| Mr. Lee Chan Wah | 1/1 |

## COMPANY SECRETARY

The Company Secretary supports the Board by ensuring good information flow within the Board and that board policy and procedures are followed. The Company Secretary is also responsible for advising the Board on corporate governance and the implementation of the CG Code. The Company Secretary is an employee of the Company and has day-to-day knowledge of the Group affairs. Mr. Lee Chan Wah, was appointed as the Company Secretary of the Company with effect from 30 September 2015.

The Company Secretary has confirmed that he has no less than 15 hours of relevant professional training during the year.

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of good communications with all Shareholders. The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. The chairman of the 2018 AGM proposed separate resolutions for each issue to be considered. Chairman of the Audit Committee, Remuneration Committee and Nomination Committee and the external auditor also attended the 2018 AGM to answer questions from the Shareholders. The annual report together with the annual general meeting circular are distributed to all the Shareholders at least 20 clear business days before the annual general meeting.

## 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 determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

### Shareholders to convene an extraordinary general meeting

Shareholders may convene an extraordinary general meeting of the Company according to the provisions as set out in the Articles and The Companies Law (2013 Revision) of the Cayman Islands. The procedures Shareholders can use to convene an extraordinary general meeting are set out in the document entitled "Procedures for a Shareholder to Propose a Person for Election as a Director", which is currently available on the Company's website.

### Putting enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

**Procedures for putting forward proposals by Shareholders at Shareholders' meeting**

Shareholders should follow the procedures set out in the sub-section headed "Shareholders to convene an extraordinary general meeting" above for putting forward proposals for discussion at general meeting.

## VOTING BY POLL

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions set out in the notice of the forthcoming annual general meeting in 2019 will be voted by poll.

## INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to the Shareholders. Information of the Company is disseminated to the Shareholders in the following manner:

- delivery of the quarterly, interim and annual reports to all Shareholders;

- publication of announcements on the quarterly, interim and annual results on the GEM website and the Company's website, and issue of other announcements and Shareholders' circulars in accordance with the continuing disclosure obligations under the GEM Listing Rules; and

- the general meeting of the Company is also an effective communication channel between the Board and the Shareholders.

There was no changes in the Company's constitutional documents during the year.

## DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's financial statements for each financial period and to ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it is responsible for the implementation of risk management and internal control systems and reviewing their effectiveness annually. The risk management and internal control systems of the Group are designed to manage and mitigate rather than eliminate risks of failures to achieve Group's objectives, and provide reasonable but not absolute assurance against material misstatement or loss.

The internal control system of the Group covers its major business aspects such as revenue management, expenditure management, human resources and payroll, cash and treasury management, financial reporting, compliance and information technology. The internal control systems are supervised by management team including executive Directors and senior management of the Company. In the course of conducting the business of the Group, the Company is exposed to various types of risks, including business risks, financial risks, operation and other risks. The Board is ultimately responsible for the risk management of the Group.

The management team is responsible to identify risks and internal control deficiencies, evaluate the risk management and internal control systems of the Group from time to time and implement additional control measures, if necessary, to improve their effectiveness.

To ensure the effectiveness of the Group's risk management and internal control systems, it establishes and maintains a risk register to track and document identified risks annually; the assessment and evaluation of the identified risks by the likelihood of occurrence and the significant impact of the risk event; the implementation of coordinated mitigating measures according to risk matrix; and provides on-going testing of procedures implemented. The risk matrix is adopted to determine risk rating and prioritisation of carrying out corrective actions such as "acceptable", "set up a duration for rectification of the observable risk", "prompt rectification of the alerted risk" and "immediate rectification of the alarming risk".

The identified risks and the relevant measures have been disclosed in the Management Discussion and Analysis on pages 19 to 22 of this report.

The Company does not have internal audit department and in view of the Group's business and scale of operations, the Company adopts the most cost-effective method by engagement of independent professionals to conduct a review of the effectiveness of the Group's risk management and internal control systems at least once a year.

During the year, the independent professionals have conducted reviews of the adequacy and effectiveness of the Company's risk management and internal control systems including an assessment of the prevailing internal control and risk management practices of the Group and covering various aspects like financial control, operational control, compliance control and risk management function of the Group.

No material issues on the Group's risk management and internal control systems were identified and reported to the Audit Committee by the outsourced independent professionals and the Company's external auditors during the year which required significant rectification measures. The Board considered that the Group's risk management and internal control systems are effective and adequate in safeguarding the assets of the Group and protecting the interests of Shareholders, customers, suppliers and employees of the Group.

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Group is aware of its obligations under the SFO, the GEM Listing Rules and the overriding principle. The Group conducts its affairs with close regard to the applicable laws and regulations prevailing in Hong Kong.

The Group regulates the handling and dissemination of inside information to ensure inside information remains confidential until the disclosure of such information is appropriately approved and the dissemination of such information is efficiently and consistently made. Meanwhile, the Group has also implemented procedures to guard against possible mishandling of inside information within the Group, including but not limited to, pre-clearance on dealing in the securities of the Company by designated members of the management; and notification of regular blackout period and securities dealing restrictions to Directors and relevant employees.

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

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 40 to the consolidated financial statements. Further discussion and analysis of these activities as required by Schedule 5 to Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties faced by the group and an indication of likely future developments in the group's business, can be found in the Management Discussion and Analysis set out on page 8 to 24 and notes 36 and 37 to the consolidated financial statements of this report. These discussions form part of this directors' report.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 55.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2018 (2017: Nil).

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

## DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to the shareholders of the Company as at 31 December 2018 were as follows:

| | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|
| Share premium | **920,537** | 920,537 |
| Capital reserve | **32,589** | 32,589 |
| Accumulated losses | **(414,001)** | (413,541) |
| | **539,125** | 539,585 |

Under The Companies Law (2013 Revision) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles (the "Articles") of Association and provided that immediately following the payment of distributions or dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Articles, dividends shall be payable out of the profits or other reserves, including the share premium account, of the Company.

## SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 31 to the consolidated financial statements.

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the consolidated results and the consolidated assets and liabilities of the Group for the last five financial years is set out on page 4.

## BANK BORROWINGS

Details of bank borrowings for the year ended 31 December 2018 are set out in note 27 to the consolidated financial statements.

## PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.

## DIRECTORS

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

### Executive Directors:

Mr. Cheung Kwok Wai, Elton
Mr. Mung Kin Keung
Mr. Mung Bun Man, Alan
Mr. Tse Ke Li

### Independent Non-executive Directors:

Mr. Tsai Yung Chieh, David
Mr. Law Kwok Ho, Kenward
Mr. Fung Wai Ching

In accordance with Article 87(1) of the Articles, Mr. Cheung Kwok Wai, Elton and Mr. Mung Bun Man, Alan, being the executive Directors and Mr. Law Kwok Ho, Kenward, being an independent non-executive Directors shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company (the "2019 AGM").

There is no specific length of the term of office for each of the independent non-executive Directors but they are subject to retirement by rotation at least once every three years in accordance with the Articles.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the 2019 AGM has a service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## INDEPENDENCE CONFIRMATIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all the independent non-executive Directors are independent.

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

As at 31 December 2018, the interests and short positions of the Directors and chief executives of the Company and their associates in the shares, underlying shares and debentures of the Company or any associated corporations, within the meaning of Divisions 7 and 8 of Part XV of the SFO, as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

### Long positions

***(a) Ordinary shares of HK$0.01 each of the Company***

| Name of Director | Capacity | Number of issued ordinary shares of the Company held | Approximate percentage of the issued ordinary share capital of the Company *(Note 2)* |
|---|---|---|---|
| Mr. Mung Kin Keung *(Note 1)* | Interest of controlled corporation | 532,000,000 | 12.48% |
| Mr. Mung Bun Man, Alan *(Note 1)* | Interest of controlled corporation | 532,000,000 | 12.48% |
| Mr. Tse Ke Li | Beneficial owner | 1,150,000 | 0.03% |

*Notes:*

1. These shares were registered in the name of and were beneficially owned by Excellent Mind Investments Limited ("Excellent Mind"), a company is owned as to 60% by Mr. Mung Kin Keung and 40% by Mr. Mung Bun Man, Alan, both of them are executive Directors. Therefore, they are deemed to be interested in all the shares in which Excellent Mind is interested by virtue of the SFO.

2. The percentage is calculated on the basis of 4,262,867,050 shares in issue as at 31 December 2018.

Save as disclosed above, none of the Directors and chief executives of the Company nor their associates had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules as at 31 December 2018.

## SHARE OPTIONS

Pursuant to a special resolution passed at the annual general meeting held on 19 May 2011, a new share option scheme ("Option Scheme") was adopted for the purpose of providing incentive to eligible participants who contribute to the success of the Group's operation. Unless otherwise cancelled or amended, the expiry date of the Option Scheme will be on 18 May 2021. Particulars of the Option Scheme are set out in note 32 to the consolidated financial statements.

Details of movements in the Company's share options under the Option Scheme during the year ended 31 December 2018 are set out as follows:

| | | Number of share options | | | | |
|---|---|---|---|---|---|---|
| | **Share options type** *(Note)* | **Outstanding at 1 January 2018** | **Granted during the year** | **Exercised during the year** | **Lapsed during the year** | **Outstanding at 31 December 2018** |
| *Directors and chief executive* | | | | | | |
| – Mr. Cheung Kwok Wai, Elton | 2017A | 35,500,000 | – | – | (35,500,000) | – |
| | 2017B | 7,100,000 | – | – | (7,100,000) | – |
| Total directors and chief executive | | 42,600,000 | – | – | (42,600,000) | – |
| Senior management and employees | 2017A | 177,500,000 | – | – | (177,500,000) | – |
| | 2017B | 248,500,000 | – | – | (248,500,000) | – |
| Total senior management and employees | | 426,000,000 | – | – | (426,000,000) | – |
| Total | | 468,600,000 | – | – | (468,600,000) | – |
| Exercisable at the end of the year | | | | | | – |

*Note:*

| Share options type | Date of grant | Exercise period | Exercise price |
|---|---|---|---|
| 2017A | 12 May 2017 | 12 May 2017 to 11 May 2018 | HK$0.114 |
| 2017B | 5 September 2017 | 5 September 2017 to 4 September 2018 | HK$0.136 |

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share options holdings disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements 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' INTEREST IN CONTRACT OF SIGNIFICANCE

On 24 July 2018, Twin Success International Limited ("Twin Success") of which Mr. Cheung Kwok Wai, Elton, the chairman of the Company and an executive Director, is a director and holding ultimate beneficial interest of 25% in its entire issued share capital, made a cash advance of HK$32,000,000 to the Group for financing the short-term funding needs of the Group. The cash advance was non-interest bearing and unsecured. On 22 August 2018 and 10 October 2018, the Group repaid HK$30,000,000 and HK$2,000,000 to Twin Success respectively.

Other than as disclosed above and save for the contracts described under the section headed "Connected Transactions" below, no other contract of significance, to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## CONNECTED TRANSACTIONS

### 1. Brokerage services and margin loan financing

| Name of connected person | | Brokerage commission income and/or other service charges paid to the Group | Margin loan interest paid to the Group for the year | Maximum amount of margin loan for the year |
|---|---|---|---|---|
| | | HK$ | HK$ | HK$ |
| **Executive Director** | | | | |
| Mr. Mung Kin Keung | | 155,838 | – | – |
| **Directors of certain subsidiaries of the Group** | | | | |
| Mr. Man Kong Yui | | 2,247 | 173 | 790,890 |
| Mr. Ho Ken Hon | | 3,572 | – | – |
| Mr. Lee Geng Rong | | 50 | – | – |
| **Substantial Shareholder** | | | | |
| China Healthwise and its associates | *Note 1* | 10,260 | | |
| Eternity Finance Group | *Note 2* | 10,280 | – | – |

*Notes:*

1. The brokerage commission income and/or other service charges of HK$10,260 was paid by Future Empire Limited ("Future Empire") to the Group. China Healthwise Holdings Limited ("China Healthwise") was a substantial shareholder of the Company and thus was a connected person of the Company. As Future Empire is wholly-owned by China Healthwise, Future Empire was an associate of China Healthwise and a connected person of the Company. China Healthwise ceased to be the substantial shareholder of the Company on 29 June 2018.

2. The brokerage commission income and/or other service charges of HK$10,280 was paid by Eternity Finance Group Limited ("Eternity Finance Group") to the Group. Eternity Finance Group is a substantial shareholder of the Company with effect from 29 June 2018 and thus is a connected person of the Company. Eternity Finance Group is a wholly-owned subsidiary of Eternity Investment Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 764).

The Directors, including the independent non-executive Directors, were of the opinion that the transactions listed above were on normal commercial terms where all of the applicable percentage ratios (other than the profits ratio) on an annual basis calculated under the GEM Listing Rules were (i) less than 1% and the transaction is a connected transaction only because it involves connected persons at the subsidiary level; or (ii) less than 5% and the annual consideration was less than HK$3,000,000. The transactions were thus exempted from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 20.74(1)(b) or Rule 20.74(1)(c) of the GEM Listing Rules.

### 2. Management and Administrative Agreement and Tenancy Agreement

On 1 October 2016, Famous Flamingo Limited ("Famous Flamingo"), an indirect wholly-owned subsidiary of the Company, entered into a management and administrative agreement with VeloX Express Co., Limited (the "2016 Agreement"). Mr. Mung Hon Ting, Jackie ("Mr. Jackie Mung") beneficially owns 39% interest in VeloX Express Co., Limited. Pursuant to the 2016 Agreement, VeloX Express Co., Limited had agreed to pay a monthly management and administrative fee of HK$80,000 to Famous Flamingo for a fixed term of one year from 1 October 2016 to 30 September 2017. On 12 October 2017, the 2016 Agreement was extended for one year from 1 October 2017 to 30 September 2018 by a supplemental agreement, with other terms and conditions remained unchanged (the "2017 Supplemental Agreement"). On 30 April 2018, both parties mutually agreed to terminate the 2017 Supplemental Agreement. During the year ended 31 December 2018, the Group received management and administrative income in an aggregate amount of HK$320,000 from VeloX Express Co., Limited (for the year ended 31 December 2017: HK$960,000).

On 12 October 2018, Famous Flamingo, as landlord, entered into a tenancy agreement with VeloX Express Limited, as tenant, for a term of three years with monthly rent of HK$108,320 from 15 October 2018 to 14 October 2021 (the "Tenancy Agreement"). Mr. Jackie Mung beneficially owns 100% interest in VeloX Express Limited. During the year ended 31 December 2018, the Group received rental income in an aggregate amount of HK$276,000 from VeloX Express Limited (for the year ended 31 December 2017: Nil).

Since Mr. Jackie Mung is the son and brother of Mr. Mung Kin Keung and Mr. Mung Bun Man, Alan respectively and both of them are executive Directors and substantial shareholders of the Company, Mr. Jackie Mung is a connected person of the Company. The entering into the 2017 Supplemental Agreement and the Tenancy Agreement constituted a continuing connected transaction under Chapter 20 of the GEM Listing Rules. The Directors, including the independent non-executive Directors, were of the opinion that the transaction listed above were on normal commercial terms where all of the applicable percentage ratios (other than the profits ratio) on an annual basis calculated under the GEM Listing Rules were less than 5% and the annual consideration was less than HK$3,000,000. The transaction was exempted from the requirements of reporting, annual review, announcement and independent shareholders' approval requirement pursuant to Rule 20.74(1)(c) of the GEM Listing Rules.

