Power Financial Group Limited
權 威 金 融 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock code: 397)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2018:

– The Group recorded revenue of approximately HK$41,613,000 (2017: HK$35,545,000).

– Loss attributable to owners of the Company amounted to approximately HK$437,330,000 (2017: HK$922,661,000). The loss was principally attributable to the losses arising on fair value changes of equity securities investments of approximately HK$325,524,000 and impairment loss on amounts due from associates of approximately HK$37,335,000.

– The Board does not recommend the payment of any dividend.

At 31 December 2018:

– The Group held financial assets at fair value through other comprehensive income of approximately HK$516,070,000 (2017: available-for-sale investments of approximately HK$326,342,000).

– The Group held financial assets at fair value through profit or loss of approximately HK$248,004,000 (2017: held-for-trading investments of approximately HK$765,733,000).

– The Group held bank balances and cash of approximately HK$224,543,000 (2017: HK$863,552,000), loans and interest receivables of approximately HK$404,849,000 (2017: HK$29,098,000) respectively.

– Net current assets amounted to approximately HK$1,037,949,000 (2017: HK$1,627,134,000). Current ratio (defined as total current assets divided by total current liabilities) was 17.85 times (2017: 13.63 times).

– Net assets amounted to approximately HK$1,445,390,000 (2017: HK$2,014,209,000).

– The Group had borrowings of approximately HK$37,400,000 (2017: HK$137,400,000).

RESULTS

The board (the "Board") of directors (the "Directors") of Power Financial Group Limited (the "Company") announces the audited consolidated final results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018, together with comparative figures for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	**2018** **HK$'000**	2017 HK$'000
Revenue	4	**41,613**	35,545
Direct operating costs		**(12,193)**	(11,444)
Gross profit		**29,420**	24,101
Other income, gains and losses	6	**(348,303)**	(799,993)
Administrative expenses		**(82,334)**	(107,789)
Share of results of associates		**(28,430)**	(20,906)
Finance costs	7	**(6,917)**	(17,844)
Loss before tax	8	**(436,564)**	(922,431)
Income tax expense	9	**(810)**	(450)
Loss for the year		**(437,374)**	(922,881)
Other comprehensive (expense) income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**(451)**	235
Share of other comprehensive (expense) income of associates		**(8,337)**	9,908
Fair value changes of debt instruments at fair value through other comprehensive income		**(4,309)**	–
Item that will not be reclassified to profit or loss:			
Fair value changes of equity instruments at fair value through other comprehensive income		**(72,382)**	–
Other comprehensive (expense) income for the year, net of income tax		**(85,479)**	10,143
Total comprehensive expense for the year		**(522,853)**	(912,738)

	NOTES	2018 HK$'000	2017 HK$'000
Loss for the year attributable to:			
Owners of the Company		**(437,330)**	(922,661)
Non-controlling interests		**(44)**	(220)
		(437,374)	(922,881)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(522,809)**	(912,518)
Non-controlling interests		**(44)**	(220)
		(522,853)	(912,738)
Loss per share			
– Basic and diluted *(HK cents)*	11	**(14.23)**	(31.66)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	NOTES	**2018** **HK$'000**	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**58,924**	59,878
Goodwill		**808**	808
Interests in associates		**455**	37,222
Loans and interest receivables	12	**1,357**	–
Financial assets at fair value through profit or loss		**26,269**	–
Debt instruments at fair value through other comprehensive income		**184,181**	–
Equity instruments at fair value through other comprehensive income		**172,692**	–
Available-for-sale investments		**–**	326,342
Other assets		**155**	225
		444,841	424,475
CURRENT ASSETS			
Loans and interest receivables	12	**403,492**	29,098
Amounts due from associates		**–**	37,166
Trade and other receivables	13	**39,051**	38,151
Tax recoverable		**2,092**	2,951
Debt instruments at fair value through other comprehensive income		**159,197**	–
Financial assets at fair value through profit or loss		**221,735**	–
Held-for-trading investments		**–**	765,733
Bank trust account balances		**49,439**	19,283
Bank balances and cash		**224,543**	863,552
		1,099,549	1,755,934
CURRENT LIABILITIES			
Trade and other payables	14	**61,600**	28,800
Borrowings		**–**	100,000
		61,600	128,800

	NOTES	**2018** *HK$'000*	2017 *HK$'000*
NET CURRENT ASSETS		**1,037,949**	1,627,134
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,482,790**	2,051,609
NON-CURRENT LIABILITY			
Borrowings		**37,400**	37,400
NET ASSETS		**1,445,390**	2,014,209
CAPITAL AND RESERVES			
Share capital		**27,836**	30,864
Reserves		**1,416,091**	1,978,463
Equity attributable to owners of the Company		**1,443,927**	2,009,327
Non-controlling interests		**1,463**	4,882
TOTAL EQUITY		**1,445,390**	2,014,209

NOTES

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda, and its head office and principal place of business in Hong Kong is situated at Units 3910-13, 39/F. COSCO Tower, 183 Queen's Road Central, Hong Kong.

The Group is principally engaged in financial services business, money lending business and assets investment.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations (hereinafter collectively referred to as the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance ("CO"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values.

