TFG
富元國際

TFG International Group Limited
富元國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 542

2018
ANNUAL REPORT

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Corporate Information

EXECUTIVE DIRECTORS

YANG Lijun *(Chairman)*
YU Kam Hung *(appointed on 12 July 2018)*
WAN Jianjun *(resigned on 14 January 2019)*

NON-EXECUTIVE DIRECTOR

WONG Kui Shing, Danny *(redesignated on 1 February 2019)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Hoi Ling
SO Wai Lam
SUNG Yat Chun

COMPANY SECRETARY

WOO Chung Ping

PRINCIPAL BANKERS

China CITIC Bank International Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

CCTH CPA Limited
Unit 5–6, 7/F., Greenfield Tower
Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui, Kowloon, Hong Kong

HONG KONG SHARE REGISTRAR

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

REGISTERED OFFICE

The Offices of Sterling Trust (Cayman) Limited
Whitehall House, 238 North Church Street
George Town, Grand Cayman KY1-1102
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 1101, 11/F., Tower A
Cheung Kei Center
18 Hung Luen Road,
Hung Hom, Kowloon
Hong Kong

On behalf of the Board of Directors, I hereby present the Annual Report of the Company and the Group For the year ended 31 December 2018.

FINANCIAL RESULTS

The Group reported a loss for the year ended 31 December 2018 of HK$136.2 million (2017: loss of HK$19.8 million). The Group's consolidated loss attributable to owners of the Company for 2018 amounted to HK$122.4 million (2017: loss of HK$19.8 million).

DIVIDEND

The Directors do not recommend to pay any dividend for the financial year ended 31 December 2018 (2017: Nil).

REVIEW OF OPERATIONS

For the year ended 31 December 2018, the Group's property development segment recorded loss amounted to HK$34.2 million, compared to the loss of HK$3.1 million for 2017. And, the hotel business segment recorded loss amounted to HK$43.2 million for the year ended 31 December 2018, compared to a loss of HK$15.9 million for 2017.

Throughout the year, the Group continued to sell the remaining unsold units of our two existing projects namely Morning Star Villa ("MSV") and Morning Star Plaza ("MSP") in Zhongshan, Guangdong Province, the PRC. As at 31 December 2018, approximately 99.9% of all residential units of MSV and approximately 98.1% of all residential and commercial units of MSP were sold.

Chairman's Statement

PROSPECT

Looking ahead, although the global economy is expected to be clouded by uncertainties in 2019, the central government have been continuing to drive the economic and financial reform, to promote the development of urbanisation and to make more specific planning of the "Guangdong-Hong Kong-Macao Greater Bay Area". Hence, we expect the property market continues developing at a steady pace.

Accordingly, we are confident in investing in the real estate market in China. During the year ended 31 December 2018, the Group had replenished land reserves in Hengqin, Zhuhai, which is located in the Greater Bay Area. Besides, the Group had also successfully bid two parcels of land for residential use in Pidu, Chengdu. It is expected that after completion of the development of these projects in the coming one to two years, there will be considerable benefit brought to the Group.

ACKNOWLEDGMENT

On behalf of the Board, I would like to extend our sincere appreciation to all the members of the Board, our staff, valued customers, business partners, bankers, and shareholders for their continuous support. I would also like to compliment the management and staff for their genuine and valuable dedication towards the development of the Group.

YANG Lijun
Chairman
Hong Kong, 15 March 2019

BUSINESS REVIEW

For the year ended 31 December 2018, the Group's revenue amounted to HK$18.1 million, compared to HK$30.8 million for 2017. The Group recorded a loss before tax of HK$133.8 million, compared to the loss of HK$35.8 million for 2017. Such loss is, amongst other things, mainly attributable to (i) the increase in foreign exchange loss due to the adverse movement of exchange rate in Renminbi during the year of 2018 upon translation of the assets and liabilities of the Group the functional currency of which are Renminbi, (ii) the amortization and depreciation of leasehold land and property, plant and equipment of the Group, (iii) increase in interest expenses and finance costs of the Group in respect of the notes issued in January 2018 as part of the consideration for the acquisition of subsidiaries and additional interest bearing borrowings raised to finance the costs of development of a project in Zhuhai and the costs of acquisition of land parcels in Chengdu, (iv) impairment of property, plant and equipment and licensing rights of the Group, and (v) increase in other administrative expenses including rental expenses, directors' fees and staff payroll of the Group.

The Group's consolidated loss attributable to the owners of the Company for 2018 amounted to HK$122.4 million, compared to the loss of HK$19.8 million for 2017.

PROPERTY DEVELOPMENT SEGMENT

In 2018, sales of the property development segment amounted to HK$3.7 million, compared to HK$5.4 million for 2017. Loss of the segment for 2018 was HK$34.2 million, compared to the loss of HK$3.1 million for 2017. The loss of the segment is mainly attributable to the exchange loss arising from the translation of assets and liabilities the functional currency of which is Renminbi and other operating costs relating to the development of projects located in Hengqin, Zhuhai and Chengdu.

As at 31 December 2018, approximately 99.9% of residential units of Morning Star Villa ("MSV") and approximately 98.1% of all residential and commercial units of Morning Star Plaza ("MSP") were sold.

The Group continues focusing on the sale of completed unsold properties, and is actively looking for profitable investment opportunities relating to property development business, which is consistently the major focus of the Group.

HOTEL BUSINESS SEGMENT

In 2018, the hotel business segment recorded revenue from the sub-licensing of operating right amounting to HK$14.4 million, compared to HK$25.4 million for 2017. Loss of the segment amounted to HK$43.2 million for 2018, compared to a loss of HK$15.9 million for 2017. The loss is mainly attributable to the depreciation of property, plant and equipment, the amortization of leasehold land, the impairment of property, plant and equipment and licensing rights.

On 24 January 2018, the Group entered into a settlement agreement with one of the default hotel operating rights holders whereby the Group will receive the repayment of trade receivables of approximately of RMB14.6 million by thirty (30) monthly instalments under an agreed repayment schedule. During the year of 2018, the default hotel operating rights holder repaid RMB6,000,000 equivalent to approximately HK$7,099,000 to the Group according to the agreed repayment schedule.

GEOGRAPHICAL SEGMENT

During the year, the Group did not have revenue generated from Hong Kong, and the revenue generated from elsewhere in the PRC mainly related to hotel business and property development.

MATERIAL ACQUISITIONS

On 31 January 2018, the Group completed acquisition of remaining 50% equity interests of Rich Source Property Holdings Limited for a total consideration of HK$175 million. Its principal assets comprised a land parcel located in Hengqin District, Zhuhai, the PRC with a total site area approximately of 60,340 square meters which has been planned to develop a large-scale building complex that integrates scientific research and development, office, and ancillary business facilities. Consideration for the acquisition comprised a cash payment of HK$15 million and non-convertible notes with principal of HK$160,000,000 which carried a rate of interest of 12% per annum.

On 29 August 2018, the Group succeeded in an auction for two parcels of land located in Pidu District, Chengdu, the PRC with a total site area approximately of 75,313 square meters. The land parcels were designated for residential use with the term of land use rights of 70 years. Total consideration for acquiring these land parcels was approximately of RMB176.82 million. The acquisition was funded by the Group's internal resources and raising of debts.

RELATED PARTY TRANSACTIONS

The related party transactions disclosed in note 50 to the consolidated financial statements constituted exempted connected transactions of the Company under Chapter 14A of the Listing Rules. Therefore these transactions were fully exempted from reporting, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

POST-BALANCE SHEET EVENT

On 21 January 2019, 珠海橫琴富昌盛實業發展有限公司, an indirect subsidiary of the Company, entered into a loan agreement of a principal amount of RMB13,000,000 with 湖南省寧邦置業有限公司, being a company indirectly owned by Mr. Yang Lijun, an executive Director and chairman of the Board of Directors of the Company as to 40.17% of its equity as at the date of entering into the loan agreement, for a term of 3 months with the annual interest rate of 13%.

On the same date, 成都市富浩房地產開發有限公司, an indirect wholly-owned subsidiary of the Company, also entered into a loan agreement of a principal amount of RMB87,000,000 with 湖南省寧邦置業有限公司 for a term of 3 months with the annual interest rate of 13%.

Under the Listing Rules, these two loans are exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules as such transactions constitute financial assistance provided by a connected person for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the financial assistance.

REVIEW OF FINANCIAL POSITION

Overview

Non-current assets of the Group as at 31 December 2018, consisting mainly of investment properties, property under development, property, plant and equipment, prepaid land lease payment, and licensing rights amounted to HK$1,072.7 million, compared to HK$546.4 million as at 31 December 2017. Current assets as at 31 December 2018 amounted to HK$448.6 million, compared to HK$318.2 million as at 31 December 2017. Current liabilities as at 31 December 2018 amounted to HK$276.4 million, compared to HK$28.9 million as at 31 December 2017. Non-current liabilities as at 31 December 2018 amounted to HK$619.1 million, compared to HK$118.5 million as at 31 December 2017.

Capital Structure, Liquidity and Financial Resources

As at 31 December 2018, the Group's total interest bearing borrowings in which cash and cash equivalent were held amounted to RMB381.5 million and HK$155.5 million (31 December 2017: RMB80.0 million) which comprised borrowings from a financial institution of RMB71.0 million (2017: RMB80.0 million) and from independent third parties of RMB310.5 million and HK$155.5 million (2017: Nil). The aforesaid interest bearing borrowings carried fixed rate of interest ranging from 7% per annum to 13% per annum and will mature within one to five years from 31 December 2018.

The Group did not have any arrangement to hedge foreign currency exposure.

The Group's total equity as at 31 December 2018 was HK$625.7 million (31 December 2017: HK$717.2 million).

The Group's gearing ratio as at 31 December 2018 was 94.3% (31 December 2017: 13.4%). The gearing ratio was calculated on the basis of total interest bearing borrowings over the total equity of the Group. The significant increase in gearing ratio is mainly due to substantial amount of interest bearing borrowings raised to finance the costs of development of a project in Zhuhai and payment of land fees in respect of the land in Chengdu which the Group successfully bid on 29 August 2018.

As part of treasury management, the Group centralises funding for all of its operations at the Group level. The Group's foreign currency exposure relates mainly to Renminbi, which is derived from its hotel business, the sales of property units in Zhongshan, and other property development projects in the PRC.

Capital Commitments

The Group did not have any significant capital commitments as at 31 December 2018. (2017: HK$175 million).

Project Commitments

As at 31 December 2018, the Group had outstanding commitments in respect of the property development expenditure and acquisition of land for development, which were contracted but not provided for approximately of HK$667.7 million (2017: Nil).

Contingent Liabilities

As at 31 December 2018, the Group had contingent liabilities amounting to approximately HK$0.1 million (31 December 2017: HK$2.4 million). The contingent liabilities were mainly in respect of buy-back guarantees in favour of banks to secure mortgage loans granted to the purchasers of the properties developed by the Group under the MSV and MSP projects. The Board considered that the fair value of such guarantees were insignificant.

Charges on Group Assets

As at 31 December 2018, part of the Group's leasehold land and buildings with a carrying value of HK$393.3 million (31 December 2017: HK$459.4 million) had been pledged to a financial institution to secure mortgage loans. In addition, non-current bank balances of approximately HK$22.1 million (31 December 2017: HK$1.1 million) were pledged to banks to secure mortgage loan facilities granted to purchasers of the Group's properties held for sale and the issuance of a performance letter of guarantee in favour of a government department in honour of the terms and conditions of a sale and purchase agreement relating to the Group's purchase of land in Hengqin, Zhuhai.

Fund Raising Activities

In August 2017, the Company completed a placing of shares to issue 1,100,000,000 new ordinary shares ("Placing Shares") of the Company at a placing price of HK$0.185 per Placing Share through a placing agent ("the Placing"). Net proceeds from the Placing was approximately HK$198.2 million which was intended to be applied to satisfy the consideration and relevant expenses of the acquisition of 50% equity interests of Rich Source Property Holdings Limited as announced by the Company on 11 August 2017. The principal assets of Rich Source Property Holdings Limited comprise a land parcel in Hengqin District, Zhuhai, the PRC. Out of such net proceeds, HK$175 million was applied as to the consideration of the said acquisition and HK$18.5 million was applied as general working capital of the Group. The remaining balance of the net proceeds of approximately HK$4.7 million was unutilised at the end of December 2017 and was then applied in full as general working capital of the Group in 2018.

On 22 June 2018, the Company completed a subscription of shares to issue 164,712,000 new ordinary shares of the Company ("Subscription Shares") at a subscription price of HK$0.255 per Subscription Share (the "Subscription"). On 6 June 2018, being the date of the relevant subscription agreement, the closing price of a Company's share was HK$0.285. The aggregate nominal value of the Subscription Shares was HK$1,647,120. The issue of Subscription Share was due to the termination of sale and purchase of Rich Source Property Holdings Limited, pursuant to which a deposit previously received by the Group was to be refunded to the purchaser, Rising Giant Investments Limited (the "Purchaser"). As the Purchaser had, at the request of the Group, agreed to terminate such sale and purchase, the Company invited the Purchaser to subscribe for shares so that the Purchaser could still invest indirectly in the land parcel in Hengqin District, Zhuhai, the PRC. The Purchaser then directed the Group to refund the deposit by paying the same to the Company as settlement of deposit and payment of consideration of the Subscription. The net proceeds from the Subscription (after deduction of related expenses) amounted to approximately HK$42 million. The net price per Subscription Share was approximately of HK$0.255 per Subscription Share. Intended use of the net proceeds from the Subscription was to increase the working capital of the Group. Subsequent to completion of the Subscription, the net proceeds were applied as general working capital as well as payment of certain interests and debt principals of the Group.

Breakdown of the detailed use of proceeds from the Subscription is as follows:

General working capital	$8,526,000
Redemption of notes payable and interest	$19,943,000
Repayment of other loans and interest	$13,533,000

STAFF ANALYSIS

The total number of staff employed by the Group as at 31 December 2018 was 51, compared to 53 as at 31 December 2017. The remuneration of the Group's directors and employees was determined with reference to prevailing market conditions, duties and responsibilities of the directors and employees. Remuneration of the Group's employees comprised basic salaries, bonuses and long-term incentives. Total employee benefit expenses for the year ended 31 December 2018, including wages, salaries, directors' remuneration and retirement benefits scheme contributions, amounted to HK$17,002,000 (2017: HK$7,387,000). As part of the Group's human resources policy, employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus scale. Currently, the Group continues to implement its overall human resource training and development programme and to equip its employees with the necessary knowledge, skills and experience to deal with the existing and future requirements and challenges. Directors and employees of the Group are entitled to grant of options under the Company's Share Option Scheme, details of which are set out in note 51 to the consolidated financial statements.

OUTLOOK

Prospect and Planning

The external economic environment is full of challenges and opportunities. As the tensions brought about by the Sino-US trade war have slightly loosened, the Chinese economy is expected to continue to grow. 2019 represents the second year after China's 19th National Congress of the Communist Party of China. We envisaged that both the implementation of monetary and financial policies will be stable against the backdrop of unremitting upward economic trend. The long-term effective mechanism brought by real estate policies will play a substantial effect of regulation and control. In line with the Group's future development, the Group moderately expanded its land bank in response to its own financial situation during the year.

As the central government's plan for the development of "Guangdong-Hong Kong-Macau Greater Bay Area" continues to progress, in 2018, the Group completed the acquisition of remaining 50% equity interests of Rich Source Property Holdings Limited, the principal asset of which is a site designated for research and development and commercial uses in Hengqin, Zhuhai with an area of approximately 60,340 square meters (which is capable of building a commercial project with a gross floor area of approximately 100,000 square meters, of which approximately 50,000 square meters can be developed into offices for sale). The average land cost is approximately RMB3,700 per square meter based on floor area. Our Company plans to build a large-scale building complex that integrates scientific research and development, office, ancillary business facilities, catering facilities and staff quarters. As of 31 December 2018, the project was under construction as scheduled, and we have obtained the "Real Property Right Certificate", "Construction Land Planning License" and "Planning permit of Construction Engineering" for the project. The Company expects that the project will be available for pre-sale within the third quarter of 2019, and the whole project will be completed for acceptance and registration within the first quarter of 2021. The ownership of saleable floors is also scheduled to be delivered during the same period.

During the year, in response to business needs in the future, the Group strategically further added two premium land parcels designated for residential use to its land bank, which are located in the western part of China. The two residential parcels are located in Ande Town, Pidu District, Chengdu with total site area of approximately 75,313 square meters. The Group successfully won the bid from the Chengdu Land and Resources Bureau on 29 August 2018, at a total consideration of RMB176,819,000. The respective average land cost is approximately RMB2,400 per square meter based on floor area. We have obtained the "Land Use Right Certificate" and "Real Property Right Certificate" for the project in March 2019. According to the scheduled plan, the Company anticipates that it would obtain all relevant certificates for the construction of the project within the second quarter of 2019, and obtain "Real Estate Sales Licence" in the fourth quarter of the same year. The Company intends to complete the acceptance and registration of the project within the fourth quarter of 2020 and the project will be delivered during the same period.

The Group is confident in investing in China's real estate market and will continue to focus on property development and hotel business as its core businesses.

Report of the Directors

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

PRINCIPAL ACTIVITIES

During the year, the Group, comprising the Company and its subsidiaries, are principally engaged in properties development and hotel business in Mainland China ("the People's Republic of China" or the "PRC"). Details of the principal activities of the principal subsidiaries are set out in the note 52 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements from pages 41 to 110.

No dividends have been declared in respect of the year.

BUSINESS REVIEW

The fair review of the business performance and financial position of the Group for the year ended 31 December 2018, the discussion of possible new business development, principal risks and uncertainties surrounding the Group's operational environment and important events subsequent to the year-end are provided in the Management Discussion and Analysis and Chairman's Statement of this Annual Report. It is the philosophy of the Group to make every endeavour to comply with relevant laws and regulations which can be found throughout this Annual Report. Apart from that, the below section is a review of business by key performance indicators which highlights further information about the performance of the Group.

Analysis of Business by Financial Key Performance Indicators

For the year ended 31 December 2018, the Group's profitability deteriorated which was mainly attributable to the increase in foreign exchange loss due to the adverse movement of exchange rate in Renminbi during the year of 2018, the amortisation and depreciation of leasehold land and property, plant and equipment of the Group, increase in interest expenses and finance costs of the Group in respect of additional loans and borrowings raised during the year, impairment of property, plant and equipment and licensing rights of the Group, and increase in administrative expenses including rental, directors' fees and staff payroll of the Group.

Profitability	**2018**	2017
Net loss margin ratio	**(752.94%)**	(64.18%)
Return on equity ratio	**(20.28%)**	(3.15%)

Return to shareholders	**2018**	2017
Loss per share — basic	**HK$(1.78) cents**	HK$(0.33) cents
Loss per share — diluted	**HK$N/A cents**	HK$N/A cents

As at 31 December 2018, current assets and net assets of the Group increased and liquidity of the Group deteriorated.

Liquidity and debt	**2018**	2017
Current ratio	**1.62**	11.0
Gearing ratio	**94.3%**	13.4%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Board acknowledges that sustainable development is pivotal to the Group's long-term success. To oversee the potential risks and opportunities concerning environmental, social and governance (ESG) arising from the Group's property development and hotel business investments, the Board has taken the overall responsibility for formulating strategic direction on ESG aspects specific to the Group's business, including product safety, customer satisfaction, environmental compliance, talent development, etc. The management of these material ESG aspects is spearheaded by the senior management, then further cascading down to respective departments which are responsible for day-to-day operations.

This section serves to provide an overview of the Group's environmental policies and related compliance and how we engage our key stakeholders. Detailed ESG performances will be reported in our third ESG Report to be published in June 2019.