### 3. Tenancy Agreement

On 20 April 2018, Global Mastermind Financial Services Limited, an indirect wholly-owned subsidiary of the Company, as tenant, entered into a tenancy agreement with Max Winner Investments Limited ("Max Winner"), as landlord, for a term of three years with monthly rent of HK$248,600 from 23 April 2018 to 22 April 2021 (the "Max Winner Tenancy Agreement"). Max Winner is an indirect wholly-owned subsidiary of Eternity Investment Limited, a company listed on the Main Board of the Stock Exchange ("Eternity Investment"; Stock Code: 764). With effect from 29 June 2018, Eternity Investment became a substantial shareholder of the Company, the Max Winner Tenancy Agreement thus constituted a continuing connected transaction under Chapter 20 of the GEM Listing Rules. During the year ended 31 December 2018, the Group paid rental expense of HK$1,492,000 to Max Winner (31 December 2017: Nil). The Directors, including the independent non-executive Directors, were of the opinion that the transaction listed above were on normal commercial terms where all of the applicable percentage ratios (other than the profits ratio) on an annual basis calculated under the GEM Listing Rules were less than 5% and the annual consideration was less than HK$3,000,000. The transaction was exempted from the requirements of reporting, annual review, announcement and independent shareholders' approval requirement pursuant to Rule 20.74(1)(c) of the GEM Listing Rules.

### 4. Referral Fee

On 7 December 2018, Global Mastermind Securities Limited, an indirect wholly-owned subsidiary of the Company, paid an one-off referral fee of HK$50,000 to Mr. Mung Bun Man, Alan, an executive Director. The Directors, including the independent non-executive Directors, were of the opinion that the transaction listed above were on normal commercial terms where all of the applicable percentage ratios (other than the profits ratio) on an annual basis calculated under the GEM Listing Rules were less than 0.1%. The transactions were thus exempted from the reporting, annual review, announcement and independent shareholders' approval requirements pursuant to Rule 20.74(1)(a) of the GEM Listing Rules.

## RELATED PARTY TRANSACTIONS

**Details of the related party-transactions of the Group are set out below:**

1. On 22 September 2016, Global Mastermind Capital Limited ("GMC"), of which Mr. Mung Kin Keung is an executive director and the substantial shareholder, and Mr. Mung Bun Man, Alan is an executive director, entered into an agreement with Hope Master Investments Limited ("Hope Master"), an indirect wholly-owned subsidiary of the Company. Pursuant to the agreement, Hope Master provided management and administrative services to GMC for the period from 23 September 2016 to 30 September 2018 and GMC agreed to pay management and administrative fee to Hope Master. On 28 September 2018, the agreement was further extended for one year from 1 October 2018 to 30 September 2019. On 12 October 2018, both parties mutually agreed to terminate the agreement. For the year ended 31 December 2018, the Group received management and administrative income of approximately HK$2,865,000 (for the year ended 31 December 2017: HK$3,990,000)

2. On 12 October 2018, Hope Master and Famous Flamingo, as landlords, entered into two tenancy agreements with GMC, as tenant, for a term of three years with monthly rent of HK$198,480 and HK$112,000 respectively, from 15 October 2018 to 14 October 2021. During the year ended 31 December 2018, the Group received rental income in an aggregate amount of HK$791,000 from GMC (for the year ended 31 December 2017: Nil).

3. During the year ended 31 December 2018, the Group paid secretarial fee and other office expenses in the sum of approximately HK$196,000 to GMC (for the year ended 31 December 2017: HK$252,000).

4. During the year ended 31 December 2018, the Group received brokerage commission income and/or other service charges in an aggregate sum of approximately HK$233,000 (for the year ended 31 December 2017: HK$332,000) from several related companies. Certain directors of the Company are the directors of these related companies.

## COMPETING INTERESTS

Mr. Cheung Kwok Wai, Elton has an indirect interest in approximately 15.29% of the issued shares of and is an executive director of Eternity Investment engaging in sale of financial assets, property investment, money lending, design and sale of jewelry products, which competes with the Group's money lending business.

Saved for the disclosed above, during the year under review, neither the Directors, the management shareholders of the Company nor their respective associates (as defined under the GEM Listing Rules) had any interests in a business which causes or may cause competition with the business of the Group.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/ OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO

As at 31 December 2018, the register of substantial shareholders/other persons maintained by the Company pursuant to section 336 of the SFO showed that the following shareholders, other than a Director or chief executive of the Company, had notified the Company of relevant interests in the issued share capital of the Company:

### Long positions in ordinary of HK$0.01 each of the Company

| Name of shareholder | Capacity | Number of issued ordinary shares of the Company held | Interest in underlying shares of the Company | Approximate percentage of the issued ordinary share capital of the Company *(Note 4)* |
|---|---|---|---|---|
| Eternity Investment Limited *(Note 1)* | Held by controlled corporation | 1,237,750,000 | – | 29.04% |
| Heng Tai Consumables Group Limited *(Note 2)* | Held by controlled corporation | – | 695,652,173 | 16.32% |
| Excellent Mind Investments Limited *(Note 3)* | Beneficial owner | 532,000,000 | – | 12.48% |
| Mr. Mung Kin Keung *(Note 3)* | Held by controlled corporation | 532,000,000 | – | 12.48% |
| Mr. Mung Bun Man, Alan *(Note 3)* | Held by controlled corporation | 532,000,000 | – | 12.48% |

*Notes:*

1. Eternity Finance Group Limited, a wholly-owned subsidiary of Eternity Investment Limited ("Eternity Investment"), a company listed on the Main Board of the Stock Exchange (Stock Code: 764), is interested in 1,237,750,000 shares in the Company. Eternity Investment is deemed to be interested in such 1,237,750,000 shares by virtue of the SFO.

2. Heng Tai Finance Limited ("Heng Tai Finance") is deemed to be interested in 695,652,173 shares in the Company through its interest in the convertible bonds in the principal amount of HK$80,000,000 issued by the Company. Heng Tai Finance Limited is a wholly-owned subsidiary of Heng Tai Consumables Group Limited ("Heng Tai Consumables Group"), a company listed on the Main Board of the Stock Exchange (Stock Code: 197). Heng Tai Consumables Group is deemed to be interested in such 695,652,173 shares by virtue of the SFO.

3. These shares are held by Excellent Mind Investments Limited ("Excellent Mind"), which is owned as to 60% by Mr. Mung Kin Keung and 40% by Mr. Mung Bun Man, Alan, both of them are executive Directors, who are deemed to be interested in all the shares in which Excellent Mind is interested by virtue of the SFO.

4. The percentage is calculated on the basis of 4,262,867,050 shares in issue as at 31 December 2018.

Other than as disclosed above, the Company has not been notified of any interests in the Company's issued shares as at 31 December 2018 as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

Save as disclosed above, as at 31 December 2018 and to the best knowledge of the Directors, there was no person had an interest or short position in the shares or underlying shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

## DIVIDEND POLICY

On 31 December 2018, the Company announced that the Board had approved and adopted a dividend policy (the "Dividend Policy").

Under the Dividend Policy, the Company does not have any pre-determined dividend payout ratio. The declaration, payment and amount of dividends are subject to the Board's discretion having regard to the following factors:

(a) the earnings, financial condition, capital requirements and future plans of the Group;

(b) the Shareholders' interests;

(c) the economic outlook;

(d) the contractual restrictions on the payment of dividends by the Company to the Shareholders;

(e) the statutory and regulatory restrictions on the payment of dividends by the Company; and

(f) any other factors the Board may consider relevant.

The Board shall review the Company's dividend policy from time to time and may take any amendments that it deems necessary or desirable.

## PRE-EMPTIVE RIGHTS

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

## CLOSURE OF THE REGISTER OF MEMBERS

The 2019 AGM is scheduled to be held on Thursday, 13 June 2019. For determining the entitlement to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Monday, 10 June 2019 to Thursday, 13 June 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2019 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 6 June 2019.

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2018.

## CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 27 to 38 of this report.

## AUDITOR

The Company has appointed Moore Stephens CPA Limited as the auditor of the Company during the year ended 31 December 2018. A resolution will be proposed for approval by the Shareholders at the 2019 AGM to re-appoint Moore Stephens CPA Limited as the auditor of the Company.

## APPRECIATION

We would like to take this opportunity to thank the management and staff members of the Group for their hard work and valuable contributions to the Group in the past year. We would also like to thank our Shareholders for their continuous support to the Group. The Group will keep on doing its best with an aim to provide good return to Shareholders.

On behalf of the Board
**Cheung Kwok Wai, Elton**
*Chairman*

25 March 2019

MOORE STEPHENS

Moore Stephens CPA Limited
801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

T +852 2375 3180
F +852 2375 3828

www.moorestephens.com.hk

大華馬施雲
會計師事務所有限公司

**TO THE SHAREHOLDERS OF GLOBAL MASTERMIND HOLDINGS LIMITED**
**環球大通集團有限公司***
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## OPINION

We have audited the consolidated financial statements of Global Mastermind Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 55 to 144, which comprise the consolidated statement of financial position as at 31 December 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 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

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| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of investment properties** | |
| We identified the valuation of investment properties as a key audit matter due to the key source of estimation uncertainty and the significant assumptions and judgments involved in the valuation.<br><br>As disclosed in note 16 to the consolidated financial statements, the Group's investment properties amounted to HK$187,800,000 as at 31 December 2018, of which included a revaluation surplus of HK$65,547,000 upon transfer of property, plant and equipment to investment properties which was credited to property revaluation reserve. Loss of fair value change of investment properties of HK$4,300,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended.<br><br>The fair value of the Group's investment properties was determined by adopting the valuation techniques with significant unobservable inputs, assumptions of market conditions and judgments on appropriate valuation techniques and inputs adopted. The Group also worked closely with the independent qualified valuer to establish and determine the appropriate valuation techniques. | Our procedures in relation to management's impairment assessment included:<br><br>• reviewing the valuation report from independent qualified valuer and holding discussion with management and independent qualified valuer to understand the valuation basis, methodology used and underlying assumptions applied;<br><br>• evaluating management's process in respect of reviewing the valuation performed by independent qualified valuer;<br><br>• evaluating of the competence, capabilities and objectivity of independent qualified valuer;<br><br>• obtaining the underlying data including comparables of market transactions being used by the independent qualified valuer and assessing whether they are appropriate; and<br><br>• performing market research and analysis to assess whether the changes in fair value of investment properties resulted from the valuation was reasonable and consistent with market trends to our knowledge. |

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| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment of trade receivables from travel business and loan receivables** | |
| We identified the impairment of trade receivables from travel business and loan receivables as a key audit matter due to the significance of the carrying amounts and key source of estimation uncertainty and the significant assumptions and judgments involved in the impairment assessment.<br><br>The adoption of HKFRS 9 has fundamentally changed the Group's accounting for receivables loss impairment by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.<br><br>The measurement of ECL requires the application of significant judgment and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models (for exposures assessed individually or collectively), such as the expected future cash flows and forward-looking macroeconomic factors.<br><br>As at 31 December 2018, the Group's trade receivables from travel business and loan receivables amounted to HK$120,504,000 and HK$203,636,000, respectively, as disclosed in notes 21 and 20 to the consolidated financial statements. | Our procedures in relation to management's assessment of impairment of trade receivables from travel business and loan receivables included:<br><br>• assessing of controls over the origination, ongoing internal credit quality assessments, recording and monitoring of trade receivables from travel business and loan receivables;<br><br>• assessing the effectiveness of key controls over the application of the impairment methodology, the governance for the ECL models, inputs and assumptions used by the Group in calculating the ECL;<br><br>• assessing the reasonableness of the Group's ECL models, including the model input, model performance for significant portfolios, and the reasonableness of the Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;<br><br>• assessing the reasonableness of forward-looking adjustments, including the economic variables and assumptions used in each of the economic scenarios and their probability weightings;<br><br>• for a sample of exposures that was subject to an individual impairment assessment, reviewing the Group's assumptions on the expected future cash flows, including the value of realisable collateral based on available market information; and<br><br>• assessing the financial statement disclosures relating to the Group's exposure to credit risk. |

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## OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 26 March 2018.

## OTHER INFORMATION

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

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

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

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

The directors 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.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, 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.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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.

**Moore Stephens CPA Limited**
*Certified Public Accountants*

**Lai Hung Wai**
Practising Certificate Number: P06995

Hong Kong, 25 March 2019

* For identification purpose only

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

*For the year ended 31 December 2018*

| | NOTES | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| Service income from provision of travel related services | | **31,896** | 33,907 |
| Interest income from money lending business | | **16,528** | 14,331 |
| Commission income from securities brokerage | | **4,052** | 511 |
| Interest income from margin financing | | **2,603** | 20 |
| Interest income from initial public offering financing | | **12** | 13 |
| Handling and settlement income arising from securities brokerage | | **5,143** | 767 |
| Asset management fee income | | **362** | – |
| Net realised gain on securities investment | 5 | **3,802** | 1,221 |
| Net unrealised (loss) gain on securities investment | 5 | **(7,960)** | 5,313 |
| Other income, other gains and losses | 7 | **9,747** | 13,760 |
| Staff costs | | **(46,982)** | (52,921) |
| Depreciation and amortisation expenses | | **(5,712)** | (8,492) |
| Impairment loss on intangible assets | 17 | **(4,212)** | (16,000) |
| Impairment loss on loan receivables | 20 | **(13,304)** | – |
| Impairment loss on trade receivables | 21 | **(24,306)** | – |
| Other expenses | | **(35,796)** | (21,894) |
| Finance costs | 8 | **(2,063)** | (701) |
| Share of profit of a joint venture | 19 | **71** | 66 |
| Loss before tax | | **(66,119)** | (30,099) |
| Income tax credit | 9 | **1,463** | 1,650 |
| Loss for the year | 10 | **(64,656)** | (28,449) |
| **Other comprehensive income (expense) for the year** | | | |
| *Item that will not be reclassified to profit or loss:* | | | |
| Gain on revaluation of properties | | **65,547** | – |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation of foreign operations | | **(2,416)** | 13,410 |
| Share of exchange difference of a joint venture | | **(334)** | 1,495 |
| | | **(2,750)** | 14,905 |
| **Other comprehensive income for the year** | | **62,797** | 14,905 |
| **Total comprehensive expense for the year** | | **(1,859)** | (13,544) |
| **Loss for the year attributable to owners of the Company** | | **(64,656)** | (28,449) |
| **Total comprehensive expense for the year attributable to owners of the Company** | | **(1,859)** | (13,544) |
| **Loss per share (HK cents)** | 14 | | |
| **Basic** | | **(1.52)** | (0.73) |
| **Diluted** | | **(1.52)** | (0.73) |