(c) Functional and presentation currency

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

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSS

Adoption of new/revised HKFRSs – effective 1 January 2018

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA that are mandatorily effective for an accounting period that begins on or after 1 January 2018:

Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Classifications to HKFRS 15 Revenue from Contracts with Customers
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Annual Improvements to HKFRSs 2014–2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these consolidated financial statements as the Group is not a venture capital organisation.

Amendments to HKFRS 2 – Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these consolidated financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

HK(IFRIC)-Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these consolidated financial statements as the Group has not paid or received advance consideration in a foreign currency.

HKFRS 9 – Financial Instruments

(i) Classification and measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balances of accumulated losses and investment revaluation reserve as of 1 January 2018 as follows:

Accumulated losses	*HK$'000*
Accumulated losses as at 31 December 2017	(2,364,538)
Reclassify impairment loss previously recognised of available-for-sale to investment revaluation reserve *(Note (c) below)*	211,190
Restated accumulated losses as at 1 January 2018	(2,153,348)

Investment revaluation reserve	*HK$'000*
Investment revaluation reserve at 31 December 2017	–
Reclassify impairment loss previously recognised of available-for-sale to investment revaluation reserve *(Note (c) below)*	(211,190)
Restated investment revaluation reserve as at 1 January 2018	(211,190)

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("FVTPL"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised costs"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to be achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI or FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised costs	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
FVOCI (debt investments)	Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
FVOCI (equity investments)	Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss.

(a) As of 1 January 2018, certain investment in listed equity investments were reclassified from available-for-sale financial assets to FVOCI. The Group intends to hold these equity investments for long term strategic purposes. Under HKFRS 9, the Group has designated these equity investments at the date of initial application as measured at FVOCI. As at 1 January 2018, there was no difference between the previous carrying amount and the fair value.

(b) As of 1 January 2018, the unquoted equity investments were reclassified from available-for-sale financial assets at cost to FVOCI. These unquoted equity instruments have no quoted price in an active market. The Group intends to hold these unquoted equity investment for long term strategic purposes. In addition, the Group has designated such unquoted equity instruments at the date of initial application as measured at FVOCI. As at 1 January 2018, there was no difference between the previous carrying amount and the fair value.

(c) The impairment loss previously recognised of approximately HK$211,190,000 in relation to available-for-sale financial instruments were transferred from accumulated losses to investment revaluation reserve as at 1 January 2018.

The following table summarizes the original measurement categories under HKAS 39 and the new measurement categories under HKRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39** *HK$*	**Carrying amount as at 1 January 2018 under HKFRS 9** *HK$*
Listed equity investments	Held-for-trading	FVTPL	765,733	765,733
Listed equity investments	Available-for-sale (at fair value) *(Note (a))*	FVOCI	13,325	13,325
Unlisted equity investments	Available-for-sale (at cost) *(Note (b))*	FVOCI	313,017	313,017
Trade receivables	Loans and receivables *(Note (ii))*	Amortised cost	30,916	30,916
Loans and interest receivables	Loans and receivables *(Note (ii))*	Amortised cost	29,098	29,098
Amounts due from associates	Loans and receivables *(Note (ii))*	Amortised cost	37,166	37,166
Other receivables	Loans and receivables *(Note (ii))*	Amortised cost	7,235	7,235
Bank trust account balances	Loans and receivables	Amortised cost	19,283	19,283
Bank balances and cash	Loans and receivables	Amortised cost	863,552	863,552

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECLs for trade receivables, financial assets at amortised costs and debt investments at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

For loans receivables, advances to customers in margin financing, trade and other receivables, amounts due from associates and debt instruments at FVOCI the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impact of ECL model

The Group assessed the ECLs of financial assets measured at amortised cost as at 1 January 2018. In consideration of current and future economic conditions which have an adverse effect on debtors' business, debtors' creditworthiness, the payment delinquency, default in interest or principal payments and fair values of collaterals, there was no significant changes to the loss allowance for these financial assets of the Group as at 1 January 2018.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the statement of financial position on 1 January 2018, hence the mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-steps model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of accumulated losses at the date of initial application (i.e. 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

Commission income from securities brokerage

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed.

Commission income from placing and underwriting

Placing and underwriting commission income is recognised on the trade date when the Group purchases the securities from the issuer or the date the Group sells the securities to third-party investors.

Corporate finance advisory income

Corporate finance advisory income from providing specified financial advisory and acing as independent financial adviser are recognised at a point in time when the services for the transactions are completed under the terms of each engagement and the revenue can be measured reliably, as only that time the Group has a present right to payment from the customers for the service performed. Invoices for the financial services are issued upon signing service contracts and when stated milestones in the contract are reached.

Advisory fee income from provision of services under retainers is recognised over time based on contractual terms specified in the underlying agreements, as the customer simultaneously receives and consumes the benefit providing by the Group performs and revenue can be measured reliably.

Based on the assessment of the Group, the adoption of HKFRS 15 from 1 January 2018 has resulted in changes of accounting policies of the Group, however, it does not have significant impact on the timing and amounts of revenue recognition of the Group, and no adjustment to the opening balance of equity at 1 January 2018 have been made.

Amendments HKFRS 15 – Classifications to HKFRS 15 Revenue from Contracts with Customers

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

The adoption of these amendments has no impact on these consolidated financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first year.