1. Environmental Policies

In Hong Kong, the Group maintains an office-based operation where environmental impact generated is limited. We continue to operate the office facilities in an environmentally responsible manner by implementing energy saving initiatives and raising the awareness of our employees on the efficient use of resources. The Group's hotel business investment, La Palazzo Hotel in Maoming, Guangdong province, PRC, has well established policies, systems and processes to measure and manage its environmental performance.

During the year, La Palazzo Hotel continued to ensure emissions of air pollutants and greenhouse gases are within the statutory limits imposed by the Environmental Protection Bureau. The Group is committed to providing a healthy and safe workplace for all its employees. Hydro vents were installed to manage the discharge of oil fume, maintaining indoor air quality. Striving for a sustainable hotel operation, resources efficiency initiatives were implemented, for example, water from swimming pool is recycled for sanitary use and bed sheets are washed in an environmental-friendly way. Energy saving targets were set and embedded in annual performance appraisal to motivate employees to take action.

2. Compliance with laws and regulations

The Group has strictly complied with environmental laws and regulations at locations where it operates. These include the Environment Protection Tax regulation, the Prevention and Control of Environmental Pollution of Solid Waste, Environmental Noise, Air Pollution and Water Pollution, etc.

During the year, the Group was not aware of any material non-compliance of laws and regulations that have a significant environmental impact relating to air and greenhouse gas emissions, discharges into water and land, or generation of hazardous and non-hazardous waste.

On the listed company level, the Group is subject to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Codes on Takeovers and Mergers and Share Buy-backs, the Companies Law of the Cayman Islands and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). The Group adheres to and ensures that they are vigilant with the legal requirements under the statute.

3. Key Relationships with Stakeholders

The Group aims to engage with key stakeholder groups through established channels such as annual general meetings, corporate website, annual report, etc. Our key stakeholder groups include customers, employees, shareholders, local communities, governments, and non-governmental organisations, national and international trade associations and suppliers. We strive to maintain close relationship with our stakeholders and respond to their key topics and concerns through corporate reporting on an ongoing basis.

Employees

Our human resources practices, policies and strategies comply with Hong Kong Labour Ordinance and Chinese labour laws. Striving to be an equal opportunity employer, the Group has employment policies which are designed to attract, retain and motivate high-quality staff. During the year, we were not aware of any incidence of discrimination in Hong Kong and China.

The Group's employee handbook states clearly that any forms of corruption, blackmail, fraud and money laundering are prohibited. For complaints and suggestions, employees can communicate through an established grievance mechanism.

Customers

Ensuring food safety is our top priority. La Palazzo Hotel has strictly complied with the "Guangdong Provincial Food Safety Regulations", and have received grade A for both our catering and public health standard. It has also abided by the "Use of Food Additives Standards" by monitoring the amounts of food additives consumptions.

Striving for a high level of customer satisfaction, the Group is determined to provide excellent products and services to our customers. Standard operating procedures are established to handle clients' complaint, overseen by the highest ranking management executive at the time, or by the hotel manager if necessary. The Group is strictly adhered to privacy policy to prevent leaks of customers' personal information.

Suppliers

For the Group's hotel business investment, we are committed to promoting responsible procurement by implementing strict supplier management. A supplier code of conduct is established to stipulate the standards to which we require our suppliers to adhere, including integrating corporate responsibility criteria into the selection and evaluation process for preferred suppliers. We work with suppliers whose business ethics, conduct, and standards are aligned with our own. A list of bulk raw materials suppliers is established to manage the potential risk of our supply chain through examining their operating license and quality assurance.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years are set out on page 112.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Group during the year are set out in note 40 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company during the year are set out in note 41 to the consolidated financial statements and of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2018, the Company had no reserves available for cash distribution and/or distribution in specie, calculated in accordance with the Companies Law (2018 Revision) of the Cayman Islands.

SHARE OPTION SCHEME

Particulars of the share option scheme of the Company are set out in note 51 to the consolidated financial statements.

HOTEL OPERATING RIGHTS AGREEMENTS

On 15 March 2017, the Group entered into two hotel operating rights agreements with two hotel operating rights holders, which were independent third parties (the "Hotel Operating Rights Agreements"). Under the hotel operating rights agreements, the hotel operating rights holders were granted the rights to operate and manage the Group's hotel in Maoming City, the PRC (the "Hotel") and the Group is entitled to receive an aggregate fixed monthly fee of RMB1 million plus a royalty fee calculated on the basis of 10% of the net profits generated by the Hotel each month. The Hotel Operating Rights Agreements will expire on 8 June 2026. For the year ended 31 December 2018, licensing income of the Group represents approximately of 80% of the total revenue of the Group. None of the directors of the Company is interested in the Hotel Operating Rights Agreements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's five largest customers shared more than 89.7% of the total revenue of the Group in the year and aggregate revenue attributable to the largest customer included therein shared more than 68.4% of the total revenue of the Group. The aggregate purchases attributable to the Group's five largest suppliers shared more than 99.0% of the total purchases of the Group in the year and aggregate purchases attributable to the largest supplier included therein shared more than 46.0% of the total purchases of the Group. None of the directors, their close associates or any shareholder of the Company owning 5% or more shares of the Company was interested in such customers and suppliers.

DIRECTORS

The directors of the Company ("the Directors") during the year and up to 15 March 2019, being the date of this report were:

Executive Directors:

YANG Lijun *(Chairman)*
YU Kam Hung (appointed on 12 July 2018)
WAN Jianjun (resigned on 14 January 2019)

Non-Executive Director:

WONG Kui Shing, Danny (an Executive Director from 21 August 2015 to 31 January 2019, and redesignated as a Non-Executive Director from 1 February 2019 onwards)

Independent Non-Executive Directors:

CHAN Hoi Ling
SO Wai Lam
SUNG Yat Chun

In accordance with Articles 112, 106 and 107 of the Company's Articles of Association, Mr. YU Kam Hung, Mr. WONG Kui Shing, Danny and Mr. YANG Lijun shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No Director or any of his/her connected entity had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year or as at 31 December 2018.

These was no contract of significance to the business of the Group made between the Company or any of its subsidiaries and controlling shareholder of the Company during the year or as at 31 December 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2018, Mr. Yang Lijun declared his interests in the following private companies with businesses which competed or were likely to compete, either directly or indirectly, with the business of the Group:

Name of companies	Nature of businesses considered to compete or likely to complete with the business of the Group	Nature of interest in those companies during 2018
Yang's Development Limited ("Yang's")	Property investment and development in PRC	Mr. Yang Lijun had certain direct interests in Yang's, in which Mr. Yang was a controlling shareholder, director, and directors of certain subsidiaries.
Affluent Splendid Investment Holdings Limited ("Affluent")	Property investment in PRC	Mr. Yang Lijun had certain indirect interests in Affluent, in which Mr. Yang was a controlling shareholder and director.
Ningbang Group Limited ("Ningbang")	Property investment and development in PRC	Mr. Yang Lijun had certain indirect interests in Ningbang, in which Mr. Yang was a substantial shareholder.

The above-mentioned businesses have been either managed by the management and administration teams of the respective private companies, or managed by other property developer outsourced to provide management and administration services to respective private companies, which are independent of the management and administration of the Group. Besides, the Independent Non-executive Directors of the Company will assist in monitoring the operation of the Group. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of the above-mentioned private companies.

The Directors of the Company are aware of their fiduciary duties and will act honestly and in good faith in the interests of the Company and will avoid any potential conflicts of interest and duty. The Board comprises three Independent Non-executive Directors, all of them are audit committee members of the Company. Hence, the interest of the Company's shareholders can be adequately represented.

Other than as disclosed above, none of the Directors of the Company are considered to have interests in the business which complete or is likely to compete with the business of the Group pursuant to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The directors of the Company are entitled to grant of options under Share Option Scheme of the Company. Save for the aforesaid, at no time during the year was the Company, or any of its subsidiaries a party to any arrangement the object of which was to enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS

YANG Lijun

Mr. YANG, aged 44, was appointed an Executive Director, the Chairman of the Board of Directors of the Company and a member and the chairman of the Executive Committee of the Board of Directors in May 2017. Mr. YANG is also a director of certain subsidiaries of the Company. Mr. YANG has experience in investment in and development of property in the PRC for more than 10 years. Mr. YANG was one of the founders of Zhongshan Danan Group Limited, a limited company established in the PRC in 2004, which scope of business included property development. Mr. YANG was also appointed as its managing director in 2004. From the year of 2014 to 2017, Mr. YANG was appointed as the chairman of Zhongshan Fuyuan, a limited company established in the PRC in 2014, which engaged in the investment in commercial and residential properties in Zhongshan, Guangdong province, the PRC. As at 15 March 2019, being the date of this report, Mr. YANG was also director and controlling or substantial shareholder of certain private companies, namely Yang's Development Limited, Affluent Splendid Investment Holdings Limited and Ningbang Group Limited which engage in property investment and development businesses in the PRC. As at 31 December 2018, Mr. YANG was directly interested in 100% shares of Jade Leader International Investment Limited ("Jade Leader"), which owned as to 51% interest in shares of All Great International Holdings Limited ("All Great"), which owned as to 40.71% interest in shares of the Company, and personally holding 11,608,000 shares of the Company.

WAN Jianjun

Mr. WAN was an executive Director of the Company from 4 May 2017 to 14 January 2019.

Mr. WAN, aged 40, graduated from 西安財經大學 (Xi'an University of Finance and Economics) with a bachelor's degree in management. During the period from 2010 to 2013, Mr. WAN was the deputy general manager of 廣州奧譽房地產開發有限公司 (Guangzhou Aoyu Real Estate Development Co. Ltd*), a subsidiary of China Aoyuan Group Limited, the issued shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 3883). Since June 2014, Mr. WAN has joined Zhongshan Fuyuan Holdings Group Limited ("Zhongshan Fuyuan") as president and been responsible for the daily management and operations of Zhongshan Fuyuan.

YU Kam Hung

Mr. YU, aged 57, was appointed an executive Director and a member of Executive Committee of the Company in July 2018. Mr. YU holds a degree of Master of Science in E-Commerce for Executives from The Hong Kong Polytechnic University and is a professional surveyor. Mr. YU is a fellow member of the Hong Kong Institute of Surveyors and was the president of the Hong Kong Institute of Surveyors from November 2007 to November 2008. Mr. YU was employed by CBRE, an internationally renowned real estate consultancy firm ("CBRE"), from 2002 to 2016. During the employment with CBRE, Mr. YU held various prime positions including Head of Valuation & Advisory Services, Greater China, Hong Kong Consulting and Investment Property, Hong Kong and led various projects including property acquisitions, planning and development, marketing and consultancy.

WONG Kui Shing, Danny

Mr. WONG, aged 59, was appointed an executive Director from August 2015 to January 2019, the chief executive officer of the Group from November 2016 to January 2019, a member of Executive Committee of the Board from August 2015 to January 2019, and was redesignated a non-executive Director in February 2019. Mr. Wong is also a director of certain subsidiaries of the Company. Mr. Wong holds a Bachelor of Arts degree from the University of Hong Kong. Mr. Wong has extensive exposure in the financial and investment fields for over 30 years and is well experienced in the international investment market. Mr. Wong is currently an executive director, the chairman and the chief executive officer of China Information Technology Development Limited (stock code: 8178), an executive director of Larry Jewelry International Company Limited (stock code: 8351), as well as an independent non-executive director of Far East Holdings International Limited (stock code: 0036) and Tech Pro Technology Development Limited (stock code: 3823). Mr. WONG was previously a non-executive director of InvesTech Holdings Limited (stock code: 1087) from September 2015 to June 2017 and Shi Shi Services Limited (stock code: 8181) from October 2015 to January 2017, and an executive director of Huiyin Holdings Group Limited (stock code: 1178) (formerly known as Share Economy Group Limited) from May 2017 to April 2019.

CHAN Hoi Ling

Ms. CHAN, aged 45, was appointed an Independent Non-Executive Director, member and chairman of the Audit Committee, member of the Remuneration Committee and the Nomination Committee of the Company in October 2010. Ms. CHAN graduated from the University of South Australia with a Bachelor's Degree in Accountancy and the Hong Kong Polytechnic University with a Master's Degree in Business Administration. Ms. CHAN has extensive experience in auditing and accounting. Ms. CHAN was admitted as an associate member of the Hong Kong Institute of Certified Public Accountants and the Australian Society of Certified Practising Accountants.

A letter of appointment which forms the basis of emoluments has been entered into between the Company and Ms. CHAN, pursuant to which (i) her term of appointment is for one year from 1 January 2019 to 31 December 2019 but she will be subject to retirement and rotation in accordance with the Articles of Association; and (ii) she is entitled to a director's fees of HK$10,000 per month. The emoluments of Ms. CHAN is determined with reference to the prevailing market conditions and her experience.

SO Wai Lam

Ms. SO, aged 38, was appointed as an Independent Non-Executive Director, member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company in October 2010. She is also the chairman of the Remuneration Committee. Ms. SO holds a Bachelor's Degree in Science with double majors in Mathematics and Statistics from the University of British Columbia in Canada and a Master's Degree in Finance from the University of Hong Kong. Ms. SO has over 12 years of experience in the corporate finance industry. Ms. SO is a responsible officer of INCU Corporate Finance Limited, a licensed corporation which carries out Type 6 (Advising on corporate finance) regulated activity under the SFO.

A letter of appointment which forms the basis of emoluments has been entered into between the Company and Ms. SO, pursuant to which (i) her term of appointment is for one year from 1 January 2019 to 31 December 2019 but she will be subject to retirement and rotation in accordance with the Articles of Association; and (ii) she is entitled to a director's fees of HK$10,000 per month. The emoluments of Ms. SO is determined with reference to the prevailing market conditions and her experience.

SUNG Yat Chun

Mr. SUNG, aged 34, was appointed an Independent Non-Executive Director, member and chairman of the Nomination Committee, and member of the Audit Committee and the Remuneration Committee of the Company in October 2010. Mr. SUNG holds a Bachelor of Science Degree from the University of Western Sydney, Australia. Mr. SUNG specialises in product research and in-house operations, and is responsible for trading procedures for investment adviser. Mr. SUNG has been a compliance manager for United Overseas Bank and an operations officer for Success Securities Limited. Mr. SUNG is also a member of the US National Futures Association. His product knowledge and long association with innovative strategies has allowed him to provide unique and diversified solutions to clients' investments. Mr. SUNG is currently a director of Ayers Alliance Limited, Ayers Alliance Holdings Pty Limited and Cheshunt Limited. Mr. SUNG was appointed as a director of Ayers Alliance Securities (HK) Limited, a licensed corporation which carries out Types 1 (Dealing in securities) and 4 (Advising on securities) regulated activities under the SFO in November 2013.

A letter of appointment which forms the basis of emoluments has been entered into between the Company and Mr. SUNG, pursuant to which (i) his term of appointment is for one year from 1 January 2019 to 31 December 2019 but he will be subject to retirement and rotation in accordance with the Articles of Association; and (ii) he is entitled to a director's fees of HK$10,000 per month. The emoluments of Mr. SUNG is determined with reference to the prevailing market conditions and his experience.

DIRECTORS' INTERESTS IN THE SECURITIES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2018, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or which were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were set out below:

Long Position in the shares of the Company and associated corporations of the Company

Name of Director	Name of Company	Capacity	*Notes*	Number of ordinary shares held	Percentage of issued ordinary shares
YANG Lijun	The Company	Held by controlled corporations	1	4,150,195,152	59.75%
	The Company	Beneficial owner		11,608,000	0.17%
	All Great International Holdings Limited	Held by controlled corporation	1	25,500	51%
	Jade Leader International Investment Limited	Beneficial owner	1	50,000	100%
WAN Jianjun	The Company	Beneficial owner	2	4,608,000	0.07%

Note 1: As at 31 December 2018, All Great International Holdings Limited was owned as to 51% by Jade Leader International Investment Limited, 35% by Honor Huge Investment Holdings Limited and 14% by Ever Star International Investment Limited. Yang Lijun, an executive Director and chairman of Board of Directors of the Company, was the sole beneficial owner of Jade Leader International Investment Limited. Accordingly Yang Lijun and Jade Leader International Investment Limited were deemed to be interested in the 4,150,195,152 shares of the Company interested by All Great International Holdings Limited pursuant to the SFO.

Note 2: Mr. WAN resigned as executive director of the Company on 14 January 2019.

Save as disclosed above, as at 31 December 2018, none of the Directors or the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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 Model Code.

PERSONS HOLDING 5% OR MORE INTERESTS

As at 31 December 2018, the following persons (other than a director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in the shares of the Company:

Name of Shareholders	Capacity	*Notes*	Number of ordinary shares held	Percentage of issued ordinary shares
YU Shunhui	Held by controlled corporation	*1*	4,314,907,152	62.12%
All Great International Holdings Limited ("All Great")	Beneficial owner	*2*	4,150,195,152	59.75%
Honor Huge Investment Holdings Limited ("Honor Huge")	Held by controlled corporation	*1*	4,150,195,152	59.75%
Jade Leader International Investment Limited ("Jade Leader")	Held by controlled corporation	*2*	4,150,195,152	59.75%
LIN Rujie	Interest of Spouse	*3*	4,161,803,152	59.91%
Shirble Department Store Holdings (China) Limited	Held by controlled corporation	*4*	1,320,000,000	19.00%
YANG Xiang Bo	Held by controlled corporation	*4*	1,320,000,000	19.00%
HUANG Xue Rong	Interest of spouse	*5*	1,320,000,000	19.00%

Notes:

1. *As at 31 December 2018, Yu Shunhui was interested in the entire equity interests of Honor Huge, which in turn was interested in 35% of equity interests of All Great. Accordingly, Yu Shunhui and Honor Huge were deemed to be interested in the 4,150,195,152 shares of the Company interested by All Great pursuant to the SFO. Yu Shunhui was also interested in the entire equity interests of Rising Giant Investments Limited, which in turn was interested in 164,712,000 shares of the Company, representing approximately 2.37% of the issued share capital of the Company as at 31 December 2018. Accordingly, Yu Shunhui was also deemed to be interested in such 164,712,000 shares of the Company interested by Rising Giant Investments Limited pursuant to the SFO.*

2. *As at 31 December 2018, All Great was owned as to 51% by Jade Leader, 35% by Honor Huge and 14% by Ever Star International Investment Limited. Yang Lijun, an executive Director and chairman of the Board of Directors of the Company, was the sole beneficial owner of Jade Leader. Accordingly Yang Lijun and Jade Leader were deemed to be interested in the 4,150,195,152 shares of the Company interested by All Great pursuant to the SFO, and such number of shares had duplicated with equivalent number of shares as disclosed in note 1 to the section headed "Directors' interests in the securities and debentures of the Company and its associated corporations" above.*

3. *Lin Rujie, spouse of Yang Lijun was deemed to be interested in the shares of the Company deemed to be interested by Yang Lijun, an executive Director and chairman of the Board of Directors of the Company.*

4. *Pursuant to the disclosure of interests forms filed, (i) Yang Xiang Bo had 100% control of Xiang Rong Investment Limited, (ii) which had 100% control of Shirble Department Store Limited, (iii) which had 67.79% control of Shirble Department Store Holdings (China) Limited, the issued shares of which were listed on the Stock Exchange (stock code: 312), and (iv) which in turn had 100% control of Baoke Trading (BVI) Company Limited. As set out in the announcement of the Company dated 24 December 2018, Baoke Trading (BVI) Company Limited as purchaser, Shirble Department Store Holdings (China) Limited as purchaser's guarantor and All Great as seller entered into a sale and purchase agreement in relation to the sale and purchase of 1,320,000,000 shares of the Company. Accordingly, Yang Xiang Bo and Shirble Department Store Holdings (China) Limited were deemed to be interested in such 1,320,000,000 shares of the Company. As set out in the announcement of the Company dated 9 January 2019, completion of such sale and purchase took place on 9 January 2019.*

5. *Huang Xue Rong, spouse of Yang Xiang Bo was deemed to be interested in the shares of the Company deemed to be interested by Yang Xiang Bo.*

DIVIDEND POLICY

It is the Board's discretion to declare or recommend distribution of dividends, which depends on the financial performance, working capital requirements, future business plans and the funding requirements of the Group, external economic factors and Shareholders' interests.