# Consolidated Statement of Financial Position

*At 31 December 2018*

| | NOTES | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | **3,907** | 134,996 |
| Investment properties | 16 | **187,800** | – |
| Intangible assets | 17 | **–** | 4,283 |
| Interest in a joint venture | 19 | **14,025** | 14,288 |
| Loan receivables | 20 | **117,224** | 3,219 |
| Deferred tax assets | 29 | **2,195** | – |
| | | **325,151** | 156,786 |
| **Current assets** | | | |
| Trade and other receivables | 21 | **176,396** | 171,558 |
| Loan receivables | 20 | **86,412** | 131,170 |
| Financial assets at fair value through profit or loss | 22 | **79,410** | 26,619 |
| Pledged bank deposits | 23 | **1,272** | 1,297 |
| Bank trust account balances | 24 | **16,678** | 16,837 |
| Bank balances and cash | 23 | **146,440** | 228,301 |
| | | **506,608** | 575,782 |
| **Current liabilities** | | | |
| Trade and other payables | 25 | **64,534** | 51,493 |
| Contract liabilities | 26 | **879** | – |
| Tax payables | | **4,162** | 2,777 |
| Bank borrowings | 27 | **14,562** | 9,516 |
| Obligations under finance lease | 28 | **189** | – |
| | | **84,326** | 63,786 |
| **Net current assets** | | **422,282** | 511,996 |
| **Total assets less current liabilities** | | **747,433** | 668,782 |

| | NOTES | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Obligations under finance lease | 28 | **1,119** | – |
| Deferred tax liabilities | 29 | **–** | 726 |
| Convertible bonds | 30 | **76,009** | – |
| | | **77,128** | 726 |
| **Net assets** | | **670,305** | 668,056 |
| **Capital and reserves** | | | |
| Share capital | 31 | **42,629** | 42,629 |
| Share premium and reserves | | **627,676** | 625,427 |
| | | **670,305** | 668,056 |

The consolidated financial statements on pages 55 to 144 were approved and authorised for issue by the board of directors on 25 March 2019 and are signed on its behalf by:

**Cheung Kwok Wai, Elton**
*Executive Director*

**Mung Bun Man, Alan**
*Executive Director*

# Consolidated Statement of Changes in Equity

*For the year ended 31 December 2018*

| | Share capital HK$'000 | Share premium HK$'000 | Capital reserve HK$'000 (Note) | Share options reserve HK$'000 | Exchange reserve HK$'000 | Convertible bonds equity reserve HK$'000 | Property revaluation reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2017 | 35,524 | 859,253 | 32,589 | – | (32,258) | – | – | (292,737) | 602,371 |
| Loss for the year | – | – | – | – | – | – | – | (28,449) | (28,449) |
| Other comprehensive income for the year | – | – | – | – | 14,905 | – | – | – | 14,905 |
| Total comprehensive income (expense) for the year | – | – | – | – | 14,905 | – | – | (28,449) | (13,544) |
| Issue of ordinary shares | 7,105 | 63,940 | – | – | – | – | – | – | 71,045 |
| Transaction costs attributable to issue of ordinary shares | – | (2,656) | – | – | – | – | – | – | (2,656) |
| Recognition of equity-settled share-based payments (note 32) | – | – | – | 10,840 | – | – | – | – | 10,840 |
| At 31 December 2017 | 42,629 | 920,537 | 32,589 | 10,840 | (17,353) | – | – | (321,186) | 668,056 |
| Loss for the year | – | – | – | – | – | – | – | (64,656) | (64,656) |
| Other comprehensive (expense) income for the year | – | – | – | – | (2,750) | – | 65,547 | – | 62,797 |
| Total comprehensive (expense) income for the year | – | – | – | – | (2,750) | – | 65,547 | (64,656) | (1,859) |
| Recognition of equity component of convertible bonds | – | – | – | – | – | 4,116 | – | – | 4,116 |
| Transaction costs attributable to issue of convertible bonds | – | – | – | – | – | (8) | – | – | (8) |
| Lapse of share options (note 32) | – | – | – | (10,840) | – | – | – | 10,840 | – |
| At 31 December 2018 | 42,629 | 920,537 | 32,589 | – | (20,103) | 4,108 | 65,547 | (375,002) | 670,305 |

Note: The capital reserve represented the credit arising from the capital reduction effected by the Company during the year ended 31 December 2009.

| | Note | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Loss before tax | | **(66,119)** | (30,099) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | | **5,712** | 6,480 |
| Loss on disposal of property, plant and equipment | | **751** | 7 |
| Gain on disposal of a subsidiary | 7 | **(29)** | – |
| Amortisation of intangible assets | | **–** | 2,012 |
| Equity-settled share-based payment expenses | | **–** | 10,840 |
| Interest income | | **(3,856)** | (3,999) |
| Interest expense | | **2,063** | 701 |
| Share of profit of a joint venture | | **(71)** | (66) |
| Impairment loss on intangible assets | | **4,212** | 16,000 |
| Impairment loss on loan receivables | | **24,306** | – |
| Impairment loss on trade receivables | | **13,304** | – |
| Loss (gain) on fair value changes of investment securities | | **4,423** | (6,333) |
| Loss on fair value changes of investment properties | | **4,300** | – |
| Operating cash flows before movements in working capital | | **(11,004)** | (4,457) |
| (Increase) decrease in trade and other receivables | | **(39,854)** | 12,797 |
| Decrease (increase) in bank trust account balances | | **159** | (16,837) |
| Increase in loan receivables | | **(82,551)** | (2,801) |
| (Increase) decrease in financial assets at fair value through profit or loss | | **(57,214)** | 8,068 |
| Increase in trade and other payables | | **16,643** | 9,258 |
| Decrease in contract liabilities | | **(2,108)** | – |
| Cash (used in) generated from operations | | **(175,929)** | 6,028 |
| Income tax paid | | **(22)** | – |
| **NET CASH (USED IN) FROM OPERATING ACTIVITIES** | | **(175,951)** | 6,028 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | | **(1,113)** | (3,287) |
| Net cash outflow on disposal of a subsidiary | 7 | **(37)** | – |
| Proceeds from disposal of property, plant and equipment | | **463** | 5 |
| Interest received | | **3,856** | 3,999 |
| Withdrawal of pledged bank deposits | | **–** | 3,180 |
| **NET CASH FROM INVESTING ACTIVITIES** | | **3,169** | 3,897 |

# Consolidated Statement of Cash Flow

*For the year ended 31 December 2018*

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| **FINANCING ACTIVITIES** | | |
| New bank borrowings and other loans raised | **15,004** | 9,516 |
| Repayment of bank borrowings | **(9,816)** | (10,426) |
| Proceeds from issue of ordinary shares | **–** | 71,045 |
| Transaction costs attributable to issue of ordinary shares | **–** | (2,656) |
| Net proceeds from issue of convertible bonds | **79,846** | – |
| Interest paid | **(933)** | (701) |
| **NET CASH FROM FINANCING ACTIVITIES** | **84,101** | 66,778 |
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | **(88,681)** | 76,703 |
| **CASH AND CASH EQUIVALENTS AT 1 JANUARY** | **228,301** | 154,163 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES** | **6,820** | (2,565) |
| **CASH AND CASH EQUIVALENTS AT 31 DECEMBER,** represented by bank balances and cash | **146,440** | 228,301 |

## 1. GENERAL

Global Mastermind Holdings Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The principal activities of the Company and its subsidiaries (the "Group") are the provision and operation of travel business, treasury management (i.e. securities investing) business, money lending business, securities brokerage business, futures brokerage business and asset management business.

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

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

**New and amendments to HKFRSs that are mandatorily effective for the current year**

The Company and its subsidiaries has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

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

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

### New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

***HKFRS 15 "Revenue from Contracts with Customers"***

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18, HKAS 11 and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

At a point in time:

- Service income from provision of travel related services
- Commission income from securities brokerage
- Handling and settlement income from securities brokerage
- Net realised gain on securities investment

Over time:

- Interest income from money lending business
- Interest income from margin financing
- Interest income from initial public offering financing
- Asset management fee income

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in note 3.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

**New and amendments to HKFRSs that are mandatorily effective for the current year** *(Continued)*

***HKFRS 15 "Revenue from Contracts with Customers"*** *(Continued)*

*Summary of effects arising from initial application of HKFRS 15*

The application of HKFRS 15 does not have significant impact on the timing and amounts of revenue recognised nor the accumulated losses at 1 January 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

| | **Carrying amounts previously reported at 31 December 2017** | **Reclassification** | **Carrying amounts under HKFRS 15 at 1 January 2018** |
|---|---|---|---|
| | HK$'000 | HK$'000 (Note) | HK$'000 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 51,493 | (2,951) | 48,542 |
| Contract liabilities | – | 2,951 | 2,951 |

Note: As at 1 January 2018, deposits received from travel business of HK$2,951,000 previously included in trade and other payables were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

**New and amendments to HKFRSs that are mandatorily effective for the current year** *(Continued)*

***HKFRS 15 "Revenue from Contracts with Customers"*** *(Continued)*

**Impact on the consolidated statement of financial position**

| | **As reported** HK$'000 | **Adjustments** HK$'000 | **Amounts without application of HKFRS 15** HK$'000 |
|---|---|---|---|
| CURRENT LIABILITIES | | | |
| Trade and other payables | 64,534 | 879 | 65,413 |
| Contract liabilities | 879 | (879) | – |

**Impact on the consolidated statement of cash flows**

| | **As reported** HK$'000 | **Adjustments** HK$'000 | **Amounts without application of HKFRS 15** HK$'000 |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Increase in trade and other payables | 16,643 | (2,108) | 14,535 |
| Decrease in contract liabilities | (2,108) | 2,108 | – |

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

**New and amendments to HKFRSs that are mandatorily effective for the current year** *(Continued)*

***HKFRS 9 "Financial Instruments"***

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

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

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

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

*Summary of effects arising from initial application of HKFRS 9*

(i) Financial assets at fair value through profit or loss ("FVTPL")

The Group has reassessed its investments in equity securities classified as held for trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, the Group's investments amounting to HK$26,619,000 were held for trading and continued to be measured at FVTPL.

There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

**New and amendments to HKFRSs that are mandatorily effective for the current year** *(Continued)*

***HKFRS 9 "Financial Instruments"*** *(Continued)*

*Summary of effects arising from initial application of HKFRS 9 (Continued)*

(ii) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the number of days past due. No additional impairment for trade receivables as at 1 January 2018 is recognised as the amount of additional impairment measured under the ECL model is immaterial.

For loan receivables, impairment of loan receivables is assessed on 12-month ECL ("12m ECL") basis when there had been no significant increase in credit risk since initial recognition, otherwise the allowances will be based on the lifetime ECL. When applying the ECL model, no additional impairment for loan receivables as at 1 January 2018 is recognised as the amount of impairment measured under the ECL model is immaterial.

For ECL for other financial assets at amortised cost, including other receivables, pledged bank deposits, bank trust account balances and bank balances, are assessed on 12m ECL basis as there had been no significant increase in credit risk since initial recognition, otherwise the allowances will be based on the lifetime ECL. Applying the ECL model, no additional impairment for other receivables as at 1 January 2018 is recognised as the amount of impairment measured under the ECL model is immaterial.

Further details on the Group's accounting policy for accounting for credit losses are set out in note 3.

***Amendments to HKAS 40 "Transfers of Investment Property"***

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 January 2018.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

### New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 16 | Leases[1] |
| HKFRS 17 | Insurance Contracts[4] |
| HK(IFRIC) – Int 23 | Uncertainty over Income Tax Treatments[1] |
| Amendments to HKFRS 3 | Definition of a Business[3] |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5] |
| Amendments to HKAS 1 and HKAS 8 | Amendments to Definition of Material[2] |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement[1] |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures[1] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015 – 2017 Cycle[1] |

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

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

### HKFRS 16 "Leases"

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

**HKFRS 16 "Leases"** *(Continued)*

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

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

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$13,054,000 as disclosed in note 35. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$966,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right–of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

The principal accounting policies are set out below.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Basis of consolidation

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

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

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

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

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

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

### Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profits or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Investment in a joint venture *(Continued)*

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

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

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

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

***Principal versus agent***

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

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

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

**Revenue recognition (prior to 1 January 2018)**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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

Service income from provision of travel related services is recognised when the services are rendered. Since the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Commission and brokerage income on brokerage business are recognised as revenue on a trade date basis when the relevant contracts are executed.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Revenue recognition (prior to 1 January 2018)** *(Continued)*

Handling and settlement fee income are recognised with the relevant transactions have been arranged or the relevant services have been rendered.

Net realised gain or loss on securities investment represents the proceeds from the sale of securities investment less the carrying amounts of respective securities investment measured at fair value at the end of last financial year, and the dividend income when the Group's right to receive the dividends is established. Net unrealised gain or loss represents the remaining fair value changes on the securities investment at the end of the reporting period.

Dividend income from investments is recognised when the right to receive payment has been established.

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

**Leases**

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

***The Group as lessor***

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Other than investment properties measured under fair value model, such costs are recognised as an expense on a straight-line basis over the lease term.

***The Group as lessee***

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leases *(Continued)*

***Leasehold land and building***

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

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

### Foreign currencies

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

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

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

Goodwill and fair value adjustments to identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Borrowing costs

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

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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

### Retirement benefit costs

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

### Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

### Share-based payment arrangements

***Equity-settled share-based payment transactions***

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Taxation

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

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

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

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

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Taxation** *(Continued)*

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

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

**Property, plant and equipment**

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

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant prepaid lease payments) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure.

Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

### Intangible assets acquired in a business combination

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

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

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

### Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Impairment of tangible and intangible assets *(Continued)*

The recoverable amount of tangible and intangible assets is estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGU s for which a reasonable and consistent allocation basis can be identified.

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

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

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

### Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

***Financial assets***

*Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

***Financial assets*** *(Continued)*

*Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (Continued)*

(i) Amortised cost and interest income
Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income, gains and losses" line item.

*Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)*
The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loan receivables, pledged bank deposits, bank trust account balances and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

***Financial assets*** *(Continued)*

*Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)*

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

***Financial assets*** *(Continued)*

*Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)*

(i) Significant increase in credit risk *(Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

**Financial instruments** *(Continued)*

***Financial assets*** *(Continued)*

*Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)*

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy
The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL
The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

***Financial assets*** *(Continued)*

*Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (Continued)*

(v) Measurement and recognition of ECL *(Continued)*
Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and amounts due from customers are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

Interest income 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 amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

*Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)*
Financial assets are classified into the following specified categories: financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

***Financial assets*** *(Continued)*

*Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)*

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

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "net realised loss on securities investment" or "unrealised gain on securities investment" line item, as appropriate. Fair value is determined in the manner described in note 22.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, loans and receivables (including loan receivables, trade and other receivables, pledged bank deposits, bank trust account balances and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

***Financial assets*** *(Continued)*

*Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)*
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

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

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

***Financial assets*** *(Continued)*

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

***Financial liabilities and equity***

*Classification as debt or equity*
Debts and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

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

*Financial liabilities at amortised cost*
Financial liabilities (including trade and other payables and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

***Convertible bonds containing debt and equity components***

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

At the date of issue, the fair value of the liability component is estimated by measuring the fair value of similar liability that does not have an associated equity component.

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

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

***Derecognition of financial liabilities***

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

***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## 4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an on-going 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.