New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

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

2 The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

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

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

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Venture

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKAS 1 and HKAS 8 – Definition of Material

The amendments clarify the definition of material and align the definition used across the HKFRSs. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. An entity shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.

Earlier application of these amendments is permitted, including in annual reporting periods beginning before 18 January 2019 (the date of issuance of these amendments). If an entity applies these amendments for an earlier period, it shall disclose that fact.

Except as described below, the Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and consolidated financial statements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17, Leases, and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of its operating lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed in the section headed "OPERATING LEASE COMMITMENT" of this announcement . As at 31 December 2018, the Group has non-cancellable operating lease commitment of approximately HK$7,824,000. The Group made an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. It indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is not expected to have a significant impact on the amounts recognised in the Group's consolidated statement of financial position. However, the adoption would not have significant impact on the Group's financial performance.

4. REVENUE

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

	2018	2017
	HK$'000	*HK$'000*
Interest income from money lending	**20,340**	3,511
Interest income from bond investments	**13,877**	–
Income from financial services		
– Commission income from securities brokerage	**1,138**	6,397
– Commission income from placing and underwriting	**51**	2,362
– Corporate finance advisory services	**2,050**	–
– Interest income from clients	**4,157**	23,275
	41,613	35,545

An analysis of the Group's revenue for the year under HKFRS 15 is as follows:

	2018	2017
	HK$'000	*HK$'000*
Income from financial services		
– Commission income from securities brokerage	**1,138**	6,397
– Commission income from placing and underwriting	**51**	2,362
– Corporate finance advisory services	**2,050**	–
	3,239	8,759

5. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance.

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

- Financial services segment – Provision of financial services including securities brokerage, placing and underwriting, and corporate finance advisory services in Hong Kong.
- Money lending segment – Provision of loan financing in Hong Kong; and
- Assets investment segment – Investments in debt securities earning fixed interest income, as well as investments in listed and unlisted equity securities, options and investment funds earning variable returns and gains.

Segment revenues and results

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

For the year ended 31 December 2018

	Financial services segment *HK$'000*	Money lending segment *HK$'000*	Assets investment segment *HK$'000*	Total *HK$'000*
Revenue				
– Revenue from external customers	**7,396**	**20,340**	**13,877**	**41,613**
Other income, gains and losses				
– Dividend income from listed equity securities and unlisted investment funds	**–**	**–**	**14,197**	**14,197**
– Fair value changes of listed equity securities	**–**	**–**	**(325,524)**	**(325,524)**
	7,396	**20,340**	**(297,450)**	**(269,714)**
Results				
Segment results	**(24,072)**	**11,971**	**(345,410)**	**(357,511)**
Unallocated corporate income				**1,163**
Unallocated corporate expenses				**(44,869)**
Finance costs				**(6,917)**
Share of results of associates				**(28,430)**
Loss before tax				**(436,564)**

For the year ended 31 December 2017

	Financial services segment *HK$'000*	Money lending segment *HK$'000*	Assets investment segment *HK$'000*	Total *HK$'000*
Revenue				
– Revenue from external customers	32,034	3,511	–	35,545
Other income, gains and losses				
– Dividend income from listed equity securities and investment funds	–	–	60,645	60,645
– Fair value changes of listed equity securities	–	–	(763,792)	(763,792)
	32,034	3,511	(703,147)	(667,602)
Results				
Segment results	(21,099)	2,054	(853,998)	(873,043)
Unallocated corporate income				855
Unallocated corporate expenses				(11,493)
Finance costs				(17,844)
Share of results of associates				(20,906)
Loss before tax				(922,431)

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the year ended 31 December 2018 (2017: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit (loss) from each segment without allocation of directors' emoluments, certain other income, gains and losses and certain administrative expenses, finance costs and share of results of associates. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

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

	2018	2017
	HK$'000	*HK$'000*
Segment assets		
Financial services segment		
Money lending segment	**89,687**	53,393
Assets investment segment	**404,297**	31,114
	916,847	1,358,152
Total segment assets	**1,410,831**	1,442,659
Unallocated		
– Bank balances and cash	**127,138**	658,249
– Other unallocated assets	**6,421**	79,501
Consolidated total assets	**1,544,390**	2,180,409
Segment liabilities		
Financial services segment	**51,937**	24,954
Money lending segment	**818**	382
Assets investment segment	**8,417**	2,728
Total segment liabilities	**61,172**	28,064
Unallocated	**37,828**	138,136
Consolidated total liabilities	**99,000**	166,200

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

- all assets are allocated to operating segments other than other assets, bank balances and cash, amounts due from associates and interests in associates which are not allocated to segment assets; and

- all liabilities are allocated to operating segments other than borrowings and tax payable which are not allocated to segment liabilities.