NOTES PAYABLE

On 31 January 2018, a subsidiary of the Company issued a non-convertible note with principal amount of HK$160,000,000 as part of the consideration for the acquisition of the remaining 50% equity interests in Rich Source Property Holdings Limited as specified in note 23 and 42. The notes were unsecured and carried a rate of interest of 12% per annum with a maturity period of three years. In August 2018, principal and accrued interests of the non-convertible notes were redeemed and paid in full by the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

PRE-EMPTIVE RIGHTS

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

INDEMNITY PROVISION

During the year of 2018, the Company had arranged appropriate insurance coverage on director's liabilities in respect of potential legal liabilities against them.

CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report save for the deviation as disclosed in the Corporate Governance Report from pages 21 to 33.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at 15 March 2019, being the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including a review of the audited financial statements for the year ended 31 December 2018. The Audit Committee is constituted by three Independent Non-Executive Directors of the Company.

AUDITOR

CCTH CPA Limited was first appointed as auditor of the Company in 2017 upon the retirement of McMillan Woods SG CPA Limited.

The financial statements for the year were audited by CCTH CPA Limited who will retire and being eligible, offer itself for re-appointment as the auditor of the Company at the forthcoming annual general meeting of the Company.

On behalf of the Board
YANG Lijun
Chairman

Hong Kong, 15 March 2019

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The board of directors of the Company ("Board") believes that good corporate governance is essential to the success of the Company and to the enhancement of shareholders' value.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

In light of the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the Board has reviewed the corporate governance practices of the Company with the adoption of the various enhanced procedures which are detailed in this report. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the year ended 31 December 2018, except for certain deviations as specified with considered reasons for such deviations as explained below.

Code Provisions A.6.7

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other business engagements, two (2) Executive Directors and one (1) Independent Non-executive Director could not attend the annual general meeting of the Company held on 28 May 2018. However, there were some Executive Directors and Independent non-executive Directors present to enable the Board to develop a balanced understanding of the views of the Shareholders.

Code Provision E.1.2

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate to attend. These persons should be available to answer questions at the annual general meeting.

Due to other business engagements, Mr. Yang Lijun, Chairman of the Board ("Mr. Yang") could not attend the annual general meeting (the "AGM") held on 28 May 2018. However, Ms. Chan Hoi Ling, an Independent Non-executive Director and chairman of Audit Committee of the Company took the chair of the AGM. Chairmen of Remuneration Committee was present thereat to be available to answer any question to ensure effective communication with the Shareholders.

Code Provisions A.2.1 to A.2.9

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

Code provisions A.2.2 to A.2.9 of the CG Code further stipulate various roles and responsibilities of the chairman. During the year of 2018, Mr. WONG Kui Shing Danny ("Mr. WONG") was the Chief Executive Officer ("CEO") of the Company. The Company complied with Code provision A.2.1 in the year of 2018.

The Company does not have a CEO after Mr. WONG's resignation from the position of CEO on 1 February 2019. As at 15 March 2019, being the date of this report, the Company does not have a CEO. It is the Board's intention to appoint a CEO as soon as a suitable and appropriate candidate is identified.

The Board will review the current practices in respect of the CG Code at least annually, and will make appropriate changes if considered necessary.

Corporate Governance Report

BOARD

During the year of 2018, the Board comprised seven directors (the "Directors") in total, with four Executive Directors and three Independent Non-Executive Directors ("INEDs"). The composition of the Board during the year of 2018 is set out as follows:

Executive Directors	YANG Lijun *(Chairman)*
	YU Kam Hung *(appointed on 12 July 2018)*
	WAN Jianjun *(resigned on 14 January 2019)*
	WONG Kui Shing, Danny *(re-designated as Non-executive Director on 1 February 2019)*
INEDs	CHAN Hoi Ling
	SO Wai Lam
	SUNG Yat Chun

During the year, the Independent Non-Executive Directors provided the Company with a wide range of expertise and a balance of skills and brought independent judgment on issues of strategic direction, development, performance and risk management through their contribution at Board meetings and Committee meetings.

Throughout the year and up to the date of this report, the Company has complied with the requirements under Rules 3.10(1) and (2) of the Listing Rules. The former Rule requires that every board of directors of a listed issuer must include at least three INEDs and the latter Rule requires that at least one of the INEDs must have appropriate professional qualifications or is accounting or related financial management expertise. All INEDs also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules. Further, up to the date of this Report, the Board has not been aware of the occurrence of any events which would cause it to believe that their independence has been impaired.

The Company has received from each Independent Non-Executive Director an annual confirmation or confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such Directors to be independent. The Independent Non-Executive Directors are explicitly identified in all corporate communications. The day-to-day running of the Company is delegated to the management.

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results. During the year, twelve Board meetings were held and attendance of each Director at the Board meetings is set out in the section headed "Board Committees" of this report.

The Board has reserved for its decision or consideration of matters covering mainly the Group's overall strategy, annual operating budget, annual and interim results, recommendations on Directors' appointment or re-appointment, material contracts and transactions as well as other significant policy and financial related matters. The Board has delegated the day-to-day responsibility to the Executive Directors and the management.

Regular Board meetings each year are scheduled in advance to facilitate maximum attendance of Directors. At least a 14 days' notice period for a regular Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting (and so far as practicable for such other Board meetings). Draft minutes of each Board meeting are circulated to all Directors for their comments before being tabled at the following Board meeting for approval. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

According to the current Board practice, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened Board meeting. The articles of association of the Company ("Articles of Association") also stipulate that save for the exceptions as provided therein, a Director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his/her associates have a material interest.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, Companies Ordinance/Act and corporate governance practices organised by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills. From time to time, Directors are provided with written training materials to develop and refresh their professional skills.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code on continuous professional development during the year ended 31 December 2018.

Name of Directors	Reading regulatory updates	Attending training/ briefings/ seminars/ conference relevant to Directors' duties
Executive Directors		
YANG Lijun *(Chairman)*	✓	–
WONG Kui Shing, Danny *(redesignated as Non-executive Director on 1 February 2019)*	✓	✓
YU Kam Hung *(appointed on 12 July 2018)*	✓	–
WAN Jianjun *(resigned on 14 January 2019)*	✓	–
INEDs		
CHAN Hoi Ling	✓	✓
SO Wai Lam	✓	✓
SUNG Yat Chun	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE

During the year ended 31 December 2018, Mr. YANG Lijun was the Chairman of the Board and Mr. WONG Kui Shing, Danny was the Chief Executive Officer of the Group.

Under code provision A.2.1 of the CG Code, the roles of the Chairman and the Chief Executive Officer should be segregated and assumed by two different Individuals to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman of the Board is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Group in all aspects effectively. Code provisions A.2.2 to A.2.9 of the CG Code further stipulate various roles and responsibilities of the Chairman.

The Chairman of the Board provides leadership and is responsible for the effective performance of the Board at strategic level whereas the Chief Executive Officer of the Group focuses on the Group's business development, daily management and operations, and implementation of strategies and policies laid down by the Board. The responsibilities between the Chairman and the Chief Executive Officer are clearly established and set out in writing so as to maintain a balance of power and authority.

The Company compiled with Code Provision A.2.1 in the year of 2018.

On 1 February 2019, Mr. WONG Kui Shing Danny resigned as CEO of the Group. As at 15 March 2019, being the date of this report, the Company does not have a CEO after Mr. WONG's resignation from the position of Chief Executive Officer on 1 February 2019. It is the Board's intention to appoint a CEO as soon as a suitable and appropriate candidate is identified.

NON-EXECUTIVE DIRECTORS

Under code provision A.4.1 of the CG Code, all non-executive directors should be appointed for a specific term, subject to re-election.

During 2018, other than 3 INEDs, the Company did not have any Non-Executive Directors.

During 2018, all the INEDs were appointed for a specific term of 1 year but were subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company.

BOARD COMMITTEES

The Board has established various committees, including a Remuneration Committee, an Audit Committee, a Nomination Committee and an Executive Committee, each of which has its specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the Company Secretary, are circulated to all Board members and the committees are required to report back to the Board on their decision and recommendations where appropriate. The procedures and arrangements for a Board meeting, as mentioned in the section headed "The Board" of this report, have been adopted for the committee meetings so far as practicable.

The individual attendance record of each Director at the meetings of the Board, Remuneration Committee, Audit Committee, Nomination Committee and general meetings during the year ended 31 December 2018 are set out below:

	Number of meetings attended/held				
Name of Directors	Board	Remuneration Committee	Audit Committee	Nomination Committee	Annual General
Executive Directors:					
YANG Lijun *(Chairman)*	7/12	–	–	–	0/1
YU Kam Hung *(appointed on 12 July 2018)*	5/5	–	–	–	–
WAN Jianjun *(resigned on 14 January 2019)*	12/12	–	–	–	1/1
WONG Kui Shing, Danny *(redesignated as Non-executive Director on 1 February 2019)*	11/12	–	–	–	0/1
INEDs:					
CHAN Hoi Ling	12/12	2/2	2/2	1/1	1/1
SO Wai Lam	12/12	2/2	2/2	1/1	1/1
SUNG Yat Chun	8/12	1/2	2/2	1/1	0/1

Remuneration Committee

The Remuneration Committee has been established since August 2005. During the year of 2018, this Committee consisted of three members, including Ms. SO Wai Lam (Chairman of the Committee), Ms. CHAN Hoi Ling and Mr. SUNG Yat Chun, all being the INEDs.

The Board has adopted a set of terms of reference of the Remuneration Committee, which accommodates a model where the Remuneration Committee performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual Executive Directors and senior management only.

The Remuneration Committee is responsible for ensuring formal and transparent procedures for developing remuneration policies and overseeing the remuneration packages of the executive directors and senior management. It takes into consideration of factors such as salaries paid by comparable companies, time commitment and responsibilities of Directors and senior management.

The terms of reference of the Company's Remuneration Committee will be revised and published on both the websites of the Company and the Stock Exchange from time to time subsequent to any changes to the authorities, duties and responsibilities of the Company's Remuneration Committee or when there is any new requirements of the Corporate Governance Code of the Listing Rules become effective.

The Remuneration Committee shall meet at least once a year in accordance with its terms of reference. Two Committee meetings was held in 2018 and the attendance of each member is set out in the section headed “Board Committees” of this report.

In addition to the Committee meeting, the Remuneration Committee also dealt with matters by way of written resolutions during 2018. In 2018 and up to the date of this report, the Remuneration Committee performed the works as summarised below:

(i) assessed performance of executive directors;

(ii) reviewed the existing policy and structure for the remuneration of Directors;

(iii) reviewed the existing remuneration packages of the Executive Directors and senior management;

(iv) reviewed the existing remuneration package of the Independent Non-Executive Directors; and

(v) reviewed and recommended the remuneration packages for the renewal of the terms of appointment of the INEDs for one year commencing from January 2019 for the Board’s approval.

The remuneration payable to Directors will depend on their respective contractual terms under their employment contracts or service contracts as approved by the Board on the recommendation of the Remuneration Committee. Details of the Directors’ remuneration are set out in note 14 to the consolidated financial statements.

Audit Committee

The Audit Committee has been established since March 1999. During the year of 2018, this Committee consisted of three members, including Ms. CHAN Hoi Ling (Chairman of the Audit Committee), Ms. SO Wai Lam and Mr. SUNG Yat Chun, all being the INEDs.

The Company has complied with Rule 3.21 of the Listing Rules, which requires that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an INED) is an INED who possesses appropriate professional qualifications or accounting or financial management related expertise.

The main responsibilities of the Audit Committee are to review the financial statements and the auditors’ reports and monitor the integrity of the financial statements. Other responsibilities include the appointment of auditor, approval of the auditor’s remuneration, discussion of audit procedures and any other matters arising from the above. The Audit Committee is also charged with the overseeing the financial reporting system and internal control procedures and their effectiveness.

The terms of reference of the Company’s Audit Committee will be revised and published on both the websites of the Company and the Stock Exchange from time to time subsequent to any changes to the authorities, duties and responsibilities of the Company’s Audit Committee or when there is any new requirements of the Corporate Governance Code of the Listing Rules become effective.

The Audit Committee shall meet at least twice a year in accordance with its terms of reference. Two Committee meetings were held in 2018 and the attendance of each member is set out in the section headed "Board Committees" of this report.

In addition to the Committee meeting, the Audit Committee also dealt with matters by way of written resolutions during 2018. In 2018 and up to the date of this report, the Audit Committee performed the works as summarised below:

(i) reviewed and recommended 2017 final results, audit findings and draft final results announcement for the Board's approval;

(ii) reviewed and considered various accounting issues and new accounting standards and their financial impacts;

(iii) considered the auditor's remuneration for the Year 2018;

(iv) reviewed and recommended 2018 interim results, audit findings, draft management discussion and analysis section of the interim report for the Board's approval;

(v) reviewed and recommended 2018 final results, audit findings and draft final results announcements for the Board's approval;

(vi) reviewed the effectiveness of the Group's risk management and internal control systems and recommended the Report on the Risk Management and Internal Control for the Board's approval; and

(vii) reviewed the adequacy of resources, qualifications and experience of the Company's accounting staff and financial reporting function, and the training programmes and budget.

Nomination Committee

The Nomination Committee has been established since 1 April 2012. During the year of 2018, this Committee consisted of three members, including Mr. SUNG Yat Chun (Chairman of the Committee), Ms. SO Wai Lam and Ms. CHAN Hoi Ling, all being the INEDs.

The Nomination Committee would make recommendations to the Board for consideration on nominations, appointment and re-appointment of directors. The consideration of a proposed director candidate involves the assessment of the merits, academic qualification, working experience, skills and knowledge of the candidate from Board succession and Board diversity perspective.

The Company appreciates the importance of a diverse team of board members, which is crucial to maintain a high quality of directors team.

The Nomination Committee shall formulate the nomination policy, review the size, structure and composition of the Board, and assess the independence of its Independent Non-Executive Directors in accordance with the prescribed criteria of Corporate Governance Code.

The terms of reference of the Company's Nomination Committee will be revised and published on both the websites of the Company and the Stock Exchange from time to time subsequent to any changes to the policies, authorities, duties and responsibilities of the Company's Nomination Committee or when there is any new requirements of the Corporate Governance Code of the Listing Rules become effective.

The Nomination Committee shall meet at least once a year in accordance with its terms of reference. One Committee meeting was held in 2018 and the attendance of each member is set out in the section headed "Board Committees" of this report.

In addition to the Committee meeting, the Nomination Committee also dealt with matters by way of written resolutions during 2018. In 2018 and up to the date of this report, the Nomination Committee performed the works as summarized below:

(i) reviewed and recommended for the Board's approval the proposed resolutions for re-election of the retiring directors at 2018 Annual General Meeting;

(ii) reviewed the structure, size, composition and the diversity policy of the Board and assessed the independence of each INED; and

(iii) reviewed and recommended for the Board's approval on the appointment of an executive director and renewal of the terms of appointment of the INEDs for one year commencing from 1 January 2019.

Executive Committee

The Executive Committee has been established since February 2013. During the year of 2018, this Committee consisted of two members, including Mr. YANG Lijun (Chairman of the Committee) and Mr. YU Kam Hung, both being Executive Directors.

The Executive Committee is vested with all the general powers of management and control of the activities of the Group as are vested in the Board, save for those matters which are reserved for the Board's decision and approval pursuant to the written terms of reference of the Executive Committee. The Executive Committee will meet as and when necessary to discuss the operating affairs of the Group and may also deal with matters by way of circulation. The Executive Committee plays a complementary role to undertake and supervise the day-to-day management of the Group and is empowered:

(i) to formulate and implement policies for the business activities, internal control and administration of the Group; and

(ii) to plan and decide on strategies to be adopted for the business activities of the Group within the overall strategy of the Group as determined by the Board.

There was no Committee meeting held in the year 2018 as most of the day-to-day operation and management decisions were vested in and approved by the Board.

Corporate Governance Functions

The Board as a whole is responsible for performing the corporate governance duties including:

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

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

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

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

(v) to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

In 2018, there were four Board meetings held to deal with corporate governance functions such as review of periodic management accounts of the Group.

Board Diversity Policy

On 28 August 2013, the Board has adopted a board diversity policy (the "Policy") that sets out the Company's approach to achieve diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. Details of the Policy can be found on the Company's website at www.tfginternationalgroup.com.

For the year ended 31 December 2018, the Board had two female members out of six members. The Board is characterized by diversity whether considered in terms of gender, professional background and skills.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors of the Company. Having made specific enquiry to the Directors, all the Directors confirmed that they had complied with the required standards as set out in the Model Code during the year.

The Company has also adopted the Model Code as the Code for Securities Transactions by Relevant Employees to regulate dealings in securities of the Company by certain employees of the Company, or any of its subsidiaries and the holding companies who are considered to be likely in possession of unpublished price sensitive information in relation to the Company or its securities.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board acknowledge their responsibilities of the preparation of the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Board also ensure the timely publication of the financial statements of the Group.

The statement of external auditor of the Company, CCTH CPA Limited, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report.

The Board confirms that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt about the Company's ability to continue as a going concern.

Risk Management and Internal Control

The Board acknowledges its responsibility to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems to evaluate the risks that the Company is willing to take in achieving the Company's objectives, and safeguard the Group's assets at all times. The review of the risk management and internal control systems of the Group will be conducted annually and cover each of the twelve months of the year.

During the year 2018, the Company did not have its in-house internal audit function. The Board has conducted a review of the effectiveness of the Company's and its subsidiaries' risk management and internal control systems through the engagement of outside internal audit professional pursuant to C.2.1. The review covered each of the twelve months of 2018.

In 2018, the Board, through the Audit Committee, had reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and the training programmes and budget.

Based on the findings of the review, the Board and the Audit Committee are not aware any material weaknesses that would have adverse impact on the effectiveness and adequacy of the risk management and internal control systems of the Group.

External Auditors' Remuneration

The fees in respect of audit and non-audit services provided by the external auditors to the Group for the year ended 31 December 2018 is set out below:

		HK$'000
Types of services		
Audit fees to the auditors of the Group	— for current year	1,008
	— under provision for previous years	–
Taxation services and others		–
Total		1,008

Company Secretary

Mr. WOO Chung Ping ("Mr. WOO") is an employee and the Company Secretary of the Company. He has day-to-day knowledge of the Company's affairs. All Directors have access to the advices and services of the Company Secretary. The Company Secretary reports to the Chairman and the Chief Executive Officer and is responsible for advising the Board on corporate governance matters and is responsible for ensuring that board procedures are followed and for facilitating communications among Directors as well as with the shareholders and management.

Mr. WOO graduated from The Hong Kong Polytechnic University with a Bachelor of Science Degree in Actuarial Science and a Master of Science Degree in Accountancy. Mr. WOO also obtained a Postgraduate Diploma in Finance and Law from The School of Professional and Continuing Education of The University of Hong Kong. Mr. WOO is an associate member of The Hong Kong Institute of Certified Public Accountants, The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. During the year ended 31 December 2018, Mr. WOO attended over 15 hours of relevant professional training to update his skills and knowledge to meet the training requirement set out in Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS

Shareholders' Communication Policy

The Board has adopted a Shareholders' Communication Policy reflecting mostly the current practices of the Company for communication with its Shareholders. Such policy aims at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. However, it will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders including:

(i) corporate communications such as annual reports, interim reports and circulars which are issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at www.tfginternationalgroup.com;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;

(iii) corporate information and the Memorandum and Articles of Association of the Company are made available on the Company's website;

(iv) Annual General Meeting ("AGMs") and extraordinary general meetings ("EGMs") provide a forum for the Shareholders to make comments and exchange views with the Directors and senior management; and

(v) the Company's share registrars' serves the Shareholders in respect of share registration, dividend payment, change of Shareholders' particulars and related matters.