### Critical judgments in applying accounting policies

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

***Deferred taxation on investment properties***

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred tax on changes in fair value of investment properties in Hong Kong as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

### Key sources of estimation uncertainty

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

***Fair value measurement and valuation processes of investment properties***

Investment properties are carried in the consolidated statement of financial position at their fair values at the end of each reporting period as disclosed in note 16. The fair values have been based on a valuation on these properties conducted by an independent firm of professional valuer using property valuation techniques which involve certain assumptions of market conditions.

## 4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

### Key sources of estimation uncertainty *(Continued)*

***Fair value measurement and valuation processes of investment properties*** *(Continued)*
In estimating the fair value of the Group's investment properties, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuer to perform the valuation of the Group's investment properties. At the end of each reporting period, the management of the Group works closely with the qualified external valuer to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The management of the Group first considers and adopts Level 2 inputs where inputs can be derived observable quoted prices in the active market. When Level 2 inputs are not available, the Group adopts valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the investment properties, the causes of the fluctuations are reported to the board of directors of the Company. Changes to assumptions and inputs would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in profit or loss.

Information about the valuation techniques and inputs used in determining the fair value of the Group's investment properties are disclosed in note 16.

***Estimated impairment of intangible assets***
Determining whether intangible assets are impaired requires an estimation of the recoverable amount of the CGUs to which intangible assets has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and certain assumptions such as the discount rate, revenue growth rate and terminal growth rate. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise. As at 31 December 2018, the carrying amount of intangible assets is nil (net of accumulated impairment losses of HK$60,212,000) (2017: HK$4,283,000 (net of accumulated impairment losses of HK$56,000,000)).

***Provision for impairment of trade and other receivables***
For trade receivables (excluding non-financial assets), the Group applies the simplified approach to provide for expected credit losses as prescribed by HKFRS 9, which requires the use of the lifetime expected loss allowance for all trade receivables (excluding non-financial assets). The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Management reassesses the provision at each balance sheet date.

The information about the ECL and the Group's trade and other receivables are disclosed in notes 21 and 37(b), respectively.

As at 31 December 2018, the carrying amount of trade and other receivables is HK$176,396,000 (2017: HK$171,558,000).

## 4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

### Key sources of estimation uncertainty *(Continued)*

***Estimated impairment of loan receivables***

Before the application of HKFRS 9 on 1 January 2018, when there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

Upon application of HKFRS 9, impairment of loan receivables is assessed on 12m ECL basis when there had been no significant increase in credit risk since initial recognition. However, when there has been a significant increase in credit risk since origination, the allowances will be based on the lifetime ECL. Assessment are done based on the Group's historical credit loss experience, general conditions, internal credit ratings and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The provision of ECL is sensitive to changes in estimates.

The information about the ECL and the Group's loan receivables are disclosed in notes 20 and 37(b), respectively.

As at 31 December 2018, the carrying amount of loan receivables is HK$203,636,000 (2017: HK$134,389,000).

## 5. NET (LOSS) GAIN ON SECURITIES INVESTMENT

Net realised gain or loss on securities investment represents the proceeds from sale of financial assets at fair value through profit or loss less the carrying amounts of respective financial assets measured at fair value at the end of last financial year, and the dividend income when the Group's right to receive the dividends is established. Net unrealised gain or loss represents the remaining fair value changes on the financial assets at fair value through profit or loss.

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Net realised gain on financial assets at fair value through profit or loss | | |
| Proceeds from sale of financial assets at fair value through profit or loss | **51,201** | 31,710 |
| Carrying amount of financial assets at fair value through profit or loss | **(47,664)** | (30,690) |
| | **3,537** | 1,020 |
| Dividend income from securities investment | **265** | 201 |
| | **3,802** | 1,221 |
| Net unrealised (loss) gain on financial assets at fair value through profit or loss | **(7,960)** | 5,313 |
| | **(4,158)** | 6,534 |

## 6. OPERATING SEGMENTS

The following is an analysis of the Group's revenue and results by operating segments, based on information provided to the chief operating decision maker ("CODM") representing the board of directors of the Company, for the purpose of allocating resources to segments and assessing segment performance, which focuses on the respective types of services rendered or income derived from business engaged in. This is also the basis upon which the Group is arranged and organised.

During the year ended 31 December 2018, the Group commenced the operation of asset management business in Hong Kong. In addition, during the year ended 31 December 2017, the Group commenced to engage in brokerage business. These resulted in a new operating segment in 2018 and 2017, respectively.

The Group's operations are currently organised into five (2017: four) reporting and operating segments under HKFRS 8 "Operating Segments", namely travel business, treasury management business, money lending business, brokerage business and asset management business (2017: travel business, treasury management business, money lending business and brokerage business).

## 6. OPERATING SEGMENTS *(Continued)*

### Segment revenues and results

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

| | Segment revenue | | Segment (losses) profits | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Travel business | **31,896** | 33,907 | **(30,933)** | (13,376) |
| Treasury management business | **3,802** | 1,221 | **(4,165)** | 6,516 |
| Money lending business | **16,528** | 14,331 | **(747)** | 8,214 |
| Brokerage business | **11,810** | 1,311 | **(5,479)** | (7,403) |
| Asset management business | **362** | – | **157** | – |
| Total | **64,398** | 50,770 | **(41,167)** | (6,049) |
| Share of profit of a joint venture | | | **71** | 66 |
| Unallocated income | | | **4,397** | 5,066 |
| Unallocated expenses | | | **(27,957)** | (27,532) |
| Loss for the year | | | **(64,656)** | (28,449) |

All of the segment revenue reported above are from external customers.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3. Segment (losses) profits represent the (losses incurred) profits earned by each segment without allocation of share of profit of a joint venture, unallocated income (which mainly includes bank interest income of head office, rental income and management and administrative fee income) and unallocated expenses (which mainly include central administration costs and directors' salaries). This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

## 6. OPERATING SEGMENTS *(Continued)*

### Segment assets and liabilities

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

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| *Segment assets* | | |
| Travel business | 154,351 | 182,124 |
| Treasury management business | 79,519 | 27,755 |
| Money lending business | 208,307 | 185,756 |
| Brokerage business | 107,852 | 112,768 |
| Asset management business | 10,303 | – |
| Total segment assets | 560,332 | 508,403 |
| Interest in a joint venture | 14,025 | 14,288 |
| Unallocated bank balances and cash | 67,717 | 78,147 |
| Unallocated assets | 189,685 | 131,730 |
| Consolidated assets | 831,759 | 732,568 |
| *Segment liabilities* | | |
| Travel business | 51,530 | 38,085 |
| Money lending business | 3,788 | 2,495 |
| Brokerage business | 20,350 | 17,798 |
| Asset management business | 1,909 | – |
| Total segment liabilities | 77,577 | 58,378 |
| Unallocated liabilities | 83,877 | 6,134 |
| Consolidated liabilities | 161,454 | 64,512 |

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

- all assets are allocated to operating and reportable segments other than interest in a joint venture, investment properties, certain property, plant and equipment, certain deposits and prepayments and certain bank balances and cash.

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

## 6. OPERATING SEGMENTS *(Continued)*

### Other information

Amounts included in the measure of segment results and segment assets:

| | Travel business HK$'000 | Treasury management business HK$'000 | Money lending business HK$'000 | Brokerage business HK$'000 | Asset management business HK$'000 |
|---|---|---|---|---|---|
| **Year ended 31 December 2018** | | | | | |
| Additions to property, plant and equipment | **2,429** | **–** | **–** | **4** | **–** |
| Depreciation of property, plant and equipment | **639** | **–** | **–** | **1,426** | **–** |
| Impairment loss on intangible assets | **4,212** | **–** | **–** | **–** | **–** |
| Impairment loss on trade receivables | **24,306** | **–** | **–** | **–** | **–** |
| Impairment loss on loan receivables | **–** | **–** | **13,304** | **–** | **–** |
| Gain on disposal of property, plant and equipment | **89** | **–** | **–** | **–** | **–** |
| Interest income | **5** | **–** | **–** | **10** | **1** |
| Finance costs | **930** | **–** | **–** | **3** | **–** |
| **Year ended 31 December 2017** | | | | | |
| Additions to property, plant and equipment | 114 | – | – | 3,095 | – |
| Depreciation of property, plant and equipment | 935 | – | – | 776 | – |
| Impairment loss on intangible assets | 16,000 | – | – | – | – |
| Amortisation of intangible assets | 2,012 | – | – | – | – |
| Interest income | 3,883 | – | – | 1 | – |
| Finance costs | 701 | – | – | – | – |

### Geographic information

The Group operates in three principal geographical areas – Singapore, Hong Kong and Malaysia.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of the assets are detailed below:

| | Revenue from external customers | | Non-current assets (Note) | |
|---|---|---|---|---|
| | **2018 HK$'000** | 2017 HK$'000 | **2018 HK$'000** | 2017 HK$'000 |
| Singapore | **30,815** | 31,838 | **2,930** | 5,839 |
| Hong Kong | **33,583** | 18,932 | **188,777** | 133,440 |
| Malaysia | **–** | – | **14,025** | 14,288 |
| | **64,398** | 50,770 | **205,732** | 153,567 |

Note: Non-current assets excluded loan receivables and deferred tax assets.

## 6. OPERATING SEGMENTS *(Continued)*

**Timing of revenue recognition**
*For the year ended 31 December 2018*

| | At a point in time HK$'000 | Over time HK$'000 |
|---|---|---|
| Service income from provision of travel related services | 31,896 | – |
| Commission income from securities brokerage | 4,052 | – |
| Handling and settlement income arising from securities brokerage | 5,143 | – |
| Net realised gain on securities investment | 3,802 | – |
| Interest income from money lending business | – | 16,528 |
| Interest income from margin financing | – | 2,603 |
| Interest income from initial public offering financing | – | 12 |
| Asset management fee income | – | 362 |
| | 44,893 | 19,505 |

**Information about major customers**

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

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Customer A arising from money lending business | N/A | 5,500 |

No single customer contributed over 10% of the consolidated revenue of the Group during the year ended 31 December 2018.

## 7. OTHER INCOME, OTHER GAINS AND LOSSES

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Incentives income from ticketing system | 4,764 | 3,361 |
| Interest income | 3,856 | 3,999 |
| Management and administrative income | 3,185 | 4,950 |
| Rental income | 1,067 | – |
| Commercial credit card rebate | 513 | 454 |
| Net exchange gain | 434 | 163 |
| Employment credits from government grants | 273 | 212 |
| Gain on disposal of a subsidiary (Note) | 29 | – |
| Loss on disposal of property, plant and equipment | (751) | (7) |
| Loss on fair value changes of investment properties | (4,300) | – |
| Others | 677 | 628 |
| | 9,747 | 13,760 |

Note:

During the year ended 31 December 2018, Time Tic Investments Limited, a wholly-owned subsidiary of the Company, has disposed of the entire equity interest in Perfect Well Tours Limited ("Perfect Well") at a consideration of HK$2,290,000. The net gain on disposal of Perfect Well is HK$29,000.

## 8. FINANCE COSTS

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Interest on short term bank borrowings | **933** | 701 |
| Imputed interest expense on convertible bonds (note 30) | **1,130** | – |
| | **2,063** | 701 |

## 9. INCOME TAX CREDIT

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| The tax charge (credit) comprises: | | |
| Current tax | | |
| – Hong Kong Profits Tax | **1,395** | 1,675 |
| – Singapore Corporate Income Tax | **46** | – |
| | **1,441** | 1,675 |
| Overprovision in prior years | | |
| – Hong Kong Profits Tax | **(44)** | (263) |
| Deferred tax – current year (note 29) | **(2,860)** | (3,062) |
| | **(1,463)** | (1,650) |

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

Accordingly, starting from the current year, Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. Hong Kong Profits Tax was calculated at 16.5% on the estimated assessable profits for the year ended 31 December 2017.

Singapore Corporate Income Tax is calculated at 17% in accordance with the relevant laws and regulations in Singapore for both years.

## 9. INCOME TAX CREDIT *(Continued)*

The tax credit for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Loss before tax | **(66,119)** | (30,099) |
| Tax at domestic income tax rate of 16.5% (2017: 16.5%) | **(10,910)** | (4,966) |
| Tax effect of expenses not deductible for tax purpose | **4,021** | 2,870 |
| Tax effect of income not taxable for tax purpose | **(604)** | (1,407) |
| Tax effect of share of profit of a joint venture | **(12)** | (11) |
| Tax effect of tax losses not recognised | **6** | 2,245 |
| Tax effect of deductible temporary differences not recognised | **6,510** | 136 |
| Overprovision in respect of prior years | **(44)** | (255) |
| Effect of tax exemptions granted to a Singapore subsidiary | **(145)** | (141) |
| Utilisation of tax losses previously not recognised | **–** | (23) |
| Effect of different tax rates of subsidiary operating in other jurisdiction | **(120)** | (98) |
| Effect of change in tax rate | **(165)** | – |
| Income tax credit for the year | **(1,463)** | (1,650) |

## 10. LOSS FOR THE YEAR

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Loss for the year has been arrived at after charging (crediting): | | |
| Directors' emoluments (note 11) | **4,296** | 1,713 |
| Salaries and allowances (excluding directors) | **39,258** | 37,698 |
| Retirement benefits scheme contribution (excluding directors) | **3,428** | 3,573 |
| Equity-settled share-based payment expenses (excluding directors) | **–** | 9,937 |
| Total staff costs | **46,982** | 52,921 |
| Gross rental income from investment properties | **(1,067)** | – |
| Less: | | |
| Direct operating expenses incurred for investment properties that generated rental income during the year | **13** | – |
| | **(1,054)** | – |
| Auditors' remuneration | **828** | 1,297 |
| Depreciation for property, plant and equipment | **5,712** | 6,480 |
| Amortisation of intangible assets | **–** | 2,012 |
| Operating lease payment for office premises | **7,085** | 4,420 |

## 11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for both years, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, were as follows:

**2018**

| Name of director | Fees HK$'000 | Salary HK$'000 | Contribution to retirement benefits scheme HK$'000 | Equity–settled share-based payment expenses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| *Executive directors:* | | | | | |
| Mr. Cheung Kwok Wai, Elton | 1,640 | – | 14 | – | 1,654 |
| Mr. Mung Kin Keung | 445 | – | 6 | – | 451 |
| Mr. Mung Bun Man, Alan | 1,620 | – | 13 | – | 1,633 |
| Mr. Tse Ke Li | 360 | – | 18 | – | 378 |
| | 4,065 | – | 51 | – | 4,116 |
| *Independent non-executive directors:* | | | | | |
| Mr. Law Kwok Ho, Kenward | 60 | – | – | – | 60 |
| Mr. Tsai Yung Chieh, David | 60 | – | – | – | 60 |
| Mr. Fung Wai Ching | 60 | – | – | – | 60 |
| | 180 | – | – | – | 180 |
| Total | 4,245 | – | 51 | – | 4,296 |

## 11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

**2017**

| Name of director | Fees HK$'000 | Salary HK$'000 | Contribution to retirement benefits scheme HK$'000 | Equity–settled share-based payment expenses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| *Executive directors:* | | | | | |
| Mr. Cheung Kwok Wai, Elton | 120 | – | 6 | 903 | 1,029 |
| Mr. Mung Kin Keung | 60 | – | 3 | – | 63 |
| Mr. Mung Bun Man, Alan | 60 | – | 3 | – | 63 |
| Mr. Tse Ke Li | 360 | – | 18 | – | 378 |
| | 600 | – | 30 | 903 | 1,533 |
| *Independent non-executive directors:* | | | | | |
| Mr. Law Kwok Ho, Kenward | 60 | – | – | – | 60 |
| Mr. Tsai Yung Chieh, David | 60 | – | – | – | 60 |
| Mr. Fung Wai Ching | 60 | – | – | – | 60 |
| | 180 | – | – | – | 180 |
| Total | 780 | – | 30 | 903 | 1,713 |

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and subsidiaries of the Group. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

No directors waived any emoluments for the years ended 31 December 2018 and 2017.