Other segment information

For the year ended 31 December 2018

	Financial services segment *HK$'000*	**Money lending segment** *HK$'000*	**Assets investment segment** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Additions to non-current assets	**5,900**	**23**	**29**	**4**	**5,956**
Fair value changes of debt instruments at fair value through other comprehensive income	**–**	**–**	**(4,309)**	**–**	**(4,309)**
Fair value changes of debt instruments at fair value through profit or loss	**–**	**–**	**(254)**	**–**	**(254)**
Fair value changes of equity instruments at fair value through other comprehensive income	**–**	**–**	**(72,382)**	**–**	**(72,382)**
Impairment loss on amounts due from associates	**–**	**–**	**–**	**(37,335)**	**(37,335)**
Interest income	**4,157**	**20,340**	**13,877**	**1,163**	**39,537**
Interest expenses	**–**	**–**	**–**	**(6,917)**	**(6,917)**
Income tax expense	**–**	**(810)**	**–**	**–**	**(810)**
Depreciation of property, plant and equipment	**(1,942)**	**(61)**	**(2,153)**	**(113)**	**(4,269)**
Impairment loss on trade and other receivables	**(2,492)**	**–**	**(903)**	**(761)**	**(4,156)**
Recovery of impairment loss on trade receivables	**18**	**–**	**–**	**–**	**18**

For the year ended 31 December 2017

	Financial services segment *HK$'000*	Money lending segment *HK$'000*	Assets investment segment *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Additions to non-current assets	793	6	2,521	854	4,174
Interest income	23,275	3,511	–	855	27,641
Interest expenses	–	–	–	(17,844)	(17,844)
Income tax expense	(4)	(399)	–	(47)	(450)
Depreciation of property, plant and equipment	(926)	(60)	(1,918)	(361)	(3,265)
Impairment loss on available-for-sale investments	–	–	(141,126)	–	(141,126)
Impairment loss on trade receivables	(29,904)	–	–	–	(29,904)
Recovery of impairment loss on trade receivables	876	–	–	–	876

Note: Non-current assets excluded interests in associates and financial instruments.

Geographical information

The Group's revenue from external customers and non-current assets are all located in Hong Kong as all the customers and the assets are located in Hong Kong. Accordingly, no geographical information is presented.

Information about major customers

There was no customer that contributed to 10% or more of the Group's revenue for the year ended 31 December 2018. For the year ended 31 December 2017, revenue from major customers, each of whom amounted to 10% or more of the total revenue, is set out below:

	2017 *HK$'000*
Customer A (revenue from financial services business and money lending business)	11,034
Customer B (revenue from financial services business)	4,494
Customer C (revenue from financial services business)	3,601

Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by timing over revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

	Financial services segment		**Money lending segment**		**Assets investment segment**		**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*
Timing of revenue recognition under HKFRS 15								
– At a point in time	**1,539**	8,759	**–**	–	**–**	–	**1,539**	8,759
– Over time	**1,700**	–	**–**	–	**–**	–	**1,700**	–
	3,239	8,759	**–**	–	**–**	–	**3,239**	8,759

6. OTHER INCOME, GAINS AND LOSSES

	2018	2017
	HK\$'000	*HK\$'000*
Interest income	**1,163**	855
Sundry income	**257**	7,983
Dividend income from equity instruments at fair value through other comprehensive income	**1,449**	–
Dividend income from available-for-sale investments	**–**	54,857
Dividend income from equity instruments at fair value through profit or loss	**12,748**	–
Dividend income from held-for-trading investments	**–**	5,788
Fair value changes of debt instruments at fair value through profit or loss	**(254)**	–
Fair value changes of equity instruments at fair value through profit or loss	**(325,524)**	–
Fair value changes of held-for-trading investments	**–**	(763,792)
Gain on disposal of available-for-sale investments	**–**	41,084
Loss on disposal of debt instruments	**(732)**	–
Impairment loss of available-for-sale investments	**–**	(141,126)
Impairment loss on amounts due from associates	**(37,335)**	–
Gain (loss) on disposal of subsidiaries	**32**	(4,326)
(Loss) gain on deregistration of a subsidiary	**(107)**	1,028
Loss on disposal of associates	**–**	(2,344)
	(348,303)	(799,993)

7. FINANCE COSTS

	2018	2017
	HK\$'000	*HK\$'000*
Interest on loan notes	**6,917**	17,736
Interest on other borrowings	**–**	108
	6,917	17,844

8. LOSS BEFORE TAX

	2018	2017
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Staff costs:		
Directors' emoluments, excluding equity-settled share-based payments	**8,782**	9,895
Other staff costs	**16,529**	23,010
Other staff retirement benefits scheme contributions	**226**	454
Equity-settled share-based payments (including directors' equity-settled share-based payments)	**555**	15,089
	26,092	48,448
Depreciation of property, plant and equipment	**4,269**	3,265
Loss on disposal of property, plant and equipment	**2,370**	1,938
Auditor's remuneration	**1,758**	1,630
Operating lease rentals in respect of land and buildings	**3,764**	2,222
Exchange (gains) losses, net	**(671)**	223
Impairment loss on trade and other receivables	**4,156**	29,904
Impairment loss on amounts due from associates	**37,335**	–
Recovery of impairment loss on trade receivables	**(18)**	(876)

9. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong Profits Tax	**810**	399
– Under-provision in prior years	**–**	51
Tax expense for the year	**810**	450

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2017; and at 8.25% on the first HK$2,000,000 of estimated assessable profits and at 16.5% for the portion of the estimated assessable profits above HK$2,000,000 for the year ended 31 December 2018.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

10. DIVIDEND

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

11. LOSS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted loss per share	**(437,330)**	(922,661)

	2018	2017
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**3,073,928**	2,914,265

The weighted average number of ordinary shares for the year ended 31 December 2018 for the purpose of basic loss per share has been adjusted to reflect the shares cancellation completed on 17 December 2018.