Details of the Last General Meeting

The Company's annual general meeting ("AGM") is a valuable forum for the Board to communicate directly with the Shareholders. Under code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate to attend. These persons should be available to answer questions at the annual general meeting. Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other business engagements, Mr. Yang Lijun, Chairman of the Board ("Mr. Yang") could not attend the AGM of the Company held on 28 May 2018. The Board delegated this Chairman's duty to Ms. Chan Hoi Ling, an Independent Non-executive Director of the Company to take the chair of the AGM. Chairmen of Audit Committee and Remuneration Committee were present thereat to take a balanced understanding of the views of shareholders and be available to answer any question to ensure effective communication with the Shareholders.

The notice to Shareholders is to be sent in the case of AGM at least 20 clear business days before the meeting and to be sent at least 10 clear business days in case of all other general meetings. An explanation of the detailed procedures of conducting a poll is provided to the Shareholders at the commencement of the meeting. The Chairman answers questions from Shareholders regarding voting by way of a poll. The poll results are published in the manner prescribed under the requirements of the Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting (EGM)

Pursuant to the Articles of Association of the Company, the Board shall, on the requisition of the members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene an EGM of the Company.

The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the Company's principal place of business in Hong Kong, and may consist of several documents in like form, each signed by one or more requisitionists.

If the Board do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting for a day not more than 28 days after the date on which the notice convening the meeting is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

A meeting convened under the Articles of Association of the Company by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to convene a meeting shall be repaid to the requisitionists by the Company, and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration in respect of their services to such of the Directors as were in default.

Procedures for Putting forward Proposals at a General Meeting

Pursuant to the Articles of Association of the Company, it shall be the duty of the Company, on the requisition in writing of such number of members as is specified in these Articles and (unless the Company otherwise resolves) at the expense of the requisitionists:

(a) to give to members entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting; and

(b) to circulate to members entitled to have notice of any General Meeting of any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

Notice of any such resolution shall be given, any such statement shall be circulated, to members of the Company entitled to have notice of the meeting sent to them, and notice of any such resolution shall be given to any other member of the Company by giving notice of the general effect of the resolution in accordance with the provisions of the Statutes.

Procedures for Proposing a Person for Election a Director

As regards the procedure for proposing a person for election as a Director, please refer to the procedures made available under the "Corporate Governance" section ("Procedure for election of Directors" sub-section) of the Company's website at www.tfginternationalgroup.com.

Procedures for Directing Shareholders' Enquiries to the Board

Enquiries of shareholders can be sent to the Company either by email at finance@tfginternationalgroup.com (for finance matters) and/or cosec@tfginternationalgroup.com (for company secretarial matters) or by post to the Company's principle place of business at Suite 1101, 11/F., Tower A, Cheung Kei Center, 18 Hung Luen Road, Hung Hom, Kowloon, Hong Kong.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

INVESTOR RELATIONS

The Company considers effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business. The Company endeavors to maintain an on-going dialogue with shareholders and particularly, through annual general meeting and other general meetings. The website of the Company at www.tfginternationalgroup.com has provided an effective communication platform to the public and the shareholders.

During the year ended 31 December 2018, the Company's constitutional documents were amended and updated to reflect the use of new company name after shareholders' approval was obtained in an extraordinary general meeting held on 5 February 2018. An updated version of the Company's constitutional documents is available on the Company's website and the Stock Exchange's website.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code but also about promoting and developing an ethical and healthy corporate culture. We will continue to review and, where appropriate, improve our current practices on the basis of our experience, regulatory changes and developments. Any views and suggestions from our Shareholders to promote and improve our transparency are also welcome.

On behalf of the Board
YANG Lijun
Chairman

Hong Kong, 15 March 2019

Independent Auditor's Report

CCTH CPA LIMITED
中正天恆會計師有限公司

TO THE SHAREHOLDERS OF
TFG International Group Limited
(formerly known as Ceneric (Holdings) Limited)
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of TFG International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 110, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of 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.

Recoverability of trade receivables

Refer to Note 29 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
At 31 December 2018, the Group's gross trade receivables are HK$85,632,000, of which impairment losses amounted to HK$79,666,000 had been recognised up to that date. Assessment of the recoverability of trade receivables involved management judgment of the allowance for doubtful debts for trade receivables. The ability of the debtors to repay the Group depends on customer-specific and market conditions which involve inherent uncertainty. We have identified recoverability of trade receivables as a key audit matter due to the magnitude of the receivables and the estimation and judgments involved in the determination of the recoverable amounts of these receivables.	Our procedures in relation to management's impairment assessment on trade receivables included: — We obtained an understanding of the design, implementation and operating effectiveness of management's internal controls relating to credit control, debt collection and making provisions for doubtful debts. — We assessed the classification and accuracy of individual balances in trade receivables ageing report by testing the underlying invoices on a sample basis. — We assessed subsequent settlement of receivable balances. Where settlement had not been received subsequent to the year end date, we obtained an understanding of the basis of management's judgments about the recoverability of the outstanding receivables and evaluate the allowance for doubtful debts made by management for these individual balances. — We assessed the historical accuracy of the estimates made by the management for the allowance for doubtful debts. — We assessed the appropriateness of the expected credit loss positioning methodology, by examining the key data inputs on a sample bases, to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit loss.

Impairment assessment of property, plant and equipment, prepaid land lease payments and licensing rights

Refer to Note 18, Note 21 and Note 22 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
At 31 December 2018, the carrying amounts of the Group's property, plant and equipment, prepaid land lease payments and licensing rights are approximately HK\$356,564,000, HK\$54,830,000 and HK\$21,628,000 respectively. Substantially all of these assets are attributable to the Group's hotel business in the People's Republic of China. Management conducted impairment assessment of the tangible and intangible assets attributable to the hotel business based on the fair value less costs of disposal of the Group's hotel property, by reference to the valuation carried out by an external valuer. We identified impairment assessment of these tangible and intangible assets as a key audit matter due to the magnitude of these assets and the estimation and judgments involved in the impairment assessment.	Our procedures in relation to the impairment assessment on property, plant and equipment, prepaid land lease payments and licensing rights attributable to the hotel business included: — We obtained an understanding of the management's basis of impairment assessment of the related assets. — We evaluated the external valuer's independence, competence, capabilities and objectivity. — We assessed the methodologies used by the management and external valuer for the estimation of the recoverable amount of the Group's hotel property. — We checked, on a sample basis, the accuracy and relevance of the data and information provided by management to the external valuer.

Impairment assessment of properties under development

Refer to Note 20 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2018, the carrying amount of the Group's properties under development is approximately HK\$592,573,000 which are stated at cost. Management of the Group has performed impairment assessment on the properties under development, which is based on recoverable amount by reference to their estimated sales prices valued by the external property valuer. We identified the impairment assessment of the Group's properties under development as a key audit matter due to the significant judgments involved in the determination of the recoverable amount of the properties and the significance of their carrying amount to the consolidated financial statements.	Our procedures in relation to the impairment assessment of the properties under development included: — We obtained an understanding of the management assessment of impairment of the properties under development. — We evaluated the independence, competence, capabilities and objectivity of the external property valuer. — We obtained an understanding of the valuation process and techniques adopted by the external property valuer to assess if they are consistent with industry norms. — We made enquiry of the external property valuer to assess the reasonableness of the significant unobservable inputs and the accuracy of the source data adopted by the management and the external property valuer by comparing them, on a sample basis, to publicly available information of similar comparable properties and our knowledge of the real estate industry.

Impairment of properties held for sale under development and properties held for sale

Refer to Note 25 and Note 26 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
At 31 December 2018, the carrying amounts of the properties held for sale under development and the properties held for sale are HK$65,612,000 and HK$2,967,000 respectively. Recoverability of the properties held for sale is based on management judgment of net realisable value of the properties. We have identified the impairment of the properties held for sale as a key audit matter due to the magnitude of the properties and the management judgments involved in the estimation of the net realisable value.	Our procedures in relation to the impairment assessment of the properties held for sale included: — We obtained an understanding of the design, implementation and operating effectiveness of key internal controls around the property development cycle with particular focus on controls over cost budgeting and periodic review, sources of impairment assessment data and calculation of impairment provisions. — For construction costs to be incurred for properties under development, we assessed the reasonableness of the latest budgets of total construction costs and checked, on a sample basis, the construction costs to supporting documents. — For the forecast of future sales, we compared the expected sale prices of properties, on a sample basis, to the contracted sales price of the properties with comparable locations and conditions, where applicable. — We checked the reasonableness and calculation of the net realisable value of the properties prepared by the management.

Valuation of investment properties

Refer to Note 19 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2018, the carrying amounts of the Group's investment properties assets is HK$25,000,000. All of the Group's investment properties are stated at fair value. The fair value valuations, which were carried out by an external property valuer, are based on income capitalisation method that involve management's significant judgment of unobservable inputs. Details of the valuation techniques and significant unobservable inputs used in the valuations are disclosed in Note 19 to the consolidated financial statements. We focused on the valuation of investment properties as a key audit matter due to the significance of the carrying amounts to the consolidated financial statements as a whole, combined with the significant judgments associated in the determination of the fair value.	Our procedures in relation to the valuation of the investment properties included: — We evaluated the independence, competence, capabilities and objectivity of the external property valuer; — We obtained an understanding of the valuation process and techniques adopted by the external property valuer to assess if they are consistent with industry norms; and — We made enquiry of the external property valuer to assess the reasonableness of the significant unobservable inputs and the accuracy of the source data adopted by the management and the external property valuer by comparing them, on a sample basis, to where relevant, existing tenancy profiles, publicly available information of similar comparable properties and our knowledge of the real estate industry.

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.

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

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

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

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

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

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

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

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

We communicate with 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.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 15 March 2019

Lee Chi Hang
Practising certificate number: PO1957

Unit 5–6, 7/F., Greenfield Tower, Concordia Plaza,
1 Science Museum Road, Tsim Sha Tsui,
Kowloon, Hong Kong

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
CONTINUING OPERATIONS			
REVENUE	*8*	**18,086**	30,785
Cost of sales		**(5,056)**	(5,488)
Gross profit		**13,030**	25,297
Other income and gains	*9*	**11,827**	9,038
Selling expenses		**(84)**	(200)
Administrative expenses		**(95,483)**	(47,261)
Impairment of property, plant and equipment	*18(b)*	**(28,407)**	–
Impairment of licensing rights	*22*	**(1,742)**	–
Impairment of trade receivables reversed/(recognised)		**7,099**	(11,772)
Finance costs	*10*	**(44,539)**	(15,340)
Share of profit of a joint venture		**4,453**	4,472
LOSS BEFORE TAX	*11*	**(133,846)**	(35,766)
Income tax expense	*12*	**(2,334)**	(331)
Loss for the year from continuing operations		**(136,180)**	(36,097)
DISCONTINUED OPERATIONS			
Gain for the year from discontinued operations	*13*	**–**	16,340
LOSS FOR THE YEAR		**(136,180)**	(19,757)
Loss for the year attributable to:			
Owners of the Company			
Loss for the year from continuing operations		**(122,400)**	(36,110)
Gain from discontinued operations		**–**	16,340
		(122,400)	(19,770)
Non-controlling interests			
(Loss)/profit for the year from continuing operations		**(13,780)**	13
LOSS FOR THE YEAR		**(136,180)**	(19,757)
LOSS PER SHARE	*17*		
From continuing and discontinued operations			
— Basic		**(1.78) HK cents**	(0.33) HK cents
— Diluted		**N/A**	N/A
From continuing operations			
— Basic		**(1.78) HK cents**	(0.60) HK cents
— Diluted		**N/A**	N/A

The Notes on pages 48 to 110 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
LOSS FOR THE YEAR		**(136,180)**	(19,757)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(26,874)**	(3,824)
Items that may not be subsequently reclassified to profit or loss:			
Gain on property revaluation	*18(c)*	**16,000**	–
Income tax effect	*18(c)*	**(4,000)**	–
		12,000	–
Total other comprehensive loss for the year, net of tax		**(14,874)**	(3,824)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(151,054)**	(23,581)
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(142,674)**	(23,594)
Non-controlling interests		**(8,380)**	13
		(151,054)	(23,581)

The Notes on pages 48 to 110 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

As 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**356,564**	418,360
Investment properties	19	**25,000**	–
Properties under development	20	**592,573**	–
Prepaid land lease payments	21	**54,830**	57,405
Licensing rights	22	**21,628**	26,699
Interest in a joint venture	23	**–**	32,862
Pledged bank balances	24	**22,076**	1,064
Deferred tax assets	38	**–**	10,056
TOTAL NON-CURRENT ASSETS		**1,072,671**	546,446
CURRENT ASSETS			
Properties held for sale under development	25	**65,612**	69,046
Properties held for sale	26	**2,967**	6,539
Deposit for acquisition of land for development	27	**299,780**	–
Inventories	28	**26**	41
Trade receivables	29	**5,966**	77
Prepayments, deposits and other receivables	30	**13,137**	11,464
Amount due from a joint venture	31	**–**	160,633
Investment in wealthy management products	32	**6,832**	–
Cash and cash equivalents	33	**54,273**	70,418
TOTAL CURRENT ASSETS		**448,593**	318,218
TOTAL ASSETS		**1,521,264**	864,664
CURRENT LIABILITIES			
Trade payables, other payables and accruals	35	**98,548**	18,125
Amount due to non-controlling interests	36	**164,217**	–
Loans and borrowings — due within one year	37	**13,664**	10,807
TOTAL CURRENT LIABILITIES		**276,429**	28,932
NET CURRENT ASSETS		**172,164**	289,286
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,244,835**	835,732

Consolidated Statement of Financial Position

As 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT LIABILITIES			
Loans and borrowings — due after one year	37	**576,250**	85,257
Deferred tax liabilities	38	**42,871**	33,247
TOTAL NON-CURRENT LIABILITIES		**619,121**	118,504
NET ASSETS		**625,714**	717,228
Share capital	40	**69,464**	67,816
Reserves		**484,259**	586,579
Equity attributable to owners of the Company		**553,723**	654,395
Non-controlling interests		**71,991**	62,833
TOTAL EQUITY		**625,714**	717,228

YANG Lijun
Director

YU Kam Hung
Director

The Notes on pages 48 to 110 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium account HK$'000	Property revaluation reserve HK$'000	Foreign currency translation reserve HK$'000	Capital reduction reserve HK$'000	Other reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017	56,816	551,326	–	2,499	191,925	19,154	(341,852)	479,868	59,297	539,165
(Loss)/profit	–	–	–	–	–	–	(19,770)	(19,770)	13	(19,757)
Other comprehensive loss for the year	–	–	–	(3,824)	–	–	–	(3,824)	–	(3,824)
Total comprehensive (loss)/income for the year	–	–	–	(3,824)	–	–	(19,770)	(23,594)	13	(23,581)
Placing of shares	11,000	187,212	–	–	–	–	–	198,212	–	198,212
Other adjustments	–	–	–	–	–	–	(91)	(91)	3,523	3,432
At 31 December 2017	67,816	738,538	–	(1,325)	191,925	19,154	(361,713)	654,395	62,833	717,228
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(122,400)**	**(122,400)**	**(13,780)**	**(136,180)**
Other comprehensive income/(loss) for the year	**–**	**–**	**6,600**	**(26,874)**	**–**	**–**	**–**	**(20,274)**	**5,400**	**(14,874)**
Total comprehensive income/(loss) for the year	**–**	**–**	**6,600**	**(26,874)**	**–**	**–**	**(122,400)**	**(142,674)**	**(8,380)**	**(151,054)**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**20,443**	**20,443**
Placing of shares	**1,648**	**40,354**	**–**	**–**	**–**	**–**	**–**	**42,002**	**–**	**42,002**
Other adjustments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,905)**	**(2,905)**
At 31 December 2018	**69,464**	**778,892**	**6,600**	**(28,199)**	**191,925**	**19,154**	**(484,113)**	**553,723**	**71,991**	**625,714**

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		**(136,180)**	(19,757)
Income tax expense	*12*	**2,334**	331
Loss before tax		**(133,846)**	(19,426)
Adjustments for:			
Share of profit of a joint venture		**(4,453)**	(4,472)
Finance costs		**44,539**	15,340
Bank and other interest income		**(3,390)**	(2,161)
Depreciation of property, plant and equipment		**31,121**	39,576
Amortisation of prepaid land lease payments		**1,984**	1,976
Amortisation of licensing rights		**3,166**	3,157
Impairment of licensing rights		**1,742**	–
Impairment of property, plant and equipment		**28,407**	–
Impairment of trade receivables (reversed)/recognised		**(7,099)**	11,772
Excess of fair value of investments properties over the carrying amount upon reclassification		**(5,767)**	–
Loss on disposal of property, plant and equipment		**644**	–
Loss on early redemption of notes payable		**1,852**	–
Gain on disposal of available-for-sale investments		**–**	(4,415)
Gain on disposal of subsidiaries	*43*	**–**	(18,531)
Net foreign exchange losses/(gain)		**18,671**	(19,042)
Operating cash flows before working capital changes		**(22,429)**	3,774
Increase in properties held for sale under development		**(135)**	(492)
Decrease in properties held for sale		**–**	1,179
Decrease in inventories		**14**	8
Decrease/(increase) in trade receivables		**1,206**	(3)
(Increase)/decrease in prepayments, deposits and other receivables		**(2,071)**	14,061
Increase/(decrease) in trade payables, other payables and accruals		**4,727**	(25,008)
Net cash used in operating activities		**(18,688)**	(6,481)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Net cash used in operating activities		**(18,688)**	(6,481)
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank and other interest income received		**3,390**	2,161
Investment in a joint venture		**–**	(28,390)
Advances to a joint venture		**(7,000)**	(160,633)
Disposal of subsidiaries	*43*	**–**	4,675
Proceeds from disposal of available-for-sale investment		**–**	3,190
Purchase of property, plant and equipment		**(5,575)**	(866)
Decrease in pledged bank balances		**22,921**	304
Acquisition of subsidiaries	*42*	**(1,809)**	–
Deposit for acquisition of land for development		**(299,780)**	–
Property development expenditure paid		**(44,437)**	–
Increase in investment in wealthy management products		**(6,832)**	–
Net cash used in investing activities		**(339,122)**	(179,559)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of loans and borrowings	*44*	**498,818**	3,602
Finance lease payments	*44*	**–**	(41)
Proceeds on issue of shares		**42,002**	203,500
Share issue expense		**–**	(5,288)
Redemption of notes payable	*44*	**(160,000)**	–
Interest paid	*44*	**(37,025)**	(15,340)
Net cash generated from financing activities		**343,795**	186,433
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(14,015)**	393
Effect of foreign exchange rate changes, net		**(2,130)**	3,989
Cash and cash equivalents at 1 January		**70,418**	66,036
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	*33*	**54,273**	70,418

1. CORPORATE INFORMATION

TFG International Group Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The registered office and principal place of business of the Company are located at Whitehall House, 238 North Church Street, George Town, Grand Cayman KY1-1102, Cayman Islands and Suite 1101, 11/F., Tower A, Cheung Kei Center, 18 Hung Luen Road, Hung Hom, Kowloon, Hong Kong respectively. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to the special resolution passed at the extraordinary general meeting of the Company held on 5 February 2018, the shareholders of the Company have approved the change of the Company's name from Ceneric (Holdings) Limited 新嶺域(集團)有限公司 to TFG International Group Limited 富元國際集團有限公司 and the new name was registered in Register of Companies in Cayman Islands on 12 February 2018.