The Company has not appointed chief executive officer and the roles and functions of chief executive officer have been performed by the above executive directors of the Company collectively.

## 12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included two directors (2017: nil), details of whose remuneration are set out in note 11 above. Details of the remuneration for the year of the remaining three (2017: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Salaries and other benefits | 4,543 | 4,218 |
| Performance related bonuses | – | 746 |
| Contribution to retirement benefits scheme | 136 | 88 |
| Equity-settled share-based payment expenses | – | 5,090 |
| | 4,679 | 10,142 |

The emoluments were within the following bands:

| | Number of employees | |
|---|---|---|
| | 2018 | 2017 |
| HK$1,000,001 – HK$1,500,000 | 1 | – |
| HK$1,500,001 – HK$2,000,000 | 2 | 3 |
| HK$2,000,001 – HK$2,500,000 | – | 1 |
| HK$2,500,001 – HK$3,000,000 | – | 1 |
| | 3 | 5 |

## 13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

## 14. LOSS PER SHARE

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

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| **Loss** | | |
| Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share | (64,656) | (28,449) |

| | 2018<br>'000 | 2017<br>'000 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | 4,262,867 | 3,906,669 |

For the year ended 31 December 2018, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options and the conversion of the Company's outstanding convertible bonds (2017: outstanding share options) since their assumed exercise and conversion would result in a decrease in loss per share.

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Land and buildings HK$'000 | Leasehold improvements HK$'000 | Motor vehicles HK$'000 | Furniture, fixtures and equipment HK$'000 | Computer equipment HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **COST** | | | | | | |
| At 1 January 2017 | 136,636 | 4,401 | 4,931 | 3,438 | 1,286 | 150,692 |
| Additions | – | 2,346 | – | 86 | 855 | 3,287 |
| Disposals | – | – | – | (20) | – | (20) |
| Exchange difference arising on translation | – | 170 | 269 | 271 | 99 | 809 |
| At 31 December 2017 | 136,636 | 6,917 | 5,200 | 3,775 | 2,240 | 154,768 |
| Additions | – | – | 2,214 | – | 220 | 2,434 |
| Disposals/written off | – | (1,090) | (1,791) | (249) | (68) | (3,198) |
| Transfer to investment properties | (136,636) | – | – | – | – | (136,636) |
| Exchange adjustments | – | (39) | (66) | (62) | (25) | (192) |
| At 31 December 2018 | – | 5,788 | 5,557 | 3,464 | 2,367 | 17,176 |
| **DEPRECIATION** | | | | | | |
| At 1 January 2017 | 2,204 | 2,896 | 3,657 | 2,995 | 906 | 12,658 |
| Provided for the year | 4,407 | 1,202 | 318 | 240 | 313 | 6,480 |
| Eliminated on disposals | – | – | – | (8) | – | (8) |
| Exchange difference arising on translation | – | 139 | 167 | 265 | 71 | 642 |
| At 31 December 2017 | 6,611 | 4,237 | 4,142 | 3,492 | 1,290 | 19,772 |
| Provided for the year | 3,472 | 1,373 | 318 | 112 | 437 | 5,712 |
| Eliminated on disposals/written off | – | (363) | (1,417) | (136) | (68) | (1,984) |
| Transfer to investment properties | (10,083) | – | – | – | – | (10,083) |
| Exchange adjustments | – | (36) | (31) | (62) | (19) | (148) |
| At 31 December 2018 | – | 5,211 | 3,012 | 3,406 | 1,640 | 13,269 |
| **CARRYING VALUES** | | | | | | |
| At 31 December 2018 | – | 577 | 2,545 | 58 | 727 | 3,907 |
| At 31 December 2017 | 130,025 | 2,680 | 1,058 | 283 | 950 | 134,996 |

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

| | |
|---|---|
| Land and buildings | Over the remaining term of lease |
| Leasehold improvements | 20% or over the term of the lease, whichever is shorter |
| Motor vehicles | 10% – 20% |
| Furniture, fixtures and equipment | 15% – 33% |
| Computer equipment | 30% – 33% |

At the end of the reporting period, the net book value of motor vehicles of HK$2,545,000 includes an amount of HK$2,174,000 (2017: nil) in respect of assets held under finance leases.

## 16. INVESTMENT PROPERTIES

| | HK$'000 |
|---|---|
| **FAIR VALUE** | |
| At 1 January 2017 and 31 December 2017 | – |
| Transfer from property, plant and equipment (Note) | 192,100 |
| Decrease in fair value recognised in profit or loss (unrealised) | (4,300) |
| At 31 December 2018 | 187,800 |

Note: During the year ended 31 December 2018, the investment properties which were previously self-used by the Group were leased to related parties to earn rental income for the Group. The amount included a revaluation surplus of HK$65,547,000 upon transfer of property, plant and equipment to investment properties which was credited to property revaluation reserve through other comprehensive income.

The Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties, which are commercial properties situated in Hong Kong.

The fair values of the Group's investment properties at the date of transfer and at 31 December 2018 have been arrived at on the basis of valuations carried out on those dates by APAC Appraisal and Consulting Limited, an independent professional qualified property valuer not connected to the Group.

The valuations were arrived at by using direct comparison method by making reference to the comparable market transactions as available. The direct comparison method is based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The following table gives information about how the fair value of these investment properties as at 31 December 2018 was determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

## 16. INVESTMENT PROPERTIES *(Continued)*

| Fair value hierarchy | Nature of properties held | Valuation technique(s) and significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|---|---|---|
| Level 3 | Commercial properties in Hong Kong | Direct comparison method – based on price per square foot, using market observable comparable prices of similar properties ranging from HK$35,000 to HK$36,000 (2017: N/A) per square foot, and adjusted taking into account locations and other individual factors such as floor level, building age, size and conditions of the properties. | A slight increase in the price per square foot will result in a significant increase in the fair value, and vice versa. |

### Fair value measurements and valuation processes

In estimating the fair values of the Group's investment properties, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation of the Group's investment properties. At the end of each reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the board of directors of the Company.

Information about the valuation techniques and inputs used in determining the fair values of the Group's investment properties is disclosed above.

## 17. INTANGIBLE ASSETS

| | Trade name | Customer relationship | Total |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| **COST** | | | |
| At 1 January 2017 | 50,037 | 54,604 | 104,641 |
| Exchange difference arising on translation | 4,585 | 5,003 | 9,588 |
| At 31 December 2017 | 54,622 | 59,607 | 114,229 |
| Exchange difference arising on translation | (1,047) | (1,142) | (2,189) |
| At 31 December 2018 | 53,575 | 58,465 | 112,040 |
| **AMORTISATION AND IMPAIRMENT** | | | |
| At 1 January 2017 | 31,161 | 52,648 | 83,809 |
| Provided for the year | – | 2,012 | 2,012 |
| Impairment loss recognised in the year | 16,000 | – | 16,000 |
| Exchange difference arising on translation | 3,178 | 4,947 | 8,125 |
| At 31 December 2017 | 50,339 | 59,607 | 109,946 |
| Provided for the year | – | – | – |
| Impairment loss recognised in the year | 4,212 | – | 4,212 |
| Exchange difference arising on translation | (976) | (1,142) | (2,118) |
| At 31 December 2018 | 53,575 | 58,465 | 112,040 |
| **CARRYING VALUES** | | | |
| At 31 December 2018 | – | – | – |
| At 31 December 2017 | 4,283 | – | 4,283 |

The intangible assets were purchased as part of the acquisition of a travel business in Singapore, Safe2Travel Pte Ltd ("Safe2Travel"), in prior years and were recognised at their fair value at the date of acquisition.

The directors of the Company are of the opinion that the Group has the ability to use the trade name continuously. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by the management of the Group, which supports that the trade name has no foreseeable limit to the period over which the services provided are expected to generate net cash flows for the Group.

As a result, the trade name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trade name will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

## 17. INTANGIBLE ASSETS *(Continued)*

Other than the trade name, the customer relationship has an estimated useful life of 7 years and is amortised on a straight-line basis.

As of 31 December 2018, the management reviewed the current and expected performance of the travel business which indicated that the carrying amount of the CGU represented by Safe2Travel might be above its recoverable amount. On this basis, the directors of the Company concluded that an impairment loss of approximately HK$4,212,000 (2017: HK$16,000,000) was to be recognised during the year ended 31 December 2018. The impairment loss was allocated to fully write down the carrying amount of the trade name belonging to the CGU (2017: allocated to the trade name of HK$16,000,000) and is presented on the face of consolidated statement of profit or loss and other comprehensive income.

Details of the impairment test on the recoverable amount of the CGU in Singapore, to which the intangible assets are allocated, are set out in note 18.

## 18. IMPAIRMENT TESTING ON INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the impairment testing, trade name and the customer relationship are allocated to the Safe2Travel CGU identified as belonging to the travel business segment.

The recoverable amount of the Safe2Travel CGU was based on its value in use and was determined with the assistance of Ascent Partners Valuation Service Limited, an independent professional qualified valuer not connected with the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and discounted at a discount rate of 15.10% (2017: 15.36%). Cash flows after the five-year period were extrapolated using a 1.89% (2017: 1.72%) terminal growth rate in considering the economic condition of the market.

Other key assumptions for the value in use calculations relate to the estimation of cash inflows based on the above financial budgets including the budgeted sales and gross margin. Such estimation is based on the unit's past performance and management's expectations for the market development including the fluctuation in the travel business in the current economic environment. Both actual sales and profit generated from the travel business segment in Singapore have fallen below expectation due to slowing global and local economy in Singapore, and therefore the management has revised the cash flow projections to reflect the latest economic conditions as at the end of the reporting period. On this basis, the recoverable amount of the Safe2Travel CGU was estimated approximately to be HK$76,500,000 as at 31 December 2018 (2017: HK$79,700,000). The directors of the Company concluded that an impairment loss of approximately HK$4,212,000 (2017: HK$16,000,000) was recognised in profit or loss during the year ended 31 December 2018.

## 19. INTEREST IN A JOINT VENTURE

On 30 July 2013, Jade Emperor International Limited ("Jade Emperor"), a wholly-owned subsidiary of the Company, entered into a venture participation agreement (the "Participation Agreement") with Matrix Triumph Sdn. Bhd. ("MTSB") and Discover Orient Holidays Sdn. Bhd. ("DOH") for participation and involvement in the business being conducted by DOH at a cash consideration of HK$14 million. DOH, which is incorporated in Malaysia with limited liability, engages principally in the business of operating as an organiser of tours and travel agent in Malaysia.

The transaction was completed on 31 August 2013. Pursuant to the terms of the Participation Agreement, DOH shall pay to Jade Emperor a management fee as its share of results which is equivalent to 90% of the profit before taxation of DOH. MTSB unconditionally and irrevocably guaranteed to Jade Emperor that the profit before taxation for the three financial years commencing from the financial year ended 31 December 2013 shall be no less than one million Malaysian Ringgit for each financial year.

In addition to the Participation Agreement, MTSB and Jade Emperor also entered into an option agreement on the same day, pursuant to which MTSB granted a call option to Jade Emperor to acquire the entire issued share capital in DOH at a price to be agreed by the parties with reference to the profit before taxation of DOH or such comparables at the time of exercise of the option. In the opinion of the directors, the exercise price of the call option will be at market value on a mutually agreed basis by the parties at the time of exercise of the option, and therefore the value of the call option has no material financial impact to the Group.

As the Participation Agreement requires the consent of both parties on major decision in the operation and control of DOH, DOH is treated as a joint venture of the Group accordingly.

Details of the Group's investment in a joint venture are as follows:

| | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|
| Cost of investment in a joint venture | **14,000** | 14,000 |
| Share of post-acquisition profits and other comprehensive income | **5,862** | 5,791 |
| Accumulated impairment loss recognised | **(2,845)** | (2,845) |
| Exchange difference arising on translation | **(2,992)** | (2,658) |
| | **14,025** | 14,288 |

The interest in the joint venture is accounted for using equity method.

## 19. INTEREST IN A JOINT VENTURE *(Continued)*

The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

### DOH

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Current assets | **21,650** | 24,258 |
| Non-current assets | **4,777** | 3,896 |
| Current liabilities | **8,926** | 11,364 |
| Non-current liabilities | **1,918** | 915 |

Current assets mainly comprise of trade and other receivables of HK$17,418,000 (2017: HK$19,843,000) and cash and cash equivalents of HK$2,710,000 (2017: HK$2,193,000). Current liabilities mainly comprise of trade and other payables of HK$8,269,000 (2017: HK$10,670,000) and obligations under finance leases of HK$614,000 (2017: HK$317,000). Non-current assets mainly represented the property, plant and equipment of HK$4,769,000 (2017: HK$3,887,000). Non-current liabilities represented the obligations under finance leases of HK$1,918,000 (2017: HK$915,000).

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Revenue | **31,745** | 38,534 |
| Profit for the year | **79** | 74 |
| Other comprehensive income for the year | **–** | – |
| Total comprehensive income for the year | **79** | 74 |
| Dividends received from the joint venture during the year | **–** | – |

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

## 19. INTEREST IN A JOINT VENTURE *(Continued)*

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Net assets | **15,583** | 15,875 |
| Proportion of the Group's ownership interest | **90%** | 90% |
| Effect of fair value adjustment at acquisition | **2,845** | 2,845 |
| Accumulated impairment loss recognised on interest in a joint venture | **(2,845)** | (2,845) |
| Carrying amount of the Group's interest | **14,025** | 14,288 |

**Significant restriction**

There are no significant restrictions on the ability of the joint venture to transfer funds to the Group in the form of cash dividends, or to repay loans or advance made by the Group.

## 20. LOAN RECEIVABLES

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Fixed-rate loan receivables | **199,414** | 132,142 |
| Accrued interest receivables | **4,222** | 2,247 |
| | **203,636** | 134,389 |
| Analysed as: | | |
| Current portion | **86,412** | 131,170 |
| Non-current portion | **117,224** | 3,219 |
| | **203,636** | 134,389 |

The range of interest rate on the Group's loan receivables is from 7.42% to 15% per annum for both years. The loans are respectively repayable in three months to five years (31 December 2017: two months to five years) from the drawdown date, and hence the loans repayable beyond one year from the end of the reporting period were classified as non-current. Pursuant to loan agreements, the Group retains a discretionary right to demand the repayment from the borrowers in full before the maturity of the loans.