The computation of diluted loss per share for the year ended 31 December 2018 and 2017 did not assume the exercise of outstanding share options of the Company since the assumed exercise would result in a decrease in loss per share.

12. LOANS AND INTEREST RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Fixed-rate loans receivables	**402,207**	27,560
Accrued interest receivables	**2,642**	1,538
	404,849	29,098
Analysed for reporting purpose as:		
Current assets	**403,492**	29,098
Non-current assets	**1,357**	–
	404,849	29,098

As at 31 December 2018, loans and interest receivables of approximately HK$359,668,000 (2017: HK$29,098,000) were secured by assets under legal charges, while remaining loans and interest receivables of approximately HK$45,181,000 (2017: Nil) were guaranteed by certain independent third parties. The interest rates on all loans receivables are fixed ranging from 7% to 21.2% (2017: 12%) per annum and loans receivables are due within 1 to 58 months.

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

The Directors consider that the fair values of loans and interest receivables are not materially different from their carrying amounts.

A maturity profile of the loans and interest receivables based on the maturity date at the end of reporting period is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1year	**403,492**	29,098
1 to 5 years	**1,357**	–
	404,849	29,098

Included in loans and interest receivables with the following ageing analysis, based on due dates, as of the end of reporting period.

	2018	2017
	HK$'000	*HK$'000*
Current	**404,560**	29,098
Less than 1 month past due	**248**	–
1 to 3 months past due	**41**	–
	404,849	29,098

The management believes that the impairment allowance is immaterial in respect of loans and interest receivables as approximately 88.84% of loans and interest receivables were fully secured by collaterals.

As at 31 December 2018, the collaterals for those secured loans are landed properties in Hong Kong and shares of certain listed companies (2017: promissory notes of a listed company).

13. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables from:		
Financial services operation		
– Cash clients *(Note (a))*	**1,443**	853
– Margin clients *(Note (b))*	**65,619**	47,328
– Clearing house *(Note (a))*	**279**	12,936
Less: provision for impairment loss on trade receivables	**(32,675)**	(30,201)
	34,666	30,916
Other receivables	**4,385**	7,235
Total trade and other receivables	**39,051**	38,151

Notes:

(a) The settlement terms of trade receivables arising from the ordinary course of business of dealing in securities from cash clients and clearing house are one or two days after the respective trade date.

No ageing analysis is disclosed as, in the opinion of the Directors, an ageing analysis does not give additional value on view of nature of these cash clients.

Receivables that were past due but not impaired represent unsettled trade transacted on the last two days prior to the end of reporting period and also relates to a wide range of independent clients for whom there are no recent history of default.

An analysis of changes in the corresponding ECL allowances is as follows:

	12-months ECL (Stage 1)	**Lifetime ECL not credit-impaired (Stage 2)**	**Lifetime ECL credit-impaired (Stage 3)**	**Impairment allowance under HKAS 39**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2018	–	–	–	297	297
Restated on adoption of HKFRS 9	–	297	–	(297)	–
Recovery of impairment loss during the year	–	(18)	–	–	(18)
As at 31 December 2018	–	279	–	–	279

The movements in the impairment of the advance to customers in cash client financing are as follows:

	2018 HK$'000	2017 HK$'000
At 1 January	**297**	315
Recovery of impairment loss previously recognised	**(18)**	(18)
At 31 December	**279**	297

(b) Margin clients are required to pledge securities as collateral to the Group in order to obtain the credit facilities for securities trading and bear interests at commercial rates. The amount of credit facilities granted to them is determined based on a discount on the market value of securities accepted by the Group. Any excess in the lending ratio will trigger a margin call which the clients have to make good the shortfall. The margin ratio is reviewed and determined periodically. As at 31 December 2018, the market value of securities pledged by clients to the Group as collateral against margin client receivables was approximately HK$164,681,000 (2017: HK$34,687,000).

No ageing analysis is disclosed as, in the opinion of the Directors, the ageing analysis is not meaningful in the view of the revolving nature of securities business.

An analysis of changes in corresponding ECL allowances is as follows:

	12-months ECL (Stage 1) *HK$'000*	**Lifetime ECL not credit-impaired (Stage 2)** *HK$'000*	**Lifetime ECL credit-impaired (Stage 3)** *HK$'000*	**Impairment allowance under HKAS 39** *HK$'000*	**Total** *HK$'000*
As at 1 January 2018	–	–	–	29,904	29,904
Restated on adoption of HKFRS 9	–	29,904	–	(29,904)	–
Charged to profit or loss during the year	–	2,492	–	–	2,492
As at 31 December 2018	–	32,396	–	–	32,396

	2018 HK$'000	2017 HK$'000
At 1 January	**29,904**	858
Impairment recognised	**2,492**	29,904
Recovery of impairment loss previously recognised	**–**	(858)
At 31 December	**32,396**	29,904

The Group seeks to maintain tight control over its outstanding trade receivables in order to minimise credit risk.

14. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables from:		
Financial services operation		
– Cash Clients *(Note (a) and (b))*	**7,824**	7,240
– Margin Clients *(Note (a) and (b))*	**41,005**	15,355
– Clearing house *(Note (a) and (b))*	**646**	242
	49,475	22,837
Other payables	**7,290**	1,214
Accruals	**4,835**	4,749
Total trade and other payables	**61,600**	28,800

Notes:

(a) The majority of the trade payables are repayable on demand except where certain balances payable to clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

(b) The settlement terms of trade payables arising from the ordinary course of business of dealing in securities from clients and clearing house are two days after trade date.

(c) No ageing analysis is disclosed as, in the opinion of the Directors, the ageing analysis is not meaningful in view of the nature of these businesses.

15. CONTINGENT LIABILITIES

(i) Writ of summons by Convoy Global Holdings Limited

Classictime Investments Limited ("Classictime"), a wholly-owned subsidiary of the Company, is the 24th Defendant in a writ of summons served on 19 December 2017 on behalf of Convoy Global Holdings Limited ("Convoy", the 1st Plaintiff), Convoy Collateral Limited ("CCL", the 2nd Plaintiff) and CSL Securities Limited ("CSL", the 3rd Plaintiff) (collectively, the "Plaintiffs") in a set of legal proceedings brought by the Plaintiffs in the High Court of Hong Kong (the "HC Action"). It is the Plaintiffs' case that, amongst other things, the 1st Defendant, Mr. Cho Kwai Chee Roy, and his associates (who are named as co-defendants in the HC Action) implemented a scheme such that shares in Convoy would be allotted to and held by companies related to the 1st Defendant (the "Placees") which had agreed to act upon the direction of the 1st Defendant. The Plaintiffs alleged that the 1st Defendant and his associates on the board of Convoy, CCL and/or CSL improperly used their power to allot shares and to grant loans to the detriment of the Convoy Group, constituting serious breaches of fiduciary duties or other director's duties, dishonest assistance, unlawful and/or lawful means conspiracy. Classictime is one of the Placees alleged in the HC Action. The Plaintiffs, amongst other things, seek an order against Classictime that the allotment of shares to Classictime be set aside, together with damages, interests, costs, and further and/or other relief. As at the date of this announcement, pleadings have not closed yet.

Please refer to the Company's announcement dated 20 December 2017 for more details.

(ii) Zhu Xiao Yan Petition

Classictime is one of the thirty three respondents in a petition made by Zhu Xiao Yan as the petitioner ("Petitioner") under a set of legal proceedings in the High Court of Hong Kong ("Petition"). In summary, the Petitioner alleged that the detriment suffered by her to the real value of her shares in Convoy was a consequence of the unfairly prejudicial mismanagement or misconduct in and about the business and affairs of, amongst other companies, Convoy, CCL and CSL. Such allegations made are mainly based on those set out in the writ in the High Court Action.

Please refer to the Company's announcement dated 3 January 2018 for more details.

A Case Management Conference was held on 6 March 2018. In summary, the Court directed that the Petition be stayed pending determination of the HC Action.

Given that the two aforementioned cases are still in an early stage, and having considered the alleged claims and consulted the Company's legal adviser, the Directors are of the views (i) it is premature to determine the possible outcome of any claim which is pending, either individually or on a combined basis; (ii) it is uncertain to quantify any financial impact which will have a material effect on the financial position of the Company; and (iii) no provision for the claims of these legal proceedings is required to be made based on its current development. The Directors monitor these cases against the Group closely.

(iii) Writ of summons by Best Year Enterprises Limited ("Best Year")

On 24 July 2018, a writ of summons together with the statement of claim was served on Power Securities Company Limited ("Power Securities"), a wholly-owned subsidiary of the Company. The legal proceedings were brought by Best Year, against, among other persons, Power Securities and Mr. Sit Sai Hung, Billy ("Mr. Sit"), an executive Director.

Please refer to the Company's announcement dated 25 July 2018 for more details.

Best Year has discontinued these proceedings on 26 September 2018.

(iv) Counterclaim made by Best Year

On 25 July 2018, Power Securities commenced legal proceedings against, amongst other parties, Best Year and Mr. Sin Kwok Lam ("Mr. Sin") by way of a writ of summons. Power Securities subsequently filed and served the statement of claim on 30 November 2018. On 8 March 2019, Best Year and Mr. Sin filed a defence and counterclaim. The said counterclaim was made against, amongst other parties, Power Securities and Mr. Sit. The relief sought by Best Year and Mr. Sin are damages for conspiracy to be assessed, interest, costs and such further and/or other relief.

It is Power Securities' intention to contest the said counterclaim and it is seeking legal advice in this regard.

FINANCIAL REVIEW

For the year ended 31 December 2018 (the "Year"), the Group recorded revenue of approximately HK$41,613,000 (2017: HK$35,545,000), and a net loss attributable to owners of the Company of approximately HK$437,330,000 (2017: HK$922,661,000). The net loss was principally attributable to (a) losses arising on fair value changes of equity securities investments of approximately HK$325,524,000 (comprising both realised and unrealised losses) and (b) an impairment loss on amounts due from associates of approximately HK$37,335,000 and share of loss of associates of approximately HK$28,430,000 after taking into account of the declining financial performance and the working capital position of the associates and the low recoverability of the amounts due from such associates. The aforesaid unrealised losses are non-cash in nature and will not have any impact on the cash flows of the Group. The Group is still in a strong cash position, as at 31 December 2018, the Group has bank balances and cash of approximately HK$224,543,000 (2017: HK$863,552,000).