During the year, the Group, comprising the Company and its subsidiaries, are principally engaged in properties development and hotel business in Mainland China ("the People's Republic of China" or the "PRC").

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange. They have been prepared under the historical cost convention except for investment properties and certain financial assets which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

In prior years, the Company's functional currency was Hong Kong dollar ("HK$"). Due to the continuing expansion of the Group's business operations in the PRC, the directors have determined that the functional currency of the Company be changed from HK$ to Renminbi ("RMB") during the year. The directors have made an assessment of the impact of the change of the functional currency of the Company and concluded that there was no material effect on the results and financial position of the Group. The consolidated financial statements are presented in Hong Kong dollar as the directors consider that Hong Kong dollar is the appropriate presentation currency for the users of the Group's financial statements given that the shares of the Company are listed on the Stock Exchange.

3. 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 Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS9	Financial Instruments
HKFRS15	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

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies.

Impact on the financial statements

HKFRS 9 was generally adopted without restating comparative information. The Group used modified retrospective approach while adopting HKFRS 9. The reclassification and adjustments arising from the new impairment rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position on 1 January 2018.

The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in retained earnings as at 1 January 2018 and these comparatives will not be restated.

There is no material impact on the consolidated income statement and the consolidated statement of comprehensive income by adopting HKFRS 9 and HKFRS 15.

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

There is no significant impact on the classification and measurement of its financial assets as the Group does not have:

- Debt instruments that are classified as available-for-sale financial assets;
- Debt instruments classified as held-to-maturity and measured at amortised cost; or
- Equity investment measured at fair value through profit or loss.

There is no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities which are subject to HKFRS 9.

The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The Group does not have any hedge instrument, therefore, the Group does not expect any impact arising from the new hedge accounting rules as a result of the application of HKFRS 9.

The Group has trade receivables from sales of products that are subject to HKFRS 9's new expected credit loss model, and the Group revised its impairment methodology under HKFRS 9 for these receivables.

4. ISSUED BUT NOT YET EFFECTIVE HKFRS

Up to the date of approval of these consolidated financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been early adopted in these financial statements.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 3	Definition of a Business [4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 & HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to: HKFRS 3 Business Combinations[1] HKFRS 11 Joint Arrangements[1] HKAS 12 Income Taxes[1] HKAS 23 Borrowing Costs[1]
Amendments to HKAS 1 & HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Employee Benefits[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[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 annual periods beginning on or after 1 January 2021*
4 *Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020*
5 *The amendments were originally intended to be effective for periods*

Except as described below, the directors of the Company consider that the application of the new and amendments to HKFRS in issue and not yet effective is unlikely to have a material impact on the Group's financial position and financial performance as well as the consolidated financial statements disclosures in the 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 the current lease guidance including HKAS 17 Leases and the related interpretations when it becomes effective.

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

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date.

Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas under HKFRS 16, lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

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

Furthermore, extensive disclosures are required by HKFRS 16.

HKFRS 16 will primarily affect the Group's accounting as lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of HKFRS 16 is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease.

As disclosed in Note 47(b), at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to HK$5,337,000 for properties, the majority of which is payable between 1 year and 2 years after the reporting date. A portion of this amount may therefore need to be recognized as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted.

The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Company has power over the investee; the Group is exposed, or has rights, to variable returns from its involvement with the investee; and the Group has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(1) the contractual arrangement with the other vote holders of the investee;

(2) rights arising from other contractual arrangements; and

(3) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

(b) Joint ventures

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 joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. 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. 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.

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.

When a group entity transacts with a joint venture of the Group, profits or 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.

(c) Business combination and goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKFRS 9/HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKFRS 9/HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

After initial recognition, goodwill is measured at cost less any identified impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Acquisition of a subsidiary not constituting a business

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

(d) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. 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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(e) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises.

(f) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2% to 5%
Furniture, fixtures and equipment	20% to 50%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(g) Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortisation method for an intangible asset with a finite useful life are reviewed at least once each financial year.

The Group's intangible asset mainly consists of licensing rights.

(h) Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as movements in the property revaluation reserve.

If a property held for sale becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Properties held for sale and properties held for sale under development" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is included in the profit or loss.

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

(i) Properties under development

Properties under development is stated at cost less impairment losses, if any. Cost of the properties includes purchase consideration, acquisition costs, development expenditure, interest and other direct costs attributable to such properties.

(j) Properties held for sale and properties held for sale under development

Properties held for sale and properties held for sale under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to sale proceeds received after the year end date less selling expenses, or by management estimates based on prevailing market condition.

Costs of properties include acquisition costs, development expenditure, interest and other direct costs attributable to such properties. The carrying values of properties held by subsidiaries are adjusted in the consolidated financial statements to reflect the Group's actual acquisition costs where appropriate.

(k) Inventories

Inventories comprising foodstuffs, beverages and other consumables are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprises costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(l) Financial instruments

Financial assets

(i) Classification (upon application of HKFRS 9 in accordance with transition in note 3)

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

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

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

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

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

(ii) *Recognition and derecognition (upon application of HKFRS 9 in accordance with transition in note 3)*
Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) *Measurement (upon application of HKFRS 9 in accordance with transition in note 3)*
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recorded in profit or loss.

Debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income and are included in "other losses, net". Interest income from these financial assets is included in finance income or other income using the effective interest method.

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

Where the Group elected to present equity investments at fair value through profit or loss, changes in the fair value of financial assets are recognised in the consolidated statement of profit or loss and other comprehensive income and are included in other gains/(losses) — net.

(iv) *Impairment (upon application of HKFRS 9 in accordance with transition in note 3)*

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

(v) *Initial recognition and measurement (prior to application of HKFRS 9 on 1 January 2018)*

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement (prior to application of HKFRS 9 on 1 January 2018)

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables (prior to application of HKFRS 9 on 1 January 2018)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial assets (prior to application of HKFRS 9 on 1 January 2018)

Available-for-sale financial assets are non-derivative that are designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

After initial recognition, available-for-sale financial assets that are traded in an active market are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial assets valuation reserve until the asset is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the asset is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale financial assets valuation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

(vi) *Derecognition of financial assets (prior to application of HKFRS 9 on 1 January 2018)*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when (i) the rights to receive cash flows from the asset have expired; or (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

(vii) *Impairment of financial assets (prior to application of HKFRS 9 on 1 January 2018)*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred after the initial recognition of the asset has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

For available-for-sale equity investment carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities at initial recognition are classified as financial liabilities at fair value through profit or loss, or financial liabilities at amortised cost, as appropriate.

All financial liabilities are recognised initially at fair value, net of directly attributable transaction costs.

The Group's financial liabilities at amortised cost include trade and other payables, amount due to non-controlling interests and loans and borrowings.

(ii) Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

(iii) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of 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, and only 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.

(m) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

(n) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

(o) Leases

The Group as lessor/lessee

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated statement of profit or loss on the straight-line basis over the lease terms. Where the Group is lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the consolidated statement of profit or loss on the straight-line basis over the lease terms.

Leasehold land and buildings

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) are 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 land lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the 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.

(p) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(q) Employee benefits

Employee leave entitlements

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

Retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentages of its payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

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

(r) Foreign currency translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain subsidiaries in Mainland China are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company (i.e. Hong Kong dollar) at the exchange rates prevailing at the end of the reporting period and their statement of profit or loss are translated into Hong Kong dollars at the average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the average exchange rates for the year.

(s) Revenue recognition

Accounting policies applied from 1 January 2018

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 goods 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 goods or service.

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

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

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

Accounting policies applied until 31 December 2017

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) revenue from the sub-licensing of hotel operating right is recognised when the Group's right to receive licensing and royalty income has been established.

(ii) revenue from sales of properties is recognised when the properties have been delivered to the purchasers and collectibility of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as advance proceeds from sales of properties under current liabilities; When properties under development are sold, income is recognised when the property development is completed with the relevant occupation permit issued by the Authorities and the significant risks and rewards of the properties are passed to the purchasers. Payments received from purchasers prior to this stage are recorded as customers' deposits received.

(iii) rental income, on a time proportion basis over the lease terms.

(iv) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(u) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that parson's family and that person:

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

(ii) has significant influence over the Group; or

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

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

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

6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Amortisation of intangible assets

Intangible assets are amortised on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the intangible assets and if the expectation differs from the original estimate, each a difference may impact the amortisation charges for the future years.

Impairment of trade and other receivables

Upon application of HKFRS 9 with transitions in accordance with note 3

The Group applies the simplified approach to provide for expected credit loss in respect of trade receivables. The provision rates are based on groupings of various debtors that have similar loss patterns and the Group's historical default rates (taking into consideration forward-looking information that is receivable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for expected credit loss individually. The provision for expected credit loss is sensitive to changes in estimates.

The information about the expected credit loss on the Group's trade receivables are disclosed in note 54.

Prior to application of HKFRS 9 on 1 January 2018

The Group performs ongoing credit evaluations of its customers and other debtors and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and other debtors and make allowance for doubtful debts on outstanding receivables by reference to historical experience and debtors' financial position.

Impairment of properties under development

Management of the Group determines on a regular basis whether the properties under development are impaired. Impairment losses on properties under development are recognised when the carrying amount of the asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and value in use. The fair values of the properties are estimated by reference to their expected selling prices which are affected by market conditions. The value in use calculation requires the use of estimates such as the future cash flows and discount rates.

As at 31 December 2018, the carrying amount of properties under development is approximately HK$592,573,000 and no impairment loss of the properties has been recognised in respect of the current year.

Impairment of properties held for sale under development and properties held for sale

Management assessed the recoverability of the properties held for sale under development and properties held for sale based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analysis of current market price of properties of a comparable standard and location. If the actual net realisable value of the underlying properties are less than expected as a result of change in market condition and/or significant variation in the budgeted development costs, material provision for impairment losses may result.

Impairment of other tangible and intangible assets

If circumstances indicate that the carrying amount of other tangible and intangible assets may not be recoverable, the assets may be considered impaired, and an impairment loss may be recognised to reduce the carrying amounts to their recoverable amounts. The recoverable amount is the higher of the fair value less costs of disposal and the value in use. The fair value less costs of disposal is estimated by reference to comparable sales evidence and market conditions. For the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant estimates and judgments relating to level of future income and operating costs. Changes in these estimates could have significant impact on the carrying amounts of these assets and could result in additional impairment charge or reversal of impairment, if any, in future periods.

7. OPERATING SEGMENT INFORMATION

For management purposes, the Group identifies reportable segments, on the basis of the products and services, for internal reports about components of the Group that are regularly reviewed by the chief operation decision makers for the purpose of allocating resources to segments and assessing their performances. There are two reportable operating segments identified as follows:

(a) The property development segment comprises the development and sales of properties and provision of ancillary services including agency and clubhouse operating services; and

(b) The hotel business segment comprises the sub-licensing rights to hotel operators and hotel management activities.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment results represent the profit or loss earned before tax from continuing operations before taking into account interest income from bank deposits, unallocated other income, unallocated corporate expenses (including central administration costs and directors' remuneration) and finance costs. This is the measure reported to the chief operation decision makers and the board of directors for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	For the year ended 31 December							
	Property Development		Hotel Business		Other Business		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Revenue from external customers	**3,656**	5,404	**14,430**	25,381	**–**	–	**18,086**	30,785
Other income	**1,359**	1,226	**1,244**	1,236	**67**	–	**2,670**	2,462
Amortisation of licensing rights	**–**	–	**(3,166)**	(3,157)	**–**	–	**(3,166)**	(3,157)
Depreciation of property, plant and equipment	**(582)**	(437)	**(29,687)**	(39,023)	**(852)**	(116)	**(31,121)**	(39,576)
Amortisation of prepaid land lease payments	**(71)**	(70)	**(1,913)**	(1,906)	**–**	–	**(1,984)**	(1,976)
Impairment of property, plant and equipment	**–**	–	**(28,407)**	–	**–**	–	**(28,407)**	–
Impairment of licensing rights	**–**	–	**(1,742)**	–	**–**	–	**(1,742)**	–
Impairment of trade receivables reversed/(recognised)	**–**	–	**7,099**	(11,772)	**–**	–	**7,099**	(11,772)
Segment (loss)/profit	**(34,246)**	(3,104)	**(43,254)**	(15,903)	**(1,517)**	3,340	**(79,017)**	(15,667)
Bank and other interest income							**3,390**	2,161
Excess of fair value of investments properties over the carrying amount upon reclassification							**5,767**	–
Gain on disposal of available for sale investment							**–**	4,415
Other unallocated expenses							**(22,048)**	(15,807)
Loss on early redemption of notes payable							**(1,852)**	–
Finance costs *(see Note 10)*							**(44,539)**	(15,340)
Share of profit of a joint venture							**4,453**	4,472
Loss before tax							**(133,846)**	(35,766)

	For the year ended 31 December							
	Property Development		Hotel Business		Other Business		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets of continuing operations	**977,699**	90,092	**432,129**	495,325	**26,652**	722	**1,436,480**	586,139
Unallocated assets							**84,784**	278,525
Total assets							**1,521,264**	864,664
Segment liabilities of continuing operations	**72,539**	1,664	**13,898**	13,359	**266**	282	**86,703**	15,305
Unallocated liabilities							**808,847**	132,131
Total liabilities							**895,550**	147,436

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

(a) all assets are allocated to reportable segments other than investment properties, investment in a joint venture, pledged bank balances, deferred tax assets, unallocated prepayment, deposits and other receivables, amount due from a joint venture, investment in wealthy management products and cash and bank balances.

(b) all liabilities are allocated to reportable segments other than unallocated other payables and accruals, amount due to non-controlling interests, loans and borrowings and deferred tax liabilities.

(c) management considered it appropriate to present other business segments (other than reportable segments) under the segment of Other Business. Comparative information in respect of the prior year has been restated to conform with the current year's presentation.

Geographical information

The Group operates in two main geographical areas — Hong Kong and the People's Republic of China (excluding Hong Kong) (the "PRC").

	31 December 2018 HK$'000	31 December 2017 HK$'000
REVENUE		
— Hong Kong	**–**	–
— PRC	**18,086**	30,785
	18,086	30,785
NON-CURRENT ASSETS		
— Hong Kong	**931**	717
— PRC	**1,049,664**	534,609
	1,050,595	535,326

The non-current assets above are based on the locations of the assets and excludes financial and deferred tax assets.

Revenue from customers contributing over 10% of the total revenue of the Group

Revenue amounted to approximately HK$12,365,000 (2017: HK$10,259,000) was derived by the Group's hotel business segment from a single customer.

8. REVENUE

Revenue from continuing operations represents income from sub-licensing of operating rights, proceeds from the sales of properties held for sale and services rendered to external customers and is analysed as follows:

	2018 HK$'000	2017 HK$'000
Licensing income	**14,430**	25,381
Sales of properties held for sale and rendering of services	**–**	3,172
Clubhouse operating services income	**1,879**	2,232
Agency income	**1,777**	–
	18,086	30,785

Revenue from sales of properties held of sale and clubhouse operating services income is recognised at a point of time, when the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Based on the historical pattern, the directors of the Company are of the opinion that the income from licensing, service rendering and agency services are derived from services rendered for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

9. OTHER INCOME AND GAINS

	2018 HK$'000	2017 HK$'000
Bank interest income	**1,041**	451
Interest from investment in wealthy management products	**639**	–
Loan interest income *(Note 34)*	**1,710**	1,710
Excess of fair value of investments properties over their carrying amount upon reclassification *(Note 26)*	**5,767**	–
Gain on disposal of available-for-sale investments	**–**	4,415
Rental income	**1,244**	1,236
Others	**1,426**	1,226
	11,827	9,038

10. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on		
Loans and borrowings	**34,263**	15,340
Imputed interest on notes *(Note 39)*	**10,276**	–
	44,539	15,340

11. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

The Group's loss before tax from continuing operations is arrived at after charging/(crediting):

	2018 HK$'000	2017 HK$'000
Cost of sales		
Cost of inventories sold	**897**	1,151
Cost of properties sold	**–**	1,180
Amortisation of licensing rights	**3,166**	3,157
Property agency service charges	**993**	–
	5,056	5,488
Depreciation of property, plant and equipment	**31,121**	39,576
Amortisation of prepaid land lease payments	**1,984**	1,976
Loss on disposal of property, plant and equipment	**644**	–
Loss on early redemption of notes payable *(Note 39)*	**1,852**	–
Minimum lease payments under operating lease in respect of land and buildings	**5,916**	1,428
Auditors' remuneration		
— Audit services	**1,008**	583
Employee benefit expenses (including directors' remuneration)		
— Wages and salaries	**16,447**	7,010
— Retirement benefits scheme contributions	**555**	377
Exchange losses/(gains)	**21,062**	(14,520)

12. INCOME TAX EXPENSE

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year under review. Subsidiaries in the PRC are subject to PRC Enterprise Income Tax at 25% (2017: 25%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

	2018 **HK$'000**	2017 HK$'000
Current tax:		
Hong Kong	**–**	–
PRC	**–**	–
	–	–
Deferred tax charge *(Note 38)*	**(2,334)**	(331)
Income tax expense	**(2,334)**	(331)

(b) A reconciliation of the income tax expense applicable to loss before tax at the statutory rates for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, is as follows:

	2018 **HK$'000**	2017 HK$'000
Loss before tax from continuing operations	**(133,846)**	(35,766)
Tax at statutory tax rates applicable in the respective countries (or jurisdictions)	**(22,897)**	(7,646)
Income not subject to tax	**(1,615)**	(5,265)
Expenses not deductible for tax	**8,666**	8,003
Utilization of tax losses not recognised in prior years	**(57)**	(136)
Tax losses not recognised for the year	**13,499**	4,043
Tax effect of temporary differences	**4,738**	1,332
Income tax expense	**2,334**	331

13. DISCONTINUED OPERATIONS

	2018 HK$'000	2017 HK$'000
Loss for the year from discontinued operations	–	(2,191)
Gain on disposal of subsidiaries involving in discontinued operations *(Note 43)*	–	18,531
Gain for the year from discontinued operations	–	16,340

On 27 September 2016, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement ("SPA") with an independent third party for the disposal of (i) 90% of the issued share capital of Ceneric Asia Limited ("Ceneric Asia") and its wholly-owned subsidiaries, part of which are companies licensed under the Securities and Futures Ordinance (the "SFO") to carry on certain regulated activities, and (ii) shareholder's loan made by the Group to Ceneric Asia (the "Disposal").

The Disposal was completed on 21 April 2017 and the Group discontinued its business of securities brokerage, asset management and related services accordingly.