Before granting loans to outsiders, the Group uses an internal credit assessment process to assess the potential borrower's credit quality and defines its credit limits granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly.

## 20. LOAN RECEIVABLES *(Continued)*

The Group has a policy for assessing the impairment on loan receivables on an individual basis. The assessment also includes evaluation of collectability and aging analysis of accounts and on the management's judgment, including the current creditworthiness, collateral and past collection history of each borrower. In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loan receivables from the date credit was initially granted up to the reporting date. This includes assessing the credit history of the business, such as financial difficulties or default in payments and current market conditions.

Applying the ECL model, impairment of loan receivables is assessed on 12m ECL basis when there has been no significant increase in credit risk since initial recognition. However, when there has been a significant increase in credit risk since origination, the allowances will be based on the lifetime ECL. As a result, the gross carrying amount of HK$120,584,000 is assessed on 12m ECL basis whereas the gross carrying amount of HK$96,356,000 is assessed on the lifetime ECL, the impairment of ECL on the loan receivables further increased by HK$13,304,000 for the year ended 31 December 2018, details of which are set out in notes 3 and 37(b).

No aging analysis is disclosed, as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of business of money lending.

## 21. TRADE AND OTHER RECEIVABLES

| | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|
| Accounts receivables from brokerage business: | | |
| – Margin clients (Note i) | **18,714** | 784 |
| – Cash clients (Note ii) | **420** | – |
| – Clearing house (Note ii) | **2,342** | 623 |
| Trade receivables from travel business, net of loss allowance of ECL | **120,504** | 140,911 |
| Trade receivables from asset management business | **99** | – |
| Trade receivables from futures contract | **2,737** | – |
| Brokers receivables | **287** | 494 |
| Sale receivables from disposal of Perfect Well (note 7) | **1,290** | – |
| Deposits, prepayments and other receivables | **30,003** | 28,746 |
| | **176,396** | 171,558 |

Notes:

(i) Loans to securities margin clients are secured by clients' pledged securities with fair value of HK$303,247,000 (2017: HK$1,254,000) as at 31 December 2018. The loans are repayable on demand and carry interest typically at Hong Kong prime rate +3% to +10% per annum. Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the outstanding amount exceeds the eligible margin value of securities deposited. The collateral held can be repledged and can be sold at the Group's discretion to settle any outstanding amount owed by margin clients. No aging analysis is disclosed as, in the opinion of the directors, an aging analysis does not give additional value in view of the nature of brokerage business of securities margin financing.

(ii) The normal settlement terms of accounts receivables from cash clients and clearing house are two trading days after trade date. As at 31 December 2018, accounts receivables from cash client was HK$420,000 (2017: nil). Accounts receivables from cash clients which are neither past due nor impaired represent unsettled client trades on securities exchange transacted on the last two business days prior to the end of the reporting period.

## 21. TRADE AND OTHER RECEIVABLES *(Continued)*

For the travel business, the Group allows an average credit period range from 60-90 days to its customers. The following is an aged analysis of receivables from travel business presented based on the invoice date at the end of the reporting period.

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Up to 3 months | **57,594** | 102,821 |
| 4 months to 6 months | **55,897** | 18,734 |
| 7 months to 12 months | **2,329** | 19,356 |
| Over 1 year | **4,684** | – |
| | **120,504** | 140,911 |

Trade receivables from travel business represent the gross amounts billed to customers, of which trade receivables from travel business in Singapore and Hong Kong are HK$120,504,000 (2017: HK$136,300,000) and nil (2017: HK$4,611,000) as at 31 December 2018, net of loss allowance of ECL, respectively. The Group measures loss allowance for trade receivables from travel business at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix by reference to past default experience of the debtor and current market condition in relation to each debtor's exposure and time value of money where appropriate. The expected credit losses also incorporate forward looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle such trade receivables. Trade receivables from travel business have been grouped based on shared credit risk characteristics and the days past due. For the year ended 31 December 2018, the loss allowance for ECL is further increased by HK$24,306,000, and details of impairment assessment of trade and other receivables are set out in notes 3 and 37(b).

As at 31 December 2018, included in the Group's trade receivables from travel business balance are debtors with aggregate carrying amount of approximately HK$62,910,000 (31 December 2017: HK$38,090,000) which are past due as at the reporting date. The average age of these receivables is 142 days (2017: 136 days).

### Aging of trade receivables from travel business which are past due but not impaired

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 4 months to 6 months | **55,897** | 18,734 |
| 7 months to 12 months | **2,329** | 19,356 |
| Over 1 year | **4,684** | – |
| Total | **62,910** | 38,090 |

## 22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Listed investments held for trading (Note) | | |
| – Equity securities listed in Hong Kong | 74,901 | 26,619 |
| – Equity securities listed in the People's Republic of China | 4,509 | – |
| | 79,410 | 26,619 |

Note: The fair values were based on the quoted prices of the respective securities in active markets for identical assets.

At 31 December 2018 and 2017, no financial assets at fair value through profit or loss have been pledged as security.

## 23. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits and bank balances carry interest at market rates which range from 0.15% to 0.35% (2017: 0.15% to 0.35%) per annum.

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| United States dollars ("USD") | 230 | 44 |
| Australian dollar ("AUD") | 50 | 250 |
| New Zealand dollar ("NZD") | 38 | 195 |
| Renminbi ("RMB") | 6 | 19 |

## 24. BANK TRUST ACCOUNT BALANCES

The Group maintains segregated trust accounts with authorised institutions to hold clients' monies arising from its brokerage business. The Group has classified the clients' monies as bank trust account balances under the current assets section in the consolidated statement of financial position and recognised the corresponding payable to the respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

## 25. TRADE AND OTHER PAYABLES

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Accounts payables from brokerage business: | | |
| – Cash clients | 7,201 | 11,562 |
| – Margin clients | 11,523 | 5,705 |
| – Clearing house | 1,240 | 286 |
| Trade payables from travel business | 26,860 | 17,753 |
| Trade payables from asset management business | 1,711 | – |
| Accruals | 8,468 | 8,504 |
| Tenant deposits received | 1,406 | – |
| Receipt in advance from a tenant | 542 | – |
| Deposits received from travel business (Note) | – | 2,951 |
| Other payables | 5,583 | 4,732 |
| | 64,534 | 51,493 |

Note: As at 1 January 2018, deposits received from travel business of HK$2,951,000 previously included in trade and other payables were reclassified to contract liabilities (note 26).

For the brokerage business, the normal settlement terms of accounts payables to clients and clearing house are two trading days after trade date. No aging analysis is disclosed for the accounts payables from the brokerage business as, in the opinion of directors of the Company, the aging analysis does not give additional value in view of the nature of brokerage business.

For the travel business, the following is an aged analysis of trade payables presented based on the invoice date at the end of reporting period.

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Within 1 month | 17,876 | 17,396 |
| 1 month to 2 months | 6,562 | 26 |
| 2 months to 3 months | 596 | 45 |
| Over 3 months | 1,826 | 286 |
| | 26,860 | 17,753 |

The average credit period from trade suppliers of the travel business is 30 days.

## 26. CONTRACT LIABILITIES

| | 31 December 2018 HK$'000 | 1 January 2018* HK$'000 |
|---|---|---|
| Deposits received from customers for provision of travel related services | 826 | 2,951 |
| Deposits received from customer for provision of brokerage services | 53 | – |
| | 879 | 2,951 |

* The amount in this column is after the adjustment from the application of HKFRS 15.

Revenue from customers for provision of travel related services of HK$2,923,000 recognised during the year ended 31 December 2018 was included in the contract liability balance at the beginning of the year.

## 27. BANK BORROWINGS

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Short term secured bank borrowings, repayable within one year | 14,562 | 9,516 |
| The Group's secured bank borrowings that contain a repayment on demand clause in the loan agreements: | | |
| Repayable within one year | 14,562 | 9,516 |

The Group's secured bank borrowings are denominated in the functional currency of the relevant group entity. As at 31 December 2018, the bank borrowings carry interest rate at 5.75% (2017: 5.75%) per annum.

## 28. OBILIGATIONS UNDER FINANCE LEASE

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Analysed for reporting purposes as: | | |
| Current liabilities | 189 | – |
| Non-current liabilities | 1,119 | – |
| | 1,308 | – |

The Group leases one of its motor vehicles under finance lease. The lease term is 7 years (2017: nil). Interest rate underlying the obligations under finance lease is fixed at the contract dates at 2.58% per annum.

## 28. OBILIGATIONS UNDER FINANCE LEASE *(Continued)*

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **Obligations under finance lease payable:** | | | | |
| Within one year | **223** | – | **189** | – |
| Within a period of more than one year but not more than two years | **223** | – | **189** | – |
| Within a period of more than two years but not more than five years | **670** | – | **567** | – |
| Within a period of more than five years | **428** | – | **363** | – |
| | **1,544** | – | **1,308** | – |
| Less: future finance charges | **(236)** | – | **N/A** | N/A |
| Present value of lease obligations | **1,308** | – | **1,308** | – |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | **(189)** | – |
| Amount due for settlement after 12 months | | | **1,119** | – |

## 29. DEFERRED TAX ASSETS/LIABILITIES

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

| | **ECL provision in respect of loan receivables** | **Fair value adjustments** | **Total** |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| At 1 January 2017 | – | (3,536) | (3,536) |
| Credit to profit or loss (note 9) | – | 3,062 | 3,062 |
| Exchange adjustments | – | (252) | (252) |
| At 31 December 2017 | – | (726) | (726) |
| Credit to profit or loss (note 9) | 2,195 | 665 | 2,860 |
| Exchange adjustments | – | 61 | 61 |
| At 31 December 2018 | 2,195 | – | 2,195 |

## 29. DEFERRED TAX ASSETS/LIABILITIES *(Continued)*

At the end of the reporting period, the Group has unused tax losses of approximately HK$78,257,000 (2017: HK$65,523,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profits stream.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$15,669,000 (31 December 2017: HK$1,435,000) in respect of the depreciation of property, plant and equipment and loss provision of ECL in respect of trade receivables from travel business in Singapore. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

## 30. CONVERTIBLE BONDS

The Company issued 8% two-year convertible bonds with principal amount of HK$80,000,000 on 13 November 2018. The convertible bonds are denominated in Hong Kong dollars. The convertible bonds entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the convertible bonds and the fifth business days prior to 12 November 2020 (the "Maturity Date") at a conversion price of HK$0.115 per conversion share. If the convertible bonds have not been converted, they will be redeemed on the Maturity Date at par. Interest of 8% will be paid annually in arrears up until the settlement date.

The principal terms of the convertible bonds were disclosed in the Company's announcement dated 29 October 2018.

At initial recognition, the equity component of the convertible bonds was separated from the liability component. The equity element is presented in equity heading "convertible bonds equity reserve". The effective interest rate of the liability component is 11.12% per annum.

The movement of the liability component of the convertible bonds for the year is set out below:

| | HK$'000 |
|---|---|
| **CARRYNG AMOUNT** | |
| At 1 January 2018 | – |
| Issue of convertible bonds | 75,738 |
| Interest charge (note 8) | 1,130 |
| Accrued coupon interest | (859) |
| At 31 December 2018 | 76,009 |

## 31. SHARE CAPITAL OF THE COMPANY

| | Number of shares | Share capital HK$'000 |
|---|---|---|
| **Ordinary shares of HK$0.01 each** | | |
| Authorised: | | |
| At 1 January 2017, 31 December 2017, and 31 December 2018 | 180,000,000,000 | 1,800,000 |
| Issued and fully paid: | | |
| At 1 January 2017 | 3,552,417,050 | 35,524 |
| Issue of shares upon placing (Note) | 710,450,000 | 7,105 |
| At 31 December 2017 and 31 December 2018 | 4,262,867,050 | 42,629 |

Note: On 3 July 2017, the Company completed a placing of 710,450,000 ordinary shares at the price of HK$0.10 per share pursuant to the terms and conditions of the placing agreement. The net proceeds from the placing, after deducting the placing commission and other expenses in connection with the placing, were approximately HK$68,400,000. Details of the placing were set out in the Company's announcements dated 13 June 2017 and 3 July 2017.

## 32. SHARE-BASED PAYMENT TRANSACTIONS

The Company adopted an old share option scheme and terminated it pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 19 May 2011, and the Company adopted a new share options scheme at the same meeting. The purpose of both share option schemes is to enable the Board, at its discretion, to grant options to any eligible participants who include directors and employees as incentives or rewards for their contribution to the Group. Under both schemes, the directors of the Company may grant options to eligible participants, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Under the option scheme, a share option may be exercised in accordance with the terms of the scheme prior to the expiry of ten years from the date of acceptance. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The exercise price is determined by the directors of the Company, and is not less than the higher of (i) the closing price of the Company's shares on the date of grant; and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant.

During the year ended 31 December 2017, the number of share options in respect of which options had been granted and remained outstanding under the option scheme was 468,600,000 which included 213,000,000 granted on 12 May 2017 and 255,600,000 granted on 5 September 2017, representing 6% and 6% of the shares of the Company in issue at the respective dates of grant. The above share options are vested immediately at the date of grant.

During the year ended 31 December 2018, the above outstanding share options expired and lapsed. No share options had been exercised before the expiry date and no share options were granted during the year.

Details of specific categories of options are as follows:

| Date of grant | Exercise period | Exercise price |
|---|---|---|
| 12 May 2017 | 12 May 2017 to 11 May 2018 | HK$0.114 |
| 5 September 2017 | 5 September 2017 to 4 September 2018 | HK$0.136 |

## 32. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The following table discloses movements of the Company's share options held by eligible participants during the year:

| | Outstanding at 1 January 2018 | Lapsed during year | Outstanding at 31 December 2018 |
|---|---|---|---|
| **Category of participants** | | | |
| Director | 42,600,000 | (42,600,000) | – |
| Employee | 426,000,000 | (426,000,000) | – |
| | 468,600,000 | (468,600,000) | – |
| Exercisable at the end of the year | | | – |
| Weighted average exercise price (HK$) | 0.126 | 0.126 | N/A |

The following table discloses movements of the Company's share options held by eligible participants during the prior year:

| | Outstanding at 1 January 2017 | Granted on 12 May 2017 | Granted on 5 September 2017 | Outstanding at 31 December 2017 |
|---|---|---|---|---|
| **Category of participants** | | | | |
| Director | – | 35,500,000 | 7,100,000 | 42,600,000 |
| Employee | – | 177,500,000 | 248,500,000 | 426,000,000 |
| | – | 213,000,000 | 255,600,000 | 468,600,000 |
| Exercisable at the end of the year | | | | 468,600,000 |
| Weighted average exercise price (HK$) | N/A | 0.114 | 0.136 | 0.126 |

## 32. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The fair values of the options granted during the year ended 31 December 2017 were calculated using the Binomial model. The inputs into the model were as follows:

Share options granted on 12 May 2017:

| | |
|---|---|
| Share price | HK$0.110 |
| Exercise price | HK$0.114 |
| Expected volatility | 48.731% |
| Expected life | 1 year |
| Risk-free rate | 0.63% |
| Expected dividend yield | 0% |

The estimated fair value of the options granted on 12 May 2017 was HK$4,132,000.