BUSINESS REVIEW

2018 was a year in which both opportunities and challenges emerged for the Group. Weak global economic growth, fears about the US-China trade war, and anti-globalisation sentiments shaded the Hong Kong investment market with uncertainties. The benchmark Hang Seng Index jumped 1.34 %, or 341.5 points, to end at 25,845.7, losing 13.61% in 2018. The Mainland stock market also experienced considerable declines. In response to the current deteriorating operational environment, the Group has placed greater emphasis on measures to strengthen its revenue base.

In addition to its core businesses such as financial services, money lending and assets investment, the Group managed to execute its plan of divestment while tapping into the bond investment sector, which has become a new source of stable and fixed interest income. The Group also expanded its loan portfolio from money lending operations, which also has generated considerable interest income. All these efforts offset the negative impacts brought about by the declining performance of margin financing operations during the Year. The Group's revenue amounted to approximately HK$41,613,000, representing a modest increase from approximately HK$35,545,000 in 2017. The loss attributable to owners of the company narrowed to approximately HK$437,330,000 (2017: HK$922,661,000), reflecting the Group's proven success in executing its divestment plan.

Financial services

The Group's financial services business mainly includes securities brokerage, margin financing and corporate finance advisory services. During the Year, this segment generated revenue of approximately HK$7,396,000 (2017: HK$32,034,000) and recorded a net loss of approximately HK$24,072,000 (2017: HK$21,099,000). As a result of the global economic slowdown and various unstable political situations, the turnover of the Hong Kong stock market continued on a decline trend during the Year. In line with the volatile market situation and negative investment climate, commissions from the securities brokerage business decreased to approximately HK$1,138,000 from approximately HK$6,397,000 in 2017.

Moreover, due to the fact that Power Securities restructured and has slowed down margin financing operations since the third quarter of 2017, a significant drop in revenue, particularly interest income from margin financing operations was recorded. Moreover, the Group also suffered from fewer fund-raising transactions as a result of a less active capital market during the Year.

Power Securities reviewed internal controls over margin financing, optimised the Compliance and Procedures Manual in March 2018, and reorganised its business structure progressively, it is expected that margin financing operations will be revamped in the first half of 2019.

Money lending

The Group has been engaged in money lending business through E Finance Limited, a wholly-owned subsidiary of the Group. In view of recent tighter restrictions and compliance requirements for banks, the Group believed that this will provide more business opportunities for non-bank money lenders due to an ability to provide more flexible lending services to clients. With this in mind, the Group extended its money lending business to provide property mortgage loans (including first mortgage, second mortgage and sub-mortgage loans) to individuals and corporations with good credit in Hong Kong.

Thanks to an improved loan portfolio, the money lending business segment has achieved a significant rise in revenue of approximately HK$20,340,000 (2017: HK$3,511,000), which is an almost fivefold increase compared with the corresponding period, contributing to very positive results in 2018. The outstanding principal amount of loans receivables as at 31 December 2018 was approximately HK$402,207,000 (2017: HK$27,560,000). During the Year, no impairment loss was recognised for the loans and interest receivables in respect of the money lending business.

Assets investment

With respect to assets investment operations, the Group continued to suffer significant losses, principally due to the loss arising from fair value changes of listed equity securities of approximately HK$325,524,000 (2017: HK$763,792,000). Despite this, the Group has been proactively exploring other potential investment opportunities to diversify its sources of income and earn more stable and fixed income streams, subject to prevailing market conditions and taking into account the interests of the Group. During the Year, the Group introduced a new income stream that generates interest income from bond investments, targeting high yield bonds with short-to medium-term maturities. The new business has been doing well and interest income from bond investments hit approximately HK$13,877,000 (2017: Nil), accounting for approximately 33% of total revenue for the Year.

Significant investments

As at 31 December 2018, the Group's financial assets at fair value through profit or loss amounted to approximately HK$248,004,000 (2017: held-for-trading investments of HK$765,733,000), including (a) equity securities of approximately HK$221,735,000 and (b) listed bond investments of approximately HK$26,269,000 respectively.

As at 31 December 2018, the Group's portfolio of financial assets at fair value through profit or loss comprised (a) 6 equity securities listed in Hong Kong and (b) 3 listed bond investments listed in Europe. For the 6 equity securities listed in Hong Kong, 5 of which accounted for approximately 1.57% of the Group's audited total assets as at 31 December 2018 and the remaining 1 accounted for approximately 11.53% of the Group's audited total assets as at 31 December 2018. For the 3 listed bond investments, total of which accounted for approximately 1.70% of the Group's audited total assets as at 31 December 2018.

As at 31 December 2018, the Group's financial assets at fair value through other comprehensive income amounted to approximately HK$516,070,000 (2017: available-for-sale investments of approximately HK$326,342,000), including (a) listed bond investments of approximately HK$343,378,000 and (b) unlisted investment funds of approximately HK$172,692,000 respectively.

As at 31 December 2018, the Group's portfolio of financial assets at fair value through other comprehensive income comprised (a) 9 unlisted investment funds and (b) 23 listed bond investments in Hong Kong or Singapore. For the 9 unlisted investment funds, each of investment funds accounted for approximately 0.00% to 2.75% of the Group's audited total assets as at 31 December 2018. For the 23 listed bond investments, each of which accounted for approximately 0.10% to 2.04% of the Group's audited total assets as at 31 December 2018.