The loss from discontinued operations are analysed as follows:

	Period from 1 January 2017 to 21 April 2017 HK$'000
Other income	107
Administrative expenses	(2,298)
Finance costs	–
Loss before tax	(2,191)
Income tax expense	–
Loss for the year from discontinued operations	(2,191)
Attributable to:	
Owners of the Company	(2,191)
Non-controlling interests	–
	(2,191)

The cash flows from discontinued operations period from 1 January 2017 to 21 April 2017 are analysed as follows:

	Period from 1 January 2017 to 21 April 2017 HK$'000
Net cash generated from operating activities	608
Net cash used in investing activities	–
Net cash used in financing activities	–
Net cash inflows	608

14. DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about benefits of Directors) Regulation are as follows:

	2018 HK$'000	2017 HK$'000
Fees:		
Executive directors	**–**	–
Non-executive directors	**–**	–
Independent non-executive directors	**360**	360
	360	360
Other emoluments:		
Executive directors:		
Basic salaries, housing, other allowances and benefits in kind	**3,160**	657
Retirement benefits scheme contributions	**30**	–
Non-executive directors:		
Basic salaries, housing, other allowances and benefits in kind	**600**	–
Retirement benefits scheme contributions	**–**	–
Independent non-executive directors	**–**	–
	3,790	657
	4,150	1,017

The emoluments paid or payable to directors are as follows:

2018

Name of director	Directors' fees HK$'000	Basic salaries, housing, other allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors				
YANG Lijun	–	1,800	30	1,830
WAN Jianjun	–	750	–	750
YU Kam Hung	–	610	–	610
Non-executive director				
WONG Kui Shing, Danny	–	600	–	600
Independent non-executive directors				
SO Wai Lam	120	–	–	120
SUNG Yat Chun	120	–	–	120
CHAN Hoi Ling	120	–	–	120
	360	3,760	30	4,150

2017

Name of director	Directors' fees HK$'000	Basic salaries, housing, other allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors				
YANG Lijun	–	–	–	–
CHI Chi Hung, Kenneth	–	57	–	57
WONG Kui Shing, Danny	–	600	–	600
Independent non-executive directors				
SO Wai Lam	120	–	–	120
SUNG Yat Chun	120	–	–	120
CHAN Hoi Ling	120	–	–	120
	360	657	–	1,017

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2018 and 2017. No bonus was paid to directors for the year ended 31 December 2018 and 2017.

15. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2017: one) directors, details of whose remuneration are set out in Note 14 above. Details of the remuneration of the remaining two (2017: four) highest paid employees for the year are as follows:

	2018 HK$'000	2017 HK$'000
Salaries, allowances and benefits in kind	**1,657**	2,280
Retirement benefits scheme contributions	**27**	60
	1,684	2,340

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2018	2017
HK$Nil to HK$1,000,000	**2**	4

No bonus payment was paid to the five highest paid employees during the year ended 31 December 2018 and 2017.

16. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year amounted to HK$34,494,000 (2017: HK$224,000,000) which has been dealt with in the financial statements of the Company (Note 41).

17. LOSS PER SHARE

(i) From continuing and discontinued operations

The calculation of the basic loss per share is based on the loss for the year from continuing and discontinued operations attributable to owners of the Company amounted to HK$122,400,000 (2017: HK$19,770,000), and the weighted average of 6,868,732,330 (2017: 6,052,322,972) ordinary shares in issue during the year.

No diluted loss per share for both 2018 and 2017 was presented as there were no potential ordinary share in issue for both of these years.

(ii) From continuing operations

The calculation of the basic loss per share is based on the loss for the year from continuing operations attributable to owners of the company amounted to HK$122,400,000 (2017: HK$36,110,000), and the weighted average of 6,868,732,330 (2017: 6,052,322,972) ordinary shares in issue during the year.

No diluted loss per share for both 2018 and 2017 was presented as there were no potential ordinary share in issue for both of these years.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At 1 January 2017	800,634	93,106	1,713	895,453
Additions	–	66	800	866
Disposals	–	(65)	–	(65)
Exchange realignment	15,199	2,931	82	18,212
At 31 December 2017	815,833	96,038	2,595	914,466
Additions	–	5,264	311	5,575
Disposals	–	–	(888)	(888)
Exchange realignment	(11,183)	(2,187)	(70)	(13,440)
At 31 December 2018	**804,650**	**99,115**	**1,948**	**905,713**
Accumulated depreciation and impairment:				
At 1 January 2017	367,064	80,604	1,463	449,131
Depreciation provided for the year	28,447	10,891	238	39,576
Eliminated on disposals	–	(26)	–	(26)
Exchange realignment	4,643	2,710	72	7,425
At 31 December 2017	**400,154**	**94,179**	**1,773**	**496,106**
Depreciation provided for the year	28,700	2,244	177	31,121
Impairment loss recognized	28,389	–	18	28,407
Eliminated on disposals	–	–	(244)	(244)
Exchange realignment	(4,082)	(2,105)	(54)	(6,241)
At 31 December 2018	**453,161**	**94,318**	**1,670**	**549,149**
Net carrying amount:				
At 31 December 2018	**351,489**	**4,797**	**278**	**356,564**
At 31 December 2017	415,679	1,859	822	418,360

Notes:

(a) The Group's buildings with the carrying amount of HK$340,803,000 (2017: HK$404,560,000) had been pledged to a financial institution to secure the loans granted to the Group (Notes 24 and 37).

(b) *During the year, the Group carried out a review of the recoverable amount of the hotel buildings together with the related prepaid land lease payments (Note 21) and licencing rights (Note 22) (together the "Hotel Operation Cash-generating Unit"). The recoverable amount of the Hotel Operation Cash-generating Unit as at 31 December 2018 was determined based on the fair value of the related hotel property less costs of disposal, by reference to the valuation carried out by Messrs. B.I. Appraisals Limited, an independent qualified professional valuer not connected with the Group, who are the members of The Hong Kong Institute of Surveyors.*

Valuation of the hotel property was determined using direct comparison method by reference to comparable sales evidence as available in the relevant market and, where appropriate, on the basis of capitalization of the net rental (licensing) income with due allowance for the reversionary income potential of the hotel building, with yields from 6% to 6.25% over the terms approximately 8 years and the management's best estimates achievable assuming that the hotel is operated by market participants.

The significant inputs used in the valuation of the Group's hotel property are yield, rental/licensing income and average market unit price per square meter. In general, any significant changes in any of those inputs in isolation would result in a significantly change in the valuation amount. Specifically, an increase in the assumption used for rental/licensing income or average market unit price per square meter is accompanied by an increase in the valuation amount of the Group's hotel property. However, an increase in the assumption used for yield is accompanied by a decrease in the valuation amount of the hotel property.

Having performed a review of the recoverable amount of the Hotel Operation Cash-generating Unit on the basis of fair value less costs of disposal of the hotel property, the directors are of the view that the recoverable amount of the Cash-generating Unit is less than its carrying amount, accordingly impairment losses of HK$28,407,000 (2017: Nil) and HK$1,742,000 (2017: Nil) (Note 22) were recognised on property, plant and equipment and licensing rights respectively in profit or loss in respect of the year.

(c) *During the year ended 31 December 2018, certain of the Group's properties with minimal carrying amount, which were leased out to a third party, were reclassified from property, plant and equipment to investment property. The gain on the reclassification, which represents the excess of the fair value of the properties of HK$16,000,000 over their minimal carrying amount at time of reclassification, amounted to HK$16,000,000. This gain, less the related tax effect of HK$4,000,000, was credited to property revaluation reserve.*

19. INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
Investment properties on land in the PRC on medium-term lease	**25,000**	–

Movements during the year are as follows:

	2018 HK$'000	2017 HK$'000
Fair value, at 1 January	**–**	–
Reclassified from property, plant and equipment *(Note 18(c))*	**16,000**	–
Reclassified from properties held for sale *(Note 26)*	**9,000**	–
Fair value, at 31 December	**25,000**	–

The Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The Group's investment properties at 31 December 2018 represents commercial properties on land under medium-term leases in the PRC. The investment properties are leased to third parties under operating leases, details of which are included in Note 47(a) to the financial statements.

The Group's investment properties are carried at fair value at 31 December 2018 as valued by B.I. Appraisal Limited respectively, being independent qualified professional valuers not connected with the Group.

Details of the Group's investment properties and information about the fair value hierarchy are as follows:

	Fair value measurement using			
	Quoted prices in active market (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for investment properties:				
31 December 2018	–	–	25,000	25,000
31 December 2017	–	–	–	–

Reconciliation for fair value measurements categorized within Level 3 of the fair value hierarchy:

	Investment properties	
	2018 HK$'000	2017 HK$'000
Carrying amount at 1 January	**–**	–
Reclassification from:		
— properties held for sale	**9,000**	–
— property, plant and equipment	**16,000**	–
Carrying amount at 31 December	**25,000**	–

Below is a summary of the valuation techniques used and key inputs to the valuation of investment properties as at 31 December 2018.

Description	Fair value at 31 December 2018	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relation of unobservable inputs to fair value
Commercial property	HK$16,000,000	Income capitalisation method	(i) Average monthly market rent	RMB45,214 per month to RMB71,777 per month	The higher the monthly rental, the higher the fair value
			(ii) Reversionary yield per annum	4.0%	The higher the reversionary yield, the lower the fair value
			(iii) Market unit sale rate	RMB12,330 per square meter	The higher the market rate, the higher the fair value
Commercial property	HK$9,000,000	Income capitalisation method	(i) Average monthly market rent	RMB26,680 per month to RMB29,415 per month	The higher the monthly rental, the higher the fair value
			(ii) Reversionary yield per annum	4.0%	The higher the reversionary yield, the lower the fair value
			(iii) Market unit sale rate	RMB12,330 per square meter	The higher the market rate, the higher the fair value

20. PROPERTIES UNDER DEVELOPMENT

	2018 HK$'000	2017 HK$'000
Cost		
At 1 January	**–**	–
Acquired on acquisition of subsidiaries *(Note 42)*	**518,551**	–
Additions	**112,442**	–
Exchange re-alignment	**(38,420)**	–
At 31 December	**592,573**	–

The development properties are located at Hengqin, Zhuhai City, the PRC.

21. PREPAID LAND LEASE PAYMENTS

	2018 HK$'000	2017 HK$'000
Cost		
At 1 January	**66,719**	65,642
Exchange realignment	**(792)**	1,077
At 31 December	**65,927**	66,719
Accumulated amortisation:		
At 1 January	**9,314**	7,097
Charge for the year	**1,984**	1,976
Exchange realignment	**(201)**	241
At 31 December	**11,097**	9,314
Net carrying amount		
At 31 December	**54,830**	57,405

The Group's prepaid land lease payments represent the payments for land use rights in the PRC under medium term leases. These prepaid land leases payments with the carrying amount of HK$52,510,000 as at 31 December 2018 (2017: HK$54,886,000) had been pledged to a financial institution to secure loans (Notes 24 and 37).

As at 31 December 2018, the remaining lease terms over which amortisation to be taken up are approximately 28 years (2017: 29 years).

During the year, management of the Group conducted an impairment assessment of substantially all of the prepaid land lease payments as detailed in Note 18(b) and is of the view that no impairment loss is required to be made in respect of the prepaid land lease payments.

22. LICENSING RIGHTS

	2018 HK$'000	2017 HK$'000
Cost		
At 1 January	**92,629**	91,735
Exchange realignment	**(658)**	894
At 31 December	**91,971**	92,629
Accumulated amortisation		
At 1 January	**65,930**	62,134
Charge for the year	**3,166**	3,157
Impairment losses recognised	**1,742**	–
Exchange realignment	**(495)**	639
At 31 December	**70,343**	65,930
Net carrying amount		
At 31 December	**21,628**	26,699

The licensing rights represent the rights granted to hotel operating rights holders to operate and manage the Group's hotel located in Maoming City, the PRC under hotel operating rights agreements.

As at 31 December 2018, the remaining useful lives of the licensing rights over which amortization to be taken up are approximately 89 months (2017: 101 months). The useful lives of licensing rights are determined by reference to the tenure of the aforesaid hotel operating rights agreements.

During the year, management of the Group conducted an impairment assessment of the licencing rights as detailed in Note 18(b) and is of the view that an impairment of HK$1,742,000 (2017: Nil) is required to be made in respect of the licencing rights for the current year.

23. INTEREST IN A JOINT VENTURE

	2018 HK$'000	2017 HK$'000
Unlisted investment, at cost	**–**	28,390
Share of post acquisition profits and other comprehensive income	**–**	4,472
	–	32,862

Movements during the year are as follows:

	2018 HK$'000	2017 HK$'000
At 1 January	**32,862**	–
Acquisition of joint ventures	**–**	28,390
Share of post-acquisition profits	**4,453**	4,472
Other movement	**574**	–
Transferred out on acquisition of remaining equity interest not owned by the Group	**(37,889)**	–
At 31 December	**–**	32,862

Details of the Group's joint ventures at the end of the reporting period are as follows:

Name of entity	Country/place of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group 2018	Proportion of ownership interest held by the Group 2017	Proportion of voting rights held by the Group 2018	Proportion of voting rights held by the Group 2017	Principal activities
Rich Source	British Virgin Islands	PRC	**–**	50%	**–**	50%	Investment holding
Hengqin Germany	Macau	PRC	**–**	35%	**–**	35%	Investment holding
Zhuhai Hengqin Fuchangsheng	PRC	PRC	**–**	35%	**–**	35%	Property development

On 30 October 2017, a wholly-owned subsidiary of the Company entered into a subscription agreement with Mr. Liu Shiyuan ("Mr. Liu"), a third party, pursuant to which the Group subscribed 50% equity interest in and made advances to Rich Source Property Holdings Limited ("Rich Source") for a consideration of HK$28.39 million and HK$146.61 million respectively. The principal asset of Rich Source is 70% equity interest in Hengqin Germany City Investment (Macau) Limited ("Hengqin Germany"), an entity incorporated in Macau, which, through its wholly-owned subsidiary, Zhuhai Hengqin Fuchangsheng Real Estate Development Limited ("Zhuhai Hengqin Fuchangsheng", an entity established in the PRC), is principally engaged in property development in the PRC.

During the year, the Group acquired the remaining 50% equity interest in Rich Source not owned by the Group on 31 January 2018, accordingly Rich Source is regarded a subsidiary of the Company upon the acquisition. The carrying amount of the interest in Rich Source amounted to HK$37,889,000 was transferred out and formed part of the cost of the Group's investment in Rich Source. Details of the acquisition are set out in Note 42.

The summarised consolidated financial information in respect of Rich Source and its subsidiaries ("Rich Source Group") is as follows:

	At 31 December 2017 HK$'000
Current assets	49,489
Non-current assets	486,024
Current liabilities	(469,789)
Non-controlling interest	(4,238)
The above amounts of assets and liabilities including the following:	
Cash and cash equivalents	49,471
Current financial liabilities (excluding trade and other payables)	(468,460)

	Period from 1 January 2018 to 31 January 2018 HK$'000	Year ended 31 December 2017 HK$'000
Revenue	**–**	–
Profit before tax	**13,087**	12,884
Income tax expense	**–**	–
Profit and total comprehensive income for the year	**13,087**	12,884
Profit and the total comprehensive income for the year attributable to:		
— Owners of Rich Source	**8,906**	8,944
— Non-controlling interests	**4,181**	3,940
	13,087	12,884

Reconciliation of the above summarised financial information to the carrying amount recognised in the consolidated financial statements.

	At 31 December 2017 HK$'000
Consolidated net assets attributable to owners of Rich Source	65,724
Proportion of the Group's ownership interest in Rich Source	50%
Carrying amount of the Group's interest in Rich Source Group	32,862

24. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to certain banks and a financial institution to secure general banking facilities or loan and borrowings granted to subsidiaries of the Group:

	2018 HK$'000	2017 HK$'000
Buildings *(Notes 18(a) and 37)*	**340,803**	404,560
Leasehold land *(Notes 21 and 37)*	**52,510**	54,886
	393,313	459,446
Pledged bank balances including:		
Amount pledged to banks to secure mortgage facilities granted to purchasers of the Group's properties held for sale	**1,010**	1,064
Amount pledged to a bank for the issue of performance guarantee in favour of PRC local authority relating to the properties under development *(Note 20)*	**21,066**	–
	22,076	1,064
	415,389	460,510

25. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT

	2018 HK$'000	2017 HK$'000
Properties in the PRC held for sale under development, at cost	**65,612**	69,046

At the end of the reporting period, properties in the PRC held for sale under development were not scheduled for completion within twelve months.

26. PROPERTIES HELD FOR SALE

	2018 HK$'000	2017 HK$'000
Properties in the PRC held for sale, at cost	**2,967**	6,539

During the year, the Group leased out certain properties to third parties under operating leases ranging from 3 years to 15 years and changed its intention to hold such properties for capital appreciation purpose. Accordingly, management of the Group considered it more appropriate to reclassify the properties to investment properties. The gain on the reclassification, which represents the excess of the fair value of the properties of HK$9,000,000 over their carrying amount at time of reclassification, amounted to HK$5,767,000 (2017: Nil) has been recognised in profit or loss in respect of the year and was included in other income and gains (Note 9).

27. DEPOSIT FOR ACQUISITION OF LAND FOR DEVELOPMENT

	2018 HK$'000	2017 HK$'000
Deposits paid for acquisition of land in the PRC for development	**299,780**	–

Notes:

(a) *During the year, the Group entered into agreements with a PRC local authority for the acquisition of certain lands in the PRC for a total payment of approximately RMB218,629,000 (including upfront payments and other costs of RMB41,810,000), of which deposits totalled RMB183,265,000 (equivalent to HK$208,684,000) was paid by the Group as at 31 December 2018. Completion of the acquisition of the land has taken place subsequent to the date of reporting date in January 2019. The outstanding balance of the purchase consideration of the land amounted to RMB35,364,000 (equivalent to HK$40,269,000) is included in project commitments of the Group (Note 49).*

(b) *During the year, the Group also made payment amounted to RMB80,000,000 (equivalent to HK$91,096,000) to a PRC local authority for the proposed acquisition of certain land in the PRC. Under the relevant arrangements, the PRC local authority will launch land tenders where the land will be acquired by one of the tender participants at the discretion of the PRC local authority. The deposit will be refunded to the Group in the event that the land is not acquired by the Group.*

28. INVENTORIES

	2018 HK$'000	2017 HK$'000
Goods held for sale, at cost	**26**	41

29. TRADE RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables, gross	**85,632**	91,293
Impairment loss recognised	**(79,666)**	(91,216)
	5,966	77

An ageing analysis of the trade receivables as at the end of the reporting period, based on invoice date and net of provisions, is as follows:

	2018 HK$'000	2017 HK$'000
Within 1 month	**1,258**	77
1–3 months	**2,279**	–
4–12 months	**2,429**	–
	5,966	77

Credit period normally granted to customers of the Group is 30 days.

Movements in impairment loss recognised on trade receivables are as follows:

	2018 HK$'000	2017 HK$'000
At 1 January	**91,216**	73,135
Impairment loss (reversed)/recognised for the year	**(7,099)**	11,772
Exchange realignment	**(4,451)**	6,309
At 31 December	**79,666**	91,216

Note: During 2017, the hotel operating rights holders defaulted in their payment of fixed monthly fee and royalty fee. The Group repeatedly made requests and demand to the hotel operating rights holders to settle all monies outstanding. On 14 March 2017, the Group instituted legal actions against the hotel operating rights holders to claim damages and other costs suffered by the Group. Accordingly, accumulated impairment losses on such receivables totalled HK$91,216,000 were made in prior years due to uncertainties about recoverability underlying the claims.

On 24 January 2018, the Group entered into a settlement agreement with one of the default hotel operating rights holders whereby the Group will receive the repayment of trade receivables amounting to RMB14.6 million by thirty (30) monthly instalments under an agreed repayment schedule. Write back of the impairment loss made has not been recognised until receipt of the trade receivable can be ascertained with reasonable certainty. During the year, the receivables from the hotel operating holders to the extent of HK$7,099,000 was received by the Group, the impairment loss previously made of HK$7,099,000 was reversed in the current year.

30. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Prepayments	**301**	1,647
Deposits	**1,430**	1,721
Other receivables	**11,406**	8,096
	13,137	11,464

31. AMOUNT DUE FROM A JOINT VENTURE

The amount due from the joint venture (Note 23) was unsecured, interest free and repayable on demand. The amount was eliminated during the year when the joint venture became a subsidiary of the Group (Note 42).

32. INVESTMENT IN WEALTHY MANAGEMENT PRODUCTS

The wealth management products represent short-term investment fund offered by bank for potential interest return.

33. CASH AND CASH EQUIVALENTS

	2018 HK$'000	2017 HK$'000
Short-term bank deposits	**29,233**	33,514
Cash and bank balances	**25,040**	36,904
	54,273	70,418

As at 31 December 2018, the cash and bank balances of the Group to the extent of HK$46,620,000 (2017: HK$39,595,000) were denominated in Renminbi ("RMB"). The RMB is not freely convertible into other currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective deposit rates. The bank balances and pledged bank balances (Note 24) are deposited with creditworthy banks with no recent history of default.