Share options granted on 5 September 2017:

| | |
|---|---|
| Share price | HK$0.130 |
| Exercise price | HK$0.136 |
| Expected volatility | 58.144% |
| Expected life | 1 year |
| Risk-free rate | 0.551% |
| Expected dividend yield | 0% |

The estimated fair value of options granted on 5 September 2017 was HK$6,708,000.

Expected volatility was determined by using the historical volatility of the Company's share price movement over the previous one year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of HK$10,840,000 (2018: nil), included in the staff costs, for the year ended 31 December 2017 in relation to share options granted by the Company.

## 33. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualified employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes the lower of HK$1,500 or 5% of relevant salaries and allowances to the MPF Scheme, which contribution is matched by the employees.

The employees of the Group's subsidiary in Singapore are members of the Central Provident Fund Scheme ("CPF Scheme"), a state-managed retirement benefit scheme operated by the Singapore Government. The Group is required to contribute ranging from 12% to 16% of payroll costs to the Central Provident Fund Scheme to fund the benefit. The only obligation of the Group with respect of the Central Provident Fund Scheme is to make the specific contributions. Contributions to the national pension scheme are recognised as an expense in the period in which the related service is performed.

## 33. RETIREMENT BENEFITS PLANS *(Continued)*

The total cost charged to consolidated statement of profit or loss and other comprehensive income approximately of HK$3,478,000 (2017: HK$3,603,000) represents contributions payable to the MPF Scheme and CPF Scheme by the Group in respect of the year ended 31 December 2018. As at 31 December 2018, contributions of HK$736,000 (31 December 2017: HK$795,000) due in respect of the respective year ended had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

## 34. PLEDGE OF ASSETS

As at 31 December 2018, the gross carrying amount of trade receivables from travel business in Singapore amounting to Singapore Dollar ("SG$") 21,026,000 (equivalent to approximately HK$120,504,000) (31 December 2017: SG$22,526,000 (equivalent to approximately HK$131,625,000)) have been pledged to a bank in Singapore by way of a floating charge. In addition, bank deposits of SG$222,000 (equivalent to approximately HK$1,272,000) (31 December 2017: SG$222,000 (equivalent to approximately HK$1,297,000)) of the Group were pledged to secure a credit facility as at 31 December 2018.

As at 31 December 2018, banking facilities in an aggregate sum of HK$50,692,000 (31 December 2017: HK$41,487,000) were available to the Group. Details of the banking facilities are as follows:

A bank in Singapore has provided banker's guarantee, bank overdrafts and commercial card guarantee to a subsidiary of the Company in Singapore in an aggregate amount of approximately SG$7,100,000 (equivalent to approximately HK$40,692,000) (31 December 2017: SG$7,100,000 (equivalent to approximately HK$41,487,000)), of which the amounts utilised as at 31 December 2018 were approximately SG$5,123,000 (equivalent to approximately HK$29,359,000) (31 December 2017: SG$3,052,000 (equivalent to approximately HK$17,834,000)). The banker's guarantee for travel business in Singapore had been given in favour to international airlines.

A bank in Hong Kong has provided a shares overdraft facility to a subsidiary of the Company in Hong Kong for securities brokerage business in an aggregate amount of HK$10,000,000 (31 December 2017: nil). No amount of the shares overdraft facility has been utilised and no securities have been pledged to the bank as at 31 December 2018.

As at 31 December 2018, cash collateral placed by the Group and included in other receivables of approximately SG$640,000 (equivalent to approximately HK$3,668,000) (31 December 2017: SG$565,000 (equivalent to approximately HK$3,301,000)) was pledged for financial guarantees of SG$3,663,000 (equivalent to approximately HK$20,993,000) (31 December 2017: SG$5,421,000 (equivalent to approximately HK$31,676,000)), given by insurance companies in favour of the Group's customers of the travel business as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom financial guarantees have been given, such customers may demand the respective insurance companies to pay to them the sum stipulated in such demand. The Group will become liable to compensate such insurance companies accordingly. The financial guarantees will be released upon completion of the contract works.

At the end of the reporting period, as represented by the management of the Group, they do not consider it is probable that a claim will be made against the Group.

## 35. OPERATING LEASES

### The Group as lessee

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Minimum lease payments recognised under operating leases for premises during the year | **7,085** | 4,420 |

At the end of the reporting period, the Group had commitments for future minimum lease expense payables under non-cancellable operating leases which fall due as follows:

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Within one year | **6,044** | 4,268 |
| In the second to fifth years inclusive | **7,010** | 5,962 |
| | **13,054** | 10,230 |

Operating lease expense payables represent rentals paid or payable by the Group for certain of its office premises and office equipment. Leases are negotiated for lease term of one to three years (31 December 2017: one to three years).

### The Group as lessor

Property rental income earned during the year was approximately HK$1,067,000 (2017: nil). The properties held have committed tenants for the next three years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease income receivables under non-cancellable operating leases:

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Within one year | **5,026** | – |
| In the second to fifth years inclusive | **8,984** | – |
| | **14,010** | – |

## 36. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in note 27, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, share premium and reserves.

Several subsidiaries of the Company are licensed with Securities and Futures Commission of Hong Kong ("SFC"). The Group's licensed subsidiary is subject to liquid capital requirements under Securities and Futures (Financial Resources) Rules ("SF(FR)R") (Chapter 571N of the Laws of Hong Kong) adopted by the SFC. The management closely monitors, on a daily basis, the liquid capital level of those licensed subsidiaries to ensure compliance with the minimum liquid capital requirements under the SF(FR)R.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, share buy-backs or raising of new debt.

## 37. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| **Financial assets** | | |
| FVTPL | | |
| Mandatorily measured at FVTPL | 79,410 | – |
| Held-for-trading | – | 26,619 |
| Financial assets at amortised cost | 520,518 | – |
| Loans and receivables (including cash and cash equivalents) | – | 523,635 |
| | 599,928 | 550,254 |
| **Financial liabilities** | | |
| Amortised cost | 147,403 | 49,553 |

### b. Financial risk management objectives and policies

The Group's management monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

## 37. FINANCIAL INSTRUMENTS *(Continued)*

### b. Financial risk management objectives and policies *(Continued)*

***Market risk management***

*(i) Currency risk*

Certain subsidiaries of the Group have pledged bank deposits and bank balances in foreign currencies, which expose the Group to foreign currency risk.

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

| | Assets | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| USD | **230** | 44 |
| AUD | **50** | 250 |
| NZD | **38** | 195 |
| RMB | **4,515** | 19 |

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in the functional currencies of each group entity against the above foreign currencies. 5% (2017: 5%) is the sensitivity rate used in the current year when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items other than the items denominated in USD as the directors consider that the Group's exposure to USD is insignificant on the ground that HKD is pegged to USD in view of the insignificant amount involved. A positive number below indicates an increase in post-tax loss were the functional currency of each group entity to strengthen 5% (2017: 5%) against the relevant currencies. For a 5% (2017: 5%) weakening of functional currency of each group entity against the relevant currencies, there would be an equal and opposite impact on the post-tax loss and the balances below would be negative.

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| AUD | **3** | 11 |
| NZD | **2** | 8 |
| RMB | **226** | 1 |

## 37. FINANCIAL INSTRUMENTS *(Continued)*

### b. Financial risk management objectives and policies *(Continued)*

***Market risk management*** *(Continued)*

*(ii) Interest rate risk*

The Group's cash flow interest rate risk relates primarily to variable-rate pledged bank deposits (note 23), bank balances (note 23) and bank borrowings (note 27). The Group's cash flow interest rate results mainly from the fluctuations of market interest rates. The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivables. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

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

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Interest revenue | | |
| Financial assets at amortised cost | 19,143 | – |
| Loans and receivables (including cash and cash equivalents) | – | 14,364 |
| Other income | | |
| Financial assets at amortised cost | 3,856 | – |
| Loans and receivables (including cash and cash equivalents) | – | 3,999 |
| Total interest income | 22,999 | 18,363 |

Interest expense on financial liabilities not measured at FVTPL:

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Financial liabilities at amortised cost | 2,063 | 701 |

## 37. FINANCIAL INSTRUMENTS *(Continued)*

### b. Financial risk management objectives and policies *(Continued)*

***Market risk management*** *(Continued)*

*(ii) Interest rate risk (Continued)*

Sensitivity analysis
The sensitivity analysis below has been determined based on the exposure to interest rates on pledged bank deposits, bank balances and bank borrowings. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

A 50 basis point increase is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates on bank balances and bank borrowings had been 50 basis points higher and all other variables were held constant, the Group's loss for the year ended 31 December 2018 would decrease by approximately HK$7,000 and increase by approximately HK$73,000 (2017: decrease by approximately HK$8,000 and increase by approximately HK$48,000). Management does not expect a significant decrease of interest rate.

In management's opinion, the sensitivity analysis is unrepresentative of inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

*(iii) Equity and other price risks management*
The Group is exposed to equity and other price risks through its investments in listed equity securities measured at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity and other price risks are mainly concentrated in listed equity securities quoted in open markets.

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

If equity prices had been 10% higher/lower (2017: 10%) loss for the year ended 31 December 2018 would decrease/increase by HK$6,631,000 (2017: HK$2,223,000) as a result of the changes in fair value of financial assets at fair value through profit or loss.

## 37. FINANCIAL INSTRUMENTS *(Continued)*

### b. Financial risk management objectives and policies *(Continued)*

***Credit risk and impairment assessment***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable trade and other receivables, loan receivables, pledged bank deposits, bank trust account balances and bank balances and cash.

Management considers the Group has limited credit risk with its banks which are leading and reputable and are assessed as having low credit risk. Majority of bank balances are deposited with reputable banks. The Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience, and assessed that the expected loss rate for the other receivables was immaterial. Thus no loss allowance for other receivables was recognised as at 31 December 2018.

For trade receivables from travel business and loan receivables, the Group monitors the aging of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management assesses the collectability of the receivables regularly and on a case-by-case basis for the determination of any loss allowance for the receivables by taking into account the customers' or debtors' financial condition, current creditworthiness, past settlement history, business relationship with the Group and other factors such as current market conditions.

The Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition on an ongoing basis throughout the year. To assess whether there has been a significant increase in credit risk, the Group compares the risk of default occurring on receivables over the expected life between the reporting date and the date of initial recognition. For this purpose, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information. In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition.

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change in the customer's ability to meet its debt obligations.

- Significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Group.

- Actual or expected significant adverse change in the regulatory, economic, or technological environment in which the customer operates that results in a significant change in the customer's ability to meet its debt obligations.

## 37. FINANCIAL INSTRUMENTS *(Continued)*

### b. Financial risk management objectives and policies *(Continued)*

***Credit risk and impairment assessment*** *(Continued)*

The Group presumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be in default when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group assesses whether a financial asset is credit-impaired at the end of each reporting period. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable events:

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

The Group measures loss allowance for trade receivables from travel business at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix by reference to past default experience of the debtor and current market condition in relation to each debtor's exposure and time value of money where appropriate. The expected credit losses also incorporate forward looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle such trade receivables. Trade receivables from travel business have been grouped based on shared credit risk characteristics and the days past due.

The Group determines the expected credit loss rate for trade receivable from travel business using the following provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

As at 31 December 2018, the loss allowance for trade receivables from travel business was determined as follows. The expected credit losses below also incorporated forward looking information.

## 37. FINANCIAL INSTRUMENTS *(Continued)*

### b. Financial risk management objectives and policies *(Continued)*

***Credit risk and impairment assessment*** *(Continued)*

| | Up to 3 months | 4 months to 6 months | 7 months to 12 months | Over 1 year | Total |
|---|---|---|---|---|---|
| **31 December 2018** | | | | | |
| Gross carrying amount (HK$'000) | 57,594 | 57,729 | 5,786 | 23,701 | 144,810 |
| Expected credit loss rate | 0% | 3.2% | 38.6% | 80.6% | 16.8% |
| Loss allowance (HK$'000) | – | (1,832) | (3,457) | (19,017) | (24,306) |

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

For loan receivables, impairment of loan receivables is assessed on 12m ECL basis when there had been no significant increase in credit risk since initial recognition. However, when there has been a significant increase in credit risk since origination, the allowances will be based on the lifetime ECL.

| | 12-month ECL (Stage 1) HK$'000 | Lifetime ECL (Stage 2) HK$'000 | Lifetime expected credit loss credit impaired (Stage 3) HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **31 December 2018** | | | | |
| Gross carrying amount | 120,584 | 96,356 | – | 216,940 |
| Expected credit loss rate | 2.1% | 11.9% | N/A | 6.1% |
| Loss allowance | (1,852) | (11,452) | – | (13,304) |

In respect of its loan receivables, the net carrying amount of loan receivables after the loss allowance of ECL is HK$203,636,000 (2017: HK$134,389,000) as at 31 December 2018. The Group has concentration of credit risk as approximately 55.5% (2017: 85.5%) of the total loan receivables as at 31 December 2018 was due from two (2017: two) borrowers. The aggregate balance due from these two borrowers amounts to HK$ 120,329,000 as at 31 December 2018 (2017: HK$114,856,000), which is neither past due nor impaired. The Group seeks to maintain strict control over its outstanding loan receivables to minimise credit risk.

## 37. FINANCIAL INSTRUMENTS *(Continued)*

### b. Financial risk management objectives and policies *(Continued)*

***Credit risk and impairment assessment*** *(Continued)*

In the prior year, for trade receivables from travel business and loan receivables, an impairment loss was recognised only when there was objective evidence of impairment. The Group performed ongoing credit evaluations of its debtors' financial condition and did not require collateral from the debtors on the outstanding balances. Based on the expected recoverability and timing for collection of the outstanding balances, the Group maintained a provision for doubtful accounts and actual losses incurred have been within management's expectations. There was no material impact on trade receivables from travel business and loan receivables for the initial application as at 1 January 2018 of the new impairment requirements under HKFRS 9 compared with under HKAS 39.

For accounts receivables from brokerage business, trade receivables from futures contract, brokers receivables, the management performs periodic evaluations and customer reviews to ensure the Group's exposure to bad debts is not significant. The experience in the collection of accounts receivables falls within the expectation of the directors. In respect of amounts due from clients of the brokerage business, individual credit evaluations are performed on all clients (including cash and margin clients). Receivables due from cash clients are due within the settlement period commonly adopted in the relevant market practices, which is usually within a few days from the trade date. Because of the short settlement period involved, credit risk arising from the amounts due from cash clients is considered low. The Group normally obtains liquid securities and/or cash deposits as collateral for providing margin financing to its clients. Margin loans due from margin clients are repayable on demand. Market conditions and adequacy of securities collateral and margin deposits of each margin account and futures account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary. Hence, no allowance for impairment was made since the directors of the Company consider the probability of default is minimal after assessing the clients' financial background and creditability.