34. LOAN RECEIVABLES

	2018 HK$'000	2017 HK$'000
Loan receivables	**19,000**	19,000
Less: impairment loss recognised	**(19,000)**	(19,000)
	–	–

The loan receivables are unsecured, carry interest at 9% per annum and is long overdue for repayment. Impairment loss was fully recognised on the loan in prior years as the loan settlement cannot be ascertained with reasonable certainty. During the year, interest on the loan receivable amounted to HK$1,710,000 (2017: HK$1,710,000) was substantially received by the Group, accordingly such interest was recognised as income of the Group and included in other income and gains (Note 9).

35. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2018 HK$'000	2017 HK$'000
Other payables and accruals	**98,548**	18,125

The other payables and accruals include payables for property development expenditure amounted to approximately HK$68,005,000 (2017: Nil).

36. AMOUNT DUE TO NON-CONTROLLING INTERESTS

The amount due to non-controlling interests is unsecured, interest free and has no fixed repayment terms.

37. LOANS AND BORROWINGS

	2018 HK$'000	2017 HK$'000
Bank loans		
— secured	**80,847**	96,064
Other loans and borrowings		
— secured	**377,740**	–
— unsecured	**131,327**	–
	509,067	–
	589,914	96,064

	2018 HK$'000	2017 HK$'000
Loans and borrowings repayable:		
Within 1 year	**13,664**	10,807
After 1 year but within 2 years	**522,731**	14,410
After 2 years but within 5 years	**53,519**	70,847
	589,914	96,064
Less: Portion repayable within one year included in current liabilities	**(13,664)**	(10,807)
Portion not repayable within one year included in non-current liabilities	**576,250**	85,257

At 31 December 2018, secured loans and borrowings to the extent of HK$377,740,000 (2017: Nil) was secured by guarantees given by a director of the Company, Mr. Yang Lijun with the remaining balance of HK$80,847,000 (2017: HK$96,064,000) secured by the Group's leasehold land and buildings located in Maoming City, the PRC with the aggregate carrying amount of HK$393,313,000 (2017: HK$459,446,000).

38. DEFERRED TAX LIABILITIES AND DEFERRED TAX ASSETS

As at 31 December 2018 and 2017, the Group's deferred tax liabilities and deferred tax assets shown in the consolidated statement of financial position are as follows:

	2018 HK$'000	2017 HK$'000
Deferred tax liabilities	**(42,871)**	(33,247)
Deferred tax assets	**–**	10,056

Movements in deferred tax (liabilities)/assets were as follows:

	Deferred tax (liabilities)/assets attributables to				
	Accelerated tax depreciation HK$'000	Acquisition of subsidiaries HK$'000	Reclassification of properties to investment properties HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2017	(35,253)	–	–	11,533	(23,720)
Credited/(charged) to profit or loss *(Note 12(a))*	2,006	–	–	(2,337)	(331)
Exchange realignment	–	–	–	860	860
At 31 December 2017 and 1 January 2018	(33,247)	–	–	10,056	(23,191)
Excess of fair value of properties under development over carrying amount arising from acquisition of subsidiaries *(Note 42)*	–	(13,218)	–	–	(13,218)
Charged to other comprehensive income	–	–	(4,000)	–	(4,000)
Credited/(charged) to profit or loss *(Note 12(a))*	9,036	–	(1,442)	(9,928)	(2,334)
Exchange realignment	–	–	–	(128)	(128)
At 31 December 2018	(24,211)	(13,218)	(5,442)	–	(42,871)

As at 31 December 2018, the Group has tax losses arising in Hong Kong of HK$63,299,000 (2017: HK$334,129,000) that are available indefinitely for offsetting against future taxable profits of the relevant Group's relevant subsidiaries in which the losses arose. The Group also had tax losses arising in the PRC of HK$30,234,000 at 31 December 2018 (2017: HK$58,763,000) that will expire in one to five years for offsetting against future taxable profits.

No deferred tax asset has been recognised in respect of these tax losses (2017: HK$40,224,000 arising in the PRC from the hotel business segment), due to the unpredictability of future profit streams.

39. NOTES PAYABLE

During the year, a subsidiary of the Company issued a non-convertible note with the principal amount of HK$160,000,000 on 31 January 2018 as part of the consideration for the acquisition of the remaining 50% equity interests in a joint venture (Note 42). The note was unsecured and carried interest at 12% per annum with a maturity period of three years. In August 2018, the non-convertible note together with any accrued interests were redeemed by the Group for a total consideration of HK$160,000,000, which resulted in the loss on early redemption amounted to HK$1,852,000 (Note 11).

Movements of the Group's notes payable are as follows:

	HK$'000
At 1 January 2017, 31 December 2017 and 1 January 2018	–
Issue of notes for acquisition of subsidiaries *(Note 42)*	157,814
Imputed interest on notes *(Note 10)*	10,276
Interest paid	(9,942)
Cash paid by the Group for redemption	(160,000)
Loss on early redemption *(Note 11)*	1,852
At 31 December 2018	–

40. SHARE CAPITAL

	Number of shares		**Share capital**	
	2018	2017	**2018**	2017
	'000	'000	**HK$'000**	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
At 1 January and 31 December	**100,000,000**	100,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At 1 January	**6,781,638**	5,681,638	**67,816**	56,816
Placing of shares	**164,712**	1,100,000	**1,648**	11,000
At 31 December	**6,946,350**	6,781,638	**69,464**	67,816

On 22 June 2018, the Company issued, through placing, 164,712,000 (2017: 1,100,000,000) ordinary shares at the issue price of HK$0.255 per share (2017: HK$0.185 per share) which gave rise to the gross proceeds of approximately HK$42,002,000 (2017: HK$203,500,000) to increase general working capital of the group and the payment of certain interests and principal of debts of the group.

41. FINANCIAL POSITION OF THE COMPANY

	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**5,630**	5,649
	5,630	5,649
CURRENT ASSETS		
Prepayments, deposits and other receivables	**–**	562
Amounts due from subsidiaries	**846,279**	806,934
Cash and cash equivalents	**4,343**	28,295
	850,622	835,791
CURRENT LIABILITIES		
Other payables and accruals	**3,565**	1,510
Loan payable	**5,500**	–
Amounts due to subsidiaries	**76,412**	76,663
	85,477	78,173
NET CURRENT ASSETS	**765,145**	757,618
TOTAL ASSETS LESS CURRENT LIABILITIES	**770,775**	763,267
Net assets	**770,775**	763,267
EQUITY		
Share capital	**69,464**	67,816
Reserves *(Note)*	**701,311**	695,451
Total equity	**770,775**	763,267

Note: Movements of the reserve of the Company are as follows:

	Share premium account HK$'000	Capital reduction reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2017	551,326	191,925	(11,012)	732,239
Loss and total comprehensive loss for the year	–	–	(224,000)	(224,000)
Placing of shares	187,212	–	–	187,212
At 31 December 2017	738,538	191,925	(235,012)	695,451
Loss and total comprehensive loss for the year	–	–	(34,494)	(34,494)
Placing of shares	40,354	–	–	40,354
At 31 December 2018	**778,892**	**191,925**	**(269,506)**	**701,311**

42. ACQUISITION OF SUBSIDIARIES

On 31 January 2018, the Group completed the acquisition of the remaining 50% equity interests in Rich Source Properties Holdings Limited (the "Rich Source") (Note 23) not owned by the Group and shareholder's loan due by Rich Source to its former shareholders. The purchase consideration for the acquisition amounted to HK$175,000,000 which was satisfied by cash of HK$15,000,000 paid by the Group and issue by a subsidiary of the Company of a non-convertible note with principal amount of HK$160,000,000. The Group incurred costs of acquisition amounted to HK$500,000 which have been expensed and included in administrative expenses for the year.

The acquisition of Rich Source is accounted for as acquisition of asset. The identifiable assets acquired and liabilities assumed are as follows:

	HK$'000
Properties under development *(Note 20)*	518,551
Prepayments, deposits and other receivables	19
Pledged bank balances	45,773
Cash and cash equivalents	13,191
Trade payables, other payables and accruals	(1,320)
Amount due to non-controlling interests	(164,217)
Deferred tax liabilities *(Note 38)*	(13,218)
Total identifiable net assets acquired	398,779
Satisfied by:	
Cash paid	15,000
Non-convertible notes payable *(Note 39)*	157,814
Equity interest previously held by the Group *(Note 23)*	37,889
Amount due by the joint venture to the Group	167,633
Non-controlling interests	20,443
	398,779

An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	HK$'000
Consideration paid in cash	15,000
Cash and cash equivalents acquired	(13,191)
Net outflow of cash and cash equivalents included in cash flows from investing activities	1,809

Since the acquisition, Rich Source and its subsidiaries contributed revenue of HK$Nil and sustained loss of HK$28,203,000 which were included in the Group's revenue and consolidated loss for the year ended 31 December 2018 respectively.

Had the acquisition taken place at 1 January 2018, the revenue of the Group and the consolidated loss of the Group for that year would have been HK$18,086,000 and HK$127,546,000 respectively.

43. DISPOSAL OF SUBSIDIARIES

On 27 September 2016, a subsidiary of the Company entered into the SPA with an independent third party for the disposal of (i) 90% of the issued share capital of Ceneric Asia and its subsidiaries (the "Disposal Group"), and (ii) shareholder's loan made by the Group to Ceneric Asia (collectively, the "Disposal"). According to the SPA, the consideration of the disposal of the 90% equity interests in Ceneric Asia and the Shareholder's loan amounted to HK$26,100,000 and not exceeding HK$20,000,000 respectively. The Disposal was completed on 21 April 2017.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment	100
Trade and other receivables	202
Cash and cash equivalents	6,521
Trade payables, other payables and accruals	(545)
Shareholder's loan	(20,090)
Total identifiable net liabilities disposed of	(13,812)
Satisfied by:	
Cash consideration for disposal	26,100
Investment retained in the Disposal Group	(1,381)
Sale of shareholder's loan	(20,000)
Net liabilities disposed of	13,812
Gain on disposal of subsidiaries	18,531
Net cash inflow arising on disposal:	
Cash consideration	26,100
Payments received in the prior year	(14,904)
Cash consideration received during the year	11,196
Cash and cash equivalents disposed of	(6,521)
Net cash inflow arising on disposal	4,675

Immediately after completion of the Disposal, the Group lost control over the Disposal Group and recognised the remaining 10% interest in the issued share capital of Ceneric Asia as available-for-sale investments.

44. 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.

	Interest payable (included in trade payables, other payables and accruals) HK$'000	Finance lease payable HK$'000	Loans and borrowings HK$'000	Notes payable HK$'000	Total HK$'000
As 1 January 2017	–	38	85,963	–	86,001
Financing cash inflows	–	–	3,602	–	3,602
Financing cash outflows	(15,340)	(41)	–	–	(15,381)
Finance costs	15,340	–	–	–	15,340
Exchanges realignment	–	3	6,499	–	6,502
As 31 December 2017 and 1 January 2018	–	–	96,064	–	96,064
Financing cash inflows	**–**	**–**	**498,818**	**–**	**498,818**
Financing cash outflows	**(27,083)**	**–**	**–**	**(169,942)**	**(197,025)**
Finance costs	**34,263**	**–**	**–**	**10,276**	**44,539**
Acquisition of subsidiaries	**–**	**–**	**–**	**157,814**	**157,814**
Loss on early repayment	**–**	**–**	**–**	**1,852**	**1,852**
Exchange realignment	**–**	**–**	**(4,968)**	**–**	**(4,968)**
As 31 December 2018	**7,180**	**–**	**589,914**	**–**	**597,094**

45. MAJOR NON-CASH TRANSACTIONS

During the year,

(a) the Group acquired certain subsidiaries for a consideration, part of which were settled by the issue of non-convertible notes as detailed in Note 42.

(b) certain properties were reclassified from property, plant and equipment and properties held for sale to investment properties, details of which are set out in Note 18(c) and Note 26.

46. CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2018.

As at 31 December 2017, the Group was committed to pay a sum of HK$175 million for the acquisition of 50% equity interests in an equity. Completion of the acquisition took place during the year, details of which are set out in Note 42.

47. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases out investment properties and part of its property in Maoming City, the PRC under a non-cancellable operating lease agreement, with lease terms from three years to fifteen years. The lease agreement requires the tenant to pay security deposit of the lease.

At 31 December 2018, the Group had total future minimum lease receivables falling due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**1,224**	1,175
In the second to fifth years, inclusive	**4,272**	–
After five years	**8,672**	–
	14,168	1,175

(b) As lessee

The Group leases certain of its office properties under operating lease commitments. Leases for properties are negotiated for terms ranging from one to two years. None of the leases includes contingent rentals.

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

	2018 HK$'000	2017 HK$'000
Within one year	**5,097**	6,059
In the second to fifth years, inclusive	**240**	5,059
	5,337	11,118

48. CONTINGENT LIABILITIES

As at 31 December 2018, the Group had contingent liabilities amounting to HK$94,000 (2017: HK$2,414,000) in respect of the buy-back guarantee in favor of banks to secure mortgage loans facilities granted to the purchasers of the Group's properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision for loss in this respect is required to be made in the consolidated financial statements.

49. PROJECT COMMITMENTS

As at 31 December 2018, the Group had outstanding commitments for property development expenditure and acquisition of land for development contracted but not provided for amounted to approximately HK$667,678,000 (2017: Nil).

50. RELATED PARTY TRANSACTIONS

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

Remuneration to key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly, including directors and supervisors of the Group. The compensation of key management personnel is as follows:

	2018 HK$'000	2017 HK$'000
Short -term employee benefits	**5,424**	1,737
Post-employment benefits	**57**	18
	5,481	1,755

51. ADOPTION OF SHARE OPTION SCHEME

A share option scheme (the "Scheme") was adopted pursuant to an ordinary resolution passed by the shareholders of the Company at a general meeting on 8 June 2011. The purpose of the Scheme is to provide the Company with a flexible and effective means of incentivising, rewarding, remunerating, compensating and/or providing benefits to participant who is any person whom the Board in its sole discretion considers eligible for the Scheme on the basis of his or her contribution to the Group (the "Participant(s)").

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any options to be granted under any other scheme must not in aggregate exceed 10% of the aggregate of the Shares in issue as at 10 June 2011 (the "Adoption Date").

With the approval of the Shareholders in general meeting, the total number of shares available for issue upon the exercise of all options to be granted under the Scheme and any other scheme under the limit as "refreshed" shall not exceed 10% of the shares in issue of the Company as at the date on which the shareholders approve the "refreshed" limit.

The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and all outstanding options granted and yet to be exercised under any other scheme shall not exceed 30% of the shares in issue from time to time. No options may be granted under the Scheme and no options may be granted under any other schemes if this will result in the limit being exceeded.

The Scheme became effective on the Adoption Date, subject to earlier termination at any time decided by the Board of Directors and approved in advance by shareholders of the Company by ordinary resolution in a general meeting. The Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further options under the Scheme will be granted. As of the date of this report, the remaining life of the Scheme is approximately 29 months.

The option price will be determined by the Board at its absolute discretion and notified to an option holder. The minimum option price shall not be less than the highest of: (A) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date; (B) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the offer date; and (C) the nominal value of the Shares. A Participant shall pay the Company HK$1.00 for the grant of an option on acceptance of an option offer within 21 days after the offer date.

During the years ended 31 December 2018 and 31 December 2017 and as of the date of this report, no options were granted, exercised, forfeited, cancelled or lapsed nor were there any option outstanding under the Scheme.

As of the date of this report, the total number of shares available for issue under the Scheme may not exceed 193,164,814 shares, which represents 10% of the shares in issue of the Company at the Adoption Date or 2.78% of the shares in issue of the Company as at 31 December 2018.

52. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2018 and 31 December 2017 are as follows:

Name of company	Place of incorporation/ registration and place of operation	Type of legal entity	Issued and paid-up capital	Percentage of equity attributable to the Company 2018	2017	Class of shares held	Principal activities
Born King Investment Holdings Limited 保皇投資控股有限公司	British Virgin Islands/PRC	Limited liabilities company	US$1	**100**	100	Ordinary	Hotel business
Bright Profit Investments Limited	British Virgin Islands/PRC	Limited liabilities company	US$50,000	**55**	55	Ordinary	Investment holding
Brilliant Wonder Global Limited 卓妙環球有限公司	British Virgin Islands/PRC	Limited liabilities company	US$1	**100**	100	Ordinary	Investment holding
Ceneric Financial Services Limited 新嶺域財務有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK$86,054,000	**100**	100	Ordinary	Investment holding
Ceneric Capital Limited 新嶺域資金有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK$300,000	**100**	100	Ordinary	Money lending
Ceneric Consultant Limited 新嶺域顧問有限公司	British Virgin Islands/PRC	Limited liabilities company	US$1	**100**	100	Ordinary	Financial services
Ceneric Corporate Limited 新嶺域企業有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK$50,000	**100**	100	Ordinary	Investment holding
Ceneric Hotel International Limited	Cayman Islands/Hong Kong	Limited liabilities company	HK$200	**100**	100	Ordinary	Investment holding
Ceneric Hotel Investments Limited	Cayman Islands/Hong Kong	Limited liabilities company	HK$200	**100**	100	Ordinary	Investment holding
Ceneric Properties Limited	British Virgin Islands/PRC	Limited liabilities company	US$2	**100**	100	Ordinary	Investment holding
Eastern Premium Limited 東溢有限公司	British Virgin Islands/ Hong Kong	Limited liabilities company	US$1	**100**	100	Ordinary	Investment holding
Ever Point Enterprises Limited 永邦企業有限公司	British Virgin Islands/PRC	Limited liabilities company	US$1	**100**	100	Ordinary	Investment holding
Fast Progress Corporation Limited 迅達興業有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK$1	**100**	100	Ordinary	Investment holding
First Max International Limited	British Virgin Islands/PRC	Limited liabilities company	US$3	**100**	100	Ordinary	Investment holding
Good Able Investment Limited 佳祥投資有限公司	Hong Kong/PRC	Limited liabilities company	HK$250,099,325	**100**	100	Ordinary	Hotel business
Hengqin Germany City Investment (Macau) Limited 横琴德國城投資(澳門)有限公司	Macau/PRC	Limited liabilities company	MOP1,000,000	**70**	–	Registered capital	Investment holding