The credit policies have been consistently applied and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

***Liquidity risk***

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

## 37. FINANCIAL INSTRUMENTS *(Continued)*

### b. Financial risk management objectives and policies *(Continued)*

***Liquidity risk*** *(Continued)*

*Liquidity table*

The following table detail the Group's expected maturity for its financial liabilities. The tables have been drawn up based on the undiscounted contractual cash flows of the financial liabilities. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's financial liabilities are prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of financial liabilities.

| | Weighted average interest rate | On demand or less than 1 month | 1 – 3 months | 3 months to 1 year | 1 – 5 years | Over 5 years | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|---|---|
| | % | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **At 31 December 2018** | | | | | | | | |
| Trade and other payables | – | 55,524 | – | – | – | – | 55,524 | 55,524 |
| Bank borrowings – variable rate | 5.20 | 15,319 | – | – | – | – | 15,319 | 14,562 |
| Obligations under finance lease | 4.95 | 19 | 56 | 149 | 893 | 427 | 1,544 | 1,308 |
| Convertible bonds | 11.12 | – | – | 6,400 | 86,400 | – | 92,800 | 76,009 |
| | | 70,862 | 56 | 6,549 | 87,293 | 427 | 165,187 | 147,403 |
| **At 31 December 2017** | | | | | | | | |
| Trade and other payables | – | 40,038 | – | – | – | – | 40,038 | 40,038 |
| Bank borrowings – variable rate | 5.20 | 10,010 | – | – | – | – | 10,010 | 9,516 |
| | | 50,048 | – | – | – | – | 50,048 | 49,554 |

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2018 and 31 December 2017, the aggregate undiscounted principal amounts of these bank borrowings amounted to HK$15,319,000 and HK$10,010,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment of the bank borrowings. The directors believe that such bank borrowings will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements.

The amounts included above for variable rate bank borrowing are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

## 37. FINANCIAL INSTRUMENTS *(Continued)*

### c. Fair value measurement of financial instruments

***(i) Fair value of financial assets that are measured at fair value on a recurring basis***

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

– Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| Financial asset | Fair value as at 31 December 2018 HK$'000 | Fair value as at 31 December 2017 HK$'000 | Fair value hierarchy | Valuation technique(s) and key inputs | Significant unobservable input(s) | Relationship unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| Listed equity securities classified as financial assets at fair value through profit or loss | **79,410** | 26,619 | Level 1 | Quoted bid prices in an active market | N/A | N/A |

There were no transfers among Level 1 and 2 during the year.

***(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on recurring basis***

The fair value of other financial assets and financial liabilities excluding financial assets at fair value through profit or loss are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

## 37. FINANCIAL INSTRUMENTS *(Continued)*

### d. Financial assets and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are offset in the Group's consolidated financial position.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), the Group has a legally enforceable right to set off the money obligation receivable and payable with HKSCC on the same settlement date and the Group intends to set off on a net basis.

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with brokerage clients that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

Except for balances which are due to be settled on the same date which is being offset, amounts due from/to HKSCC and brokerage clients that are not to be settled on the same date, financial collateral including cash and securities received by the Group, deposit placed with HKSCC do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

## 37. FINANCIAL INSTRUMENTS *(Continued)*

### d. Financial assets and financial liabilities offsetting *(Continued)*

***As at 31 December 2018***

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

| | Gross amounts of recognised financial assets after impairment | Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position | Net amounts of financial assets presented in the consolidated statement of financial position | Related amounts not set off in the consolidated statement of financial position | | Net amount |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Collateral received | |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Financial assets** | | | | | | |
| Accounts receivable from clients, brokers, dealers and clearing house | 229,934 | (208,458) | 21,476 | – | – | 21,476 |
| Deposits placed with clearing house | 230 | – | 230 | – | – | 230 |
| Advances to customers in margin financing | – | – | – | – | – | – |
| **Financial liabilities** | | | | | | |
| Accounts payable to clients, brokers, dealers and clearing house | 228,422 | (208,458) | 19,964 | – | – | 19,964 |
| Financial liabilities at fair value through profit or loss | – | – | – | – | – | – |

## 37. FINANCIAL INSTRUMENTS *(Continued)*

### d. Financial assets and financial liabilities offsetting *(Continued)*

***As at 31 December 2017***

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

| | Gross amounts of recognised financial assets after impairment | Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position | Net amounts of financial assets presented in the consolidated statement of financial position | Related amounts not set off in the consolidated statement of financial position | | |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Collateral received | Net amount |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Financial assets** | | | | | | |
| Accounts receivable from clients, brokers, dealers and clearing house | 76,052 | (74,645) | 1,407 | – | – | 1,407 |
| Deposits placed with clearing house | 205 | – | 205 | – | – | 205 |
| Advances to customers in margin financing | – | – | – | – | – | – |
| **Financial liabilities** | | | | | | |
| Accounts payable to clients, brokers, dealers and clearing house | 92,198 | (74,645) | 17,553 | – | – | 17,553 |
| Financial liabilities at fair value through profit or loss | – | – | – | – | – | – |

## 38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

| | Bank borrowings (note 27) HK$'000 | Convertible bonds (note 30) HK$'000 | Total HK$'000 |
|---|---|---|---|
| At 1 January 2017 | 10,426 | – | 10,426 |
| Net financing cash outflows | (1,611) | – | (1,611) |
| Interest expenses | 701 | – | 701 |
| At 31 December 2017 | 9,516 | – | 9,516 |
| Net financing cash inflows | 4,255 | 74,879 | 79,134 |
| Interest expenses | 933 | 1,130 | 2,063 |
| Exchange adjustment | (142) | – | (142) |
| At 31 December 2018 | 14,562 | 76,009 | 90,571 |

## 39. RELATED PARTY TRANSACTIONS

### Compensation of key management personnel

(a) The remuneration of directors and other members of key management during the year was as follows:

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Short-term employee benefits | 4,245 | 780 |
| Post-employment benefits | 51 | 30 |
| Equity-settled share-based payment expenses | – | 903 |
| | 4,296 | 1,713 |

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

## 39. RELATED PARTY TRANSACTIONS *(Continued)*

### Compensation of key management personnel *(Continued)*

(b) During the year, the Group entered into the following transactions with related parties:

| | | 2018 HK$ | 2017 HK$ |
|---|---|---|---|
| Related companies (Note 1) | Management and administrative income | 3,185 | 4,950 |
| | Secretarial fee and other office expenses | 196 | 252 |
| | Rental income | 1,067 | – |
| | Brokerage commission income and other service charge income | 233 | 332 |
| Max Winner Investments Limited (Note 2) | Rental expense | 1,492 | – |

Notes:

1. Mr. Mung Hon Ting, Jackie, a close family member of Mr. Mung Kin Keung and Mr. Mung Bun Man, Alan, both of them are directors of the Company, and Mr. Mung Kin Keung have beneficial interests in the related companies.

2. Max Winner Investments Limited, a company incorporated in Hong Kong with limited liability, is an indirect wholly-owned subsidiary of Eternity Investment Limited, a company incorporated in Bermuda with limited liability and with its shares listed on the Main Board of the Stock Exchange. Eternity Investment Limited is a substantial shareholder with significant influence of the Company.

## 40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 December 2018 and 31 December 2017 are as follows:

| Name of subsidiary | Place of incorporation | Issued and paid up capital | Proportion ownership interest held by the Company | | | | Proportion of voting power held by the Company | | | | Principal activities/ place of operation |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Direct | | Indirect | | Direct | | Indirect | | |
| | | | 2018 % | 2017 % | 2018 % | 2017 % | 2018 % | 2017 % | 2018 % | 2017 % | |
| Durable Gold Investments Limited | British Virgin Islands | Ordinary USD1 | 100 | 100 | – | – | 100 | 100 | – | – | Investment holding/ Hong Kong |
| Famous Flamingo Limited | British Virgin Islands | Ordinary USD1 | – | – | 100 | 100 | – | – | 100 | 100 | Property holding/ Hong Kong |
| Global Mastermind Asset Management Limited | Hong Kong | Ordinary HK$10,000,000 | – | – | 100 | 100 | – | – | 100 | 100 | Asset management business/Hong Kong |
| Global Mastermind Financial Services Limited | Hong Kong | Ordinary HK$1 | – | – | 100 | 100 | – | – | 100 | 100 | Money lending business/ Hong Kong |

## 40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

| Name of subsidiary | Place of incorporation | Issued and paid up capital | Proportion ownership interest held by the Company | | | | Proportion of voting power held by the Company | | | | Principal activities/ place of operation |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Direct | | Indirect | | Direct | | Indirect | | |
| | | | **2018** % | 2017 % | **2018** % | 2017 % | **2018** % | 2017 % | **2018** % | 2017 % | |
| Global Mastermind Futures Limited | Hong Kong | Ordinary HK$10,000,000 | **–** | – | **100** | 100 | **–** | – | **100** | 100 | Dealing in futures business/Hong Kong |
| Global Mastermind Hong Kong Limited | Hong Kong | Ordinary HK$1 | **100** | 100 | **-** | - | **100** | 100 | **-** | - | Investment holding/ Hong Kong |
| Global Mastermind Investment Limited | Hong Kong | Ordinary HK$8,000,000 | **–** | – | **100** | 100 | **–** | – | **100** | 100 | Asset management services/Hong Kong |
| Global Mastermind Securities Limited | Hong Kong | Ordinary HK$100,000,000 | **–** | – | **100** | 100 | **–** | – | **100** | 100 | Dealing in securities and advising on securities business/Hong Kong |
| Harvest Well International Limited | British Virgin Islands | Ordinary USD1 | **–** | – | **100** | 100 | **–** | – | **100** | 100 | Investment holding/ Hong Kong |
| Hope Master Investments Limited | British Virgin Islands | Ordinary USD1 | **–** | – | **100** | 100 | **–** | – | **100** | 100 | Property holding/ Hong Kong |
| Jade Emperor International Limited | British Virgin Islands | Ordinary USD1 | **–** | – | **100** | 100 | **–** | – | **100** | 100 | Investment holding/ Hong Kong |
| Long Joy Investments Limited | British Virgin Islands | Ordinary USD1 | **100** | 100 | **–** | – | **100** | 100 | **–** | – | Investment holding/ Hong Kong |
| Prefect Well (note 7) | Hong Kong | Ordinary HK$500,000 | **–** | – | **–** | 100 | **–** | – | **–** | 100 | Licensed travel agent/ Hong Kong |
| Safe2Travel Pte Ltd. | Singapore | Ordinary SG$9,981,000 | **–** | – | **100** | 100 | **–** | – | **100** | 100 | Licensed travel agent/ Singapore |
| Solution Apex Investments Limited | British Virgin Islands | Ordinary USD1 | **–** | – | **100** | 100 | **–** | – | **100** | 100 | Treasury management/ Hong Kong |
| Time Tic Investments Limited | British Virgin Islands | Ordinary USD1 | **100** | 100 | **–** | – | **100** | 100 | **–** | – | Investment holding/ Hong Kong |
| Trasy Holdings Limited | Hong Kong | Ordinary HK$2 | **–** | – | **100** | 100 | **–** | – | **100** | 100 | Management services/ Hong Kong |
| United Goldnet Limited | Hong Kong | Ordinary HK$2 | **–** | – | **100** | 100 | **–** | – | **100** | 100 | Treasury management and securities trading/ Hong Kong |

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during both years.

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

## 40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are summarised as follows:

| Principal activities of business | Principal place of business | Number of subsidiaries 2018 | Number of subsidiaries 2017 |
|---|---|---|---|
| Investment holding | British Virgin Islands | **4** | 3 |
| Investment holding | Hong Kong | **–** | 1 |
| Investment holding | Cayman Islands | **1** | 1 |
| Inactive | British Virgin Islands | **–** | 1 |
| Inactive | Hong Kong | **2** | 3 |
| Inactive | Cayman Islands | **1** | 1 |
| Inactive | Singapore | **2** | 2 |
| | | **10** | 12 |

## 41. FINANCIAL INFORMATION OF THE COMPANY

The information about the statement of financial position of the Company at the end of reporting period is as follows:

| | Notes | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | | **7** | 24 |
| Interest in subsidiaries | (a) and (c) | **23,375** | 23,375 |
| Amount due from subsidiaries | (c) | **474,963** | 401,616 |
| | | **498,345** | 425,015 |
| Current assets | | | |
| Other receivables | | **260** | 230 |
| Amounts due from subsidiaries | (d) | **162,705** | 163,164 |
| Bank balances and cash | | **2,349** | 6,541 |
| | | **165,314** | 169,935 |
| Current liabilities | | | |
| Other payables | | **929** | 1,896 |
| Interest payable | | **859** | – |
| | | **1,788** | 1,896 |
| Net current assets | | **163,526** | 168,039 |
| Total assets less current liabilities | | **661,871** | 593,054 |
| Non-current liabilities | | | |
| Convertible bonds | | **(76,009)** | – |
| Net assets | | **585,862** | 593,054 |
| Capital and reserves | | | |
| Share capital | 31 | **42,629** | 42,629 |
| Share premium and reserves | (b) | **543,233** | 550,425 |
| | | **585,862** | 593,054 |

## 41. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Notes:

(a) The interest in subsidiaries represents the unlisted share measured at cost less impairment loss recognised.

(b) Share premium and reserves

| | Share premium HK$'000 | Capital reserve HK$'000 (Note) | Share options reserve HK$'000 | Convertible bond reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| At 1 January 2017 | 859,253 | 32,589 | – | – | (411,422) | 480,420 |
| Loss for the year | – | – | – | – | (2,119) | (2,119) |
| Issue of ordinary shares | 63,940 | – | – | – | – | 63,940 |
| Transaction costs attributable to issue of ordinary shares | (2,656) | – | – | – | – | (2,656) |
| Recognition of equity-settled share-based payments (note 32) | – | – | 10,840 | – | – | 10,840 |
| At 31 December 2017 and 1 January 2018 | 920,537 | 32,589 | 10,840 | – | (413,541) | 550,425 |
| Loss for the year | – | – | – | – | (11,300) | (11,300) |
| Recognition of equity component of convertible bonds | – | – | – | 4,116 | – | 4,116 |
| Transaction costs attributable to issue of convertible bonds | – | – | – | (8) | – | (8) |
| Lapse of share options (note 32) | – | – | (10,840) | – | 10,840 | – |
| At 31 December 2018 | 920,537 | 32,589 | – | 4,108 | (414,001) | 543,233 |

The distributable reserves of the Company are amounted to HK$539,125,000 (2017: HK$539,585,000).

Note: The capital reserve represented the credit arising from the capital reduction effected by the Company during the year ended 31 December 2009.

(c) The amounts due from subsidiaries classified under non-current assets are unsecured, interest-free and repayable on demand. In the opinion of the directors, based on their assessment as at the end of the reporting period of the estimated future cash flows from the subsidiaries, the amounts due from subsidiaries will not be repayable within one year from the end of the reporting period, accordingly these amounts are classified as non-current. These amounts due from subsidiaries are discounted at an effective interest rate of 5.50% per annum, representing the borrowing rates of the relevant subsidiaries, with corresponding adjustments of HK$23,375,000 debited to investments in subsidiaries as deemed contribution to those subsidiaries.

(d) The amounts due from subsidiaries classified under current assets are unsecured, interest-free and repayable on demand. The directors expect these amounts will be repaid within twelve months from the end of the reporting period, accordingly, these amounts are classified as current assets.