Name of company	Place of incorporation/ registration and place of operation	Type of legal entity	Issued and paid-up capital	Percentage of equity attributable to the Company 2018	2017	Class of shares held	Principal activities
Jubilation Properties Limited	British Virgin Islands/PRC	Limited liabilities company	US$50,000	**55**	55	Ordinary	Investment holding
Ling Bong Fu Shun Limited 寧邦富純有限公司	Hong Kong/PRC	Limited liabilities company	HK$10,000	**100**	–	Ordinary	Investment holding
Ling Bong Fu To Limited 寧邦富濤有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK$10,000	**100**	–	Ordinary	Investment holding
Mega Vast Development Limited 萬鵬發展有限公司	Hong Kong/PRC	Limited liabilities company	HK$1	**100**	100	Ordinary	Investment holding
New Stage Holdings Limited	British Virgin Islands/PRC	Limited liabilities company	US$1	**100**	100	Ordinary	Investment holding
Oriental Surge Limited 東濤有限公司	British Virgin Islands/ Hong Kong	Limited liabilities company	US$1	**100**	100	Ordinary	Investment holding
Pure Proficient Limited 純通有限公司	British Virgin Islands/ Hong Kong	Limited liabilities company	US$1	**100**	100	Ordinary	Investment holding
Quick Ridge Limited 迅嶺有限公司	British Virgin Islands/ Hong Kong	Limited liabilities company	US$1	**100**	100	Ordinary	Investment holding
Rich Source Property Holdings Limited 富源地產控股有限公司	British Virgin Islands/PRC	Limited liabilities company	US$100,000	**100**	–	Ordinary	Investment holding
TFG International Hong Kong Limited 富元國際香港有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK$1	**100**	100	Ordinary	Investment holding
Total Nation Investments Limited 國邦投資有限公司	British Virgin Islands/PRC	Limited liabilities company	US$1	**100**	100	Ordinary	Investment holding
Vista International Hotels Limited 景星國際酒店管理有限公司	Hong Kong/Hong Kong	Limited liabilities company	HK$10	**100**	100	Ordinary	Investment holding
			HK$300,000	**100**	100	Non-voting deferred	
World China Investment Limited 漢世投資有限公司	Hong Kong/PRC	Limited liabilities company	HK$1	**100**	100	Ordinary	Investment holding
World Finder Limited	British Virgin Islands/PRC	Limited liabilities company	US$10,001	**100**	100	Ordinary	Investment holding
Worth Fame Limited 貴譽有限公司	British Virgin Islands/ Hong Kong	Limited liabilities company	US$1	**100**	100	Ordinary	Investment holding
中山星晨廣場房地產發展有限公司 (literally translated as "Zhongshan Morning Star Plaza Housing and Real Estate Development Limited")	PRC/PRC	Wholly owned foreign enterprise with limited liabilities	US$2,100,000	**55**	55	Registered capital	Property development

Name of company	Place of incorporation/ registration and place of operation	Type of legal entity	Issued and paid-up capital	Percentage of equity attributable to the Company 2018	2017	Class of shares held	Principal activities
中山市星晨花園會所有限公司 (literally translated as "Zhongshan Morning Star Villa Club Co., Ltd.")	PRC/PRC	Wholly owned foreign enterprise with limited liabilities	US$1,400,000	**55**	55	Registered capital	Operation of clubhouses in Morning Star Villa
中山星晨花園房地產發展有限公司 (literally translated as "Zhongshan Morning Star Villa Housing and Real Estate Development Limited")	PRC/PRC	Wholly owned foreign enterprise with limited liabilities	US$4,600,000	**55**	55	Registered capital	Property development
茂名市華盈酒店物業管理有限公司	PRC/PRC	Wholly owned foreign enterprise with limited liabilities	HK$10,000,000	**100**	100	Registered capital	Hotel business
中山富杰投資有限公司	PRC/PRC	Wholly owned foreign enterprise with limited liabilities	–	**100**	100	Registered capital	Property development
中山富浩投資有限公司	PRC/PRC	Wholly owned foreign enterprise with limited liabilities	–	**100**	100	Registered capital	Investment holding
中山卓妙房地產顧問有限公司	PRC/PRC	Wholly owned foreign enterprise with limited liabilities	–	**100**	–	Registered capital	Agency service
中山市富展房地產顧問有限公司	PRC/PRC	Wholly owned foreign enterprise with limited liabilities	–	**100**	–	Registered capital	Property development
珠海横琴富昌盛實業發展有限公司	PRC/PRC	Wholly owned foreign enterprise with limited liabilities	RMB432,900,000	**70**	–	Registered capital	Property development
成都市富浩房地產開發有限公司	PRC/PRC	Wholly owned foreign enterprise with limited liabilities	–	**100**	–	Registered capital	Property development

The above table lists the subsidiaries of the Company as at 31 December 2018 which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities as at the end of the year.

Non-wholly owned subsidiaries that have material non-controlling interests

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2018	2017
Percentage of equity interest held by non-controlling interests:		
Bright Profit Investments Limited	**45%**	45%
Jubilation Properties Limited	**45%**	45%
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited	**45%**	45%
Zhongshan Morning Star Villa Housing and Real Estate Development Limited	**45%**	45%
Zhongshan Morning Star Villa Club Co., Ltd.	**45%**	45%
Hengqin Germany City Investment (Macau) Limited	**30%**	–
珠海橫琴富昌盛實業發展有限公司*	**30%**	–

* *珠海橫琴富昌盛實業發展有限公司 is a wholly-owned subsidiary of Hengqin Germany City Investment (Macau) Limited.*

	2018 HK$'000	2017 HK$'000
Profit/(loss) for the year allocated to non-controlling interests:		
Bright Profit Investments Limited	**(28)**	(34)
Jubilation Properties Limited	**(33)**	(28)
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited	**1,884**	(311)
Zhongshan Morning Star Villa Housing and Real Estate Development Limited	**(578)**	161
Zhongshan Morning Star Villa Club Co., Ltd.	**(1,007)**	(977)
Hengqin Germany City Investment (Macau) Limited and its subsidiary	**(14,037)**	–
Subsidiaries have immaterial non-controlling interests	**19**	1,202
	(13,780)	13
Accumulated balances of non-controlling interests at the reporting dates:		
Bright Profit Investments Limited	**15,598**	16,485
Jubilation Properties Limited	**26,026**	27,486
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited	**10,667**	9,249
Zhongshan Morning Star Villa Housing and Real Estate Development Limited	**21,263**	17,313
Zhongshan Morning Star Villa Club Co., Ltd.	**(14,545)**	(14,583)
Hengqin Germany City Investment (Macau) Limited and its subsidiary	**6,080**	–
Subsidiaries have immaterial non-controlling interests	**6,902**	6,883
	71,991	62,833

	2018 HK$'000	2017 HK$'000
Bright Profit Investments Limited		
Total revenue	–	–
Total expenses	**(62)**	(75)
Loss for the year	**(62)**	(75)
Total comprehensive loss for the year	**(62)**	(75)
Current assets	**35,008**	36,912
Non-current assets	–	–
Current liabilities	**(345)**	(279)
Non-current liabilities	–	–
Net cash flows generated from/(used in) operating activities	**5**	(35)
Net increase/(decrease) in cash and cash equivalents	**5**	(35)
Jubilation Properties Limited		
Total revenue	–	14
Total expenses	**(73)**	(75)
Loss for the year	**(73)**	(61)
Total comprehensive loss for the year	**(73)**	(61)
Current assets	**58,153**	61,329
Non-current assets	–	–
Current liabilities	**(317)**	(249)
Non-current liabilities	–	–
Net cash flows used in operating activities	**(5)**	(108)
Net decrease in cash and cash equivalents	**(5)**	(108)

	2018 HK$'000	2017 HK$'000
Zhongshan Morning Star Plaza Housing and Real Estate Development Limited		
Total revenue	**6,677**	536
Total expenses	**(2,491)**	(1,227)
Income/(loss) for the year	**4,186**	(691)
Total comprehensive income/(loss) for the year	**4,186**	(691)
Current assets	**51,630**	57,198
Non-current assets	**9,348**	371
Current liabilities	**(35,832)**	(104)
Non-current liabilities	**(1,442)**	(36,912)
Net cash flows (used in)/generated from operating activities	**(3,835)**	1,245
Net cash flow used in investing activities	**–**	(8)
Net (decrease)/increase in cash and cash equivalents	**(3,835)**	1,237
Zhongshan Morning Star Villa Housing and Real Estate Development Limited		
Total revenue	**990**	4,175
Total expenses	**(2,275)**	(3,817)
(Loss)/profit for the year	**(1,285)**	358
Total comprehensive income for the year	**10,715**	358
Current assets	**64,330**	66,620
Non-current assets	**16,681**	729
Current liabilities	**(29,761)**	(4,541)
Non-current liabilities	**(4,000)**	(24,335)
Net cash flows generated from/(used in) operating activities	**141**	(893)
Net cash flows used in investing activities	**–**	(25)
Net increase/(decrease) in cash and cash equivalents	**141**	(918)

	2018 HK$'000	2017 HK$'000
Zhongshan Morning Star Villa Club Co., Ltd.		
Total revenue	**3,254**	3,462
Total expenses	**(5,491)**	(5,633)
Loss for the year	**(2,237)**	(2,171)
Total comprehensive loss for the year	**(2,237)**	(2,171)
Current assets	**607**	1,041
Non-current assets	**13,007**	13,638
Current liabilities	**(45,937)**	(10,106)
Non-current liabilities	**–**	(36,981)
Net cash flows (used in)/generated from operating activities	**(167)**	132
Net cash flows used in investing activities	**–**	–
Net (decrease)/increase in cash and cash equivalents	**(167)**	132

Change in ownership interest in subsidiaries

During the year, the Group acquired of Hengqin Germany City Investment (Macau) Limited and its subsidiary, 珠海横琴富昌盛實業發展有限公司, details of which are set out in Note 42. The consolidated financial information of Hengqin Germany City Investment (Macau) Limited is as follows:

	2018 HK$'000	2017 HK$'000
Hengqin Germany City Investment (Macau) Limited and its subsidiary		
Total revenue	**639**	–
Total expenses	**(47,430)**	–
Loss for the year	**(46,791)**	–
Total comprehensive loss for the year	**(46,791)**	–
Current assets	**63,832**	–
Non-current assets	**572,451**	–
Current liabilities	**(575,963)**	–
Non-current liabilities	**(79,709)**	–
Net cash flows generated from operating activities	**3,736**	–
Net cash flows used in investing activities	**(74,022)**	–
Net cash flows generated from financing activities	**76,471**	–
Net increase in cash and cash equivalents	**6,185**	–

53. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets and financial liabilities of the Group can be categorised as follows:

	Financial assets at amortised cost HK$'000
Financial assets	
31 December 2018	
Trade receivables	**5,966**
Other receivables	**11,406**
Investment in wealthy management products	**6,832**
Pledged bank balances	**22,076**
Cash and cash equivalents	**54,273**
	100,553
Financial assets	
31 December 2017	
Trade receivables	77
Other receivables	8,096
Amount due from a joint venture	160,633
Pledged bank balances	1,064
Cash and cash equivalents	70,418
	240,288

	Financial liabilities at amortised cost HK$'000
Financial liabilities	
31 December 2018	
Trade payables, other payables and accruals	**98,548**
Amount due to non-controlling interests	**164,217**
Loans and borrowings	**589,914**
	852,679
Financial liabilities	
31 December 2017	
Trade payables, other payables and accruals	18,125
Loans and borrowings	96,064
	114,189

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise trade and other receivables, amount due from a joint venture, investment in wealthy management products, pledged bank deposits, cash and cash equivalents, trade payables, other payables and accruals, amount due to non-controlling interests and loans and borrowings.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, price risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's interest rate risk arises primarily from portions of the Group's bank deposits and loans and borrowings and loans and borrowings which are carried at floating interest rates.

The Group does not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Group's net borrowings (being loans and borrowings less bank deposits) is closely monitored by management.

At 31 December 2018, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease the Group's loss before tax and equity by approximately HK$46,000 (2017: HK$246,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the non-derivative financial liabilities in existence at that date. The 1% increase/decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2017.

Foreign currency risk

The Group has certain foreign currency monetary assets and liabilities and was exposed to foreign exchange risk rising from various kinds of currency exposures, mainly comprising United States Dollars ("USD") and Renminbi ("RMB"). The Group monitors foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise.

The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year end for a 1% fluctuation in USD and a 5% fluctuation in other foreign currency exchange rates. As at 31 December 2018, a 1% and 5% decrease in HKD against USD and HKD against other foreign currencies respectively would in total result in (i) insignificant effect on the results of the Group for both of the years presented and (ii) insignificant effect (2017: insignificant effect) and a decrease of HK$15,671,000 (2017: HK$13,413,000) in equity respectively.

Price risk

The Group is not exposed to equity security price risk as no equity securities were held by the Group at the end of the reporting period.

Credit risk

The Group is exposed to credit risk and the Group's maximum exposure to credit risk in relation to financial assets is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition, having considered available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor/customer;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Group and changes in the operating results of the customer.

(i) *Trade receivables*

The Group applies the simplified approach to provide for expected credit losses for trade receivables prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

As at 31 December 2018, the loss allowance for trade receivables was determined as follows:

	Receivables aged (based on invoice date)				
	0–30 days	31–90 days	91-360 days	more than 360 days	Total
Expected loss rate	0%	0%	0%	100%	
Gross carrying amount (HK$'000)	1,258	2,279	2,429	79,666	85,632
Loss allowance (HK$'000)	–	–	–	79,666	79,666

The above expected credit losses also incorporated forward looking information.

Receivables that aged less than 360 days substantially related to a customer that has a good trade record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances so there had not been a significant change in credit quality and the balances are still considered fully recoverable.

In the prior year, for trade receivables, 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 had been within management's expectations.

The credit quality of the debtors is assessed based on their financial positions, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. As at 31 December 2018, the Group had a concentration of credit risk given that the top 2 customers account for 99% (2017: 99%) of the Group's total year end trade receivables balance. However, the Group concludes that the credit risk in relation to these customers is not significant because they have no history of default in recent years. The Group's historical experience in collection of receivables falls within recorded allowance and the directors do not expect any major impairment on trade receivables.

(ii) *Other receivables*

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	**Group's definition of categories**	**Basis for recognition of expected credit loss provision**
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 60 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. For other receivables, management made periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. In calculating the expected credit loss rates, the Group considers historical loss rates for the other of receivables and adjusts for forward looking macroeconomic data.

As at 31 December 2018, the internal credit rating of other receivables is performing. The Group has assessed that the expected credit loss rate for these receivables is immaterial under 12 months expected losses method. Thus no loss allowance on other receivables was recognised.

(iii) Cash at bank and bank deposits

The table below shows the details of bank deposit balances maintained at the end of the reporting period:

	Rating	2018 HK$'000	2017 HK$'000
Cash and bank deposits	Baa3-Aa2	**76,349**	71,482

The rating represents long-term credit rating provided by Moody's, an internationally recognised credit rating agency. A rating within the "A" category is judged to be upper-medium grade and are subject to low credit risk under the rating regime of Moody's. Given that significant portion of the bank deposits are placed with banks that are independently rated with high credit rating with no default history in past years, management of the Group considers that the credit risk on the bank balances and bank deposits is limited.

Liquidity risk

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

The maturity profile of financial assets and financial liabilities of the Group's continuing operations as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2018					
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial assets						
Trade receivables	1,258	2,279	2,429	–	5,966	5,966
Other receivables	11,406	–	–	–	11,406	11,406
Investments in wealthy management products	6,832	–	–	–	6,832	6,832
Pledged bank balances	–	–	–	22,076	22,076	22,076
Cash and cash equivalents	54,273	–	–	–	54,273	54,273
	73,769	2,279	2,429	22,076	100,553	100,553

	2018 On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Trade payables, other payables, and accruals	**98,548**	**–**	**–**	**–**	**98,548**	**98,548**
Amount due to non-controlling interests	**164,217**	**–**	**–**	**–**	**164,217**	**164,217**
Loans and borrowings	**–**	**3,416**	**10,248**	**576,250**	**589,914**	**589,914**
	262,765	**3,416**	**10,248**	**576,250**	**852,679**	**852,679**

	2017 On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
Non-derivative financial assets						
Trade receivables	77	–	–	–	77	77
Other receivables	8,096	–	–	–	8,096	8,096
Amount due from a joint venture	160,633	–	–	–	160,633	160,633
Pledged bank balances	–	–	–	1,064	1,064	1,064
Cash and cash equivalents	70,418	–	–	–	70,418	70,418
	239,224	–	–	1,064	240,288	240,288

	2017 On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Trade payables, other payables, and accruals	18,125	–	–	–	18,125	18,125
Loans and borrowings	–	–	10,807	85,257	96,064	96,064
	18,125	–	10,807	85,257	114,189	114,189

Capital risk management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 31 December 2017.

55. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost in the consolidated financial statements approximate their fair values.

The fair values, which are included in Level 3 categories, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflect the credit risk of counterparties.

(b) Reconciliation of Level 3 fair value measurement

Reconciliation of Level 3 fair value measurement is not presented as the Group had no financial assets or financial liabilities that are measured at fair value at end of the reporting period.

56. DIVIDEND

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

57. EVENTS AFTER REPORTING DATE

In addition to those disclosed elsewhere in the consolidated financial statements, the following event took place subsequent to the end of the reporting period:

On 21 January 2019, the Group entered into certain loan agreements with certain entities owned by Mr. Yang Lijun, a director of the Company. Under the terms of the relevant loan agreements, amount of loans totalled RMB100 million were lent to the Group, which are unsecured, carry interest rate of 13% per annum and to be matured in April 2019.

58. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements on pages 41 to 110 were approved and authorised for issue by the Board of Directors on 15 March 2019.

Schedule of Major Properties

For the year ended 31 December 2018

COMPLETED PROPERTIES HELD FOR SALE

Name/location	Use	Gross floor area (sq.m.)	Percentage of Group's interest
Morning Star Villa, Mu He Path, Gangkouzhen Zhongshan, Guangdong PRC	Residential	62	55
Morning Star Plaza Qing Miao Di Hou Shan Guan Li Qu Xi Qu Zhongshan Guangdong PRC	Residential/Commercial	2,106	55

PROPERTIES HELD FOR SALE UNDER DEVELOPMENT

Name/location	Use	Site area (sq.m.)	Percentage of Group's interest
Morning Star Villa Mu He Path Gangkouzhen Zhongshan Guangdong PRC	Residential/Commercial	151,675	55
Morning Star Plaza Qing Miao Di Hou Shan Guan Li Qu Xi Qu Zhongshan Guangdong PRC	Residential/Commercial	7,344	55
A land parcel located at the south side of Gang Ao Avenue at its junction with Tian Yu Road, bounded by He Shun Street on the east and Hao Jiang Road on the south, within Hengqin New District, Zhuhai City, Guangdong Province, the PRC.	Research/Development	60,340	70

Five-Year Financial Summary

The following summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out below:

RESULTS

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000
CONTINUING OPERATIONS					
REVENUE	**18,086**	30,785	88,535	92,493	88,950
(LOSS)/PROFIT BEFORE TAX	**(133,846)**	(35,766)	(464,917)	(53,198)	32,131
INCOME TAX (EXPENSE)/CREDIT	**(2,334)**	(331)	70,294	6,264	11,577
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**(136,180)**	(36,097)	(394,623)	(46,934)	43,708
DISCONTINUED OPERATIONS					
Profit/(loss) for the year from disposed subsidiaries	**–**	16,340	(5,782)	(5,858)	–
(LOSS)/PROFIT FOR THE YEAR	**(136,180)**	(19,757)	(400,405)	(52,792)	43,708
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY	**(122,400)**	(19,770)	(398,898)	(49,491)	44,978
NON-CONTROLLING INTERESTS	**(13,780)**	13	(1,507)	(3,301)	(1,270)
	(136,180)	(19,757)	(400,405)	(52,792)	43,708

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000
ASSETS AND LIABILITIES					
NON-CURRENT ASSETS	**1,072,671**	546,446	547,269	923,854	1,039,356
CURRENT ASSETS	**448,593**	318,218	156,214	163,865	159,078
ASSETS ATTRIBUTABLE TO DISPOSED SUBSIDIARIES	**–**	–	6,218	4,880	–
CURRENT LIABILITIES	**(276,429)**	(28,932)	(117,444)	(39,011)	(64,546)
NON-CURRENT LIABILITIES	**(619,121)**	(118,504)	(35,253)	(467,257)	(492,765)
LIABILITIES ATTRIBUTABLE TO DISPOSED SUBSIDIARIES	**–**	–	(17,839)	(10,738)	–
NET ASSETS	**625,714**	717,228	539,165	575,593	641,123
ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY	**553,723**	654,395	479,868	511,457	571,417
NON-CONTROLLING INTERESTS	**71,991**	62,833	59,297	64,136	69,706
TOTAL EQUITY	**625,714**	717,228	539,165	575,593	641,123