The Directors considered that investments with a carrying amount that account for more than 5% of the Group's audited total assets as at 31 December 2018 as significant investments.

Financial assets at fair value through profit or loss (2017: held-for-trading investments)

Description of investments	Brief description of the business	Market value of investments as at		Number of shares held as at		Approximate percentage of shareholding in the investee as at		Approximate percentage of the Group's consolidated net assets as at		Dividends received during the Year	Interest income during the Year	Realised gain/(loss) during the Year	Unrealised loss during the Year
		31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017				
		(HK$'000)	*(HK$'000)*	*('000)*	*('000)*					*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Significant investments													
Listed securities in Hong Kong													
Town Health International Medical Group Limited (stock code: 3886)	Healthcare business investments; provision and management of medical, dental and other healthcare related services; investments and trading in properties and securities	178,002	318,960	674,762	674,762	8.97%	8.97%	12.32%	15.84%	–	–	–	(140,958)
Other investments													
Other listed securities in Hong Kong*													
(i) Kingston Financial Group Limited (stock code: 1031)	Financial services including securities brokerage, underwriting and placements, margin and initial public offering financing, corporate finance advisory, futures brokerage and asset management services	19,508	219,765	10,488	29,302	0.08%	0.22%	1.35%	10.91%	243	–	(76,490)	(59,152)
(ii) Others		24,225	178,567							12,455	–	(23,102)	(18,702)
Listed shares outside Hong Kong		–	36,540							33	–	(7,224)	–
Listed bond investments		26,269	–							–	40	–	(254)
Unlisted investment funds		–	11,901							17	–	104	–
Grand total for the financial assets at fair value through profit or loss		248,004	765,733							12,748	40	(106,712)	(219,066)

* Other listed securities in Hong Kong mainly represented the Group's investments in 5 companies whose shares are listed on the Main Board of the Stock Exchange. Each of the investments has a carrying amount that accounted for not more than 5% of the Group's consolidated total assets as at 31 December 2018.

Financial assets at fair value through other comprehensive income (2017: available-for-sale investments)

Description of investments	Brief description of the business	Market value of investments as at 31 December 2018 (HK$'000)	Market value of investments as at 31 December 2017 (HK$'000)	Number of shares held as at 31 December 2018 ('000)	Number of shares held as at 31 December 2017 ('000)	Approximate percentage of shareholding in the investee as at 31 December 2018	Approximate percentage of shareholding in the investee as at 31 December 2017	Approximate percentage of the Group's net assets as at 31 December 2018	Approximate percentage of the Group's net assets as at 31 December 2017	Dividends received during the Year (HK$'000)	Fund returns received during the Year (HK$'000)	Interest income during the Year (HK$'000)	Loss on disposal during the Year (HK$'000)	Fair value changes recognised through other comprehensive income during the Year (HK$'000)
Listed securities in Hong Kong														
China Green (Holdings) Limited (stock code: 904)	Growing, processing and sales of agricultural products, and production and sales of consumer food products	–	13,325	–	444,168	0.00%	6.40%	0.00%	0.66%	–	–	–	–	(8,794)
Unlisted investment funds#		172,692	313,017							1,449	69,950	–	–	(67,318)
Listed bond investments*		343,378	–							–	–	13,837	(732)	(4,309)
Grand total for the financial assets at fair value through other comprehensive income		516,070	326,342							1,449	69,950	13,837	(732)	(80,421)

\# The unlisted investment funds comprise 9 different private funds. The business/investment sector of the unlisted investment funds mainly relates to various industries including, but not limited to, companies in consumer goods, retail, agricultural, medical service, social media, internet-related and mobile-application-related industries; and low-risk investment grade bonds worldwide other than those in the Asia bond market.

* The bond investments comprise 23 different bonds listed in Hong Kong or Singapore. The business/investment sector of the bonds investments mainly relates to various industries including, but not limited to property development and investment in Hong Kong and the People's Republic of China ("PRC"), corporate financing, corporate financial advisory, securities trading, commodity and futures trading, asset management and wealth management, etc.

Performance and future prospects of significant investments under financial assets at fair value through profit or loss (2017: held-for-trading investments)

The Directors would like to provide additional information on the Group's significant investments under financial assets at fair value through profit or loss as follows:

As at 31 December 2018, the Group held 674,762,000 shares of Town Health International Medical Group Limited ("Town Health"), which represented approximately 8.97% of the issued shares of Town Health as at 31 December 2018; and the aggregate carrying amount of such investment was approximately HK$178,002,000, representing approximately 11.53% of the Group's consolidated total assets as at 31 December 2018 and approximately 12.32% of the Group's consolidated net assets as at 31 December 2018.

During the Year, no dividend was received by the Group from Town Health and the Group recorded a fair value loss of approximately HK$140,958,000 for its investment in Town Health.

With regards to the future prospects of Town Health based on published information as disclosed in the interim report of Town Health for the six months ended 30 June 2018, the Directors noted that Town Health will strive to expand its business network and coverage and further enhance the service quality in the healthcare services management business; Town Health will continue to optimise the service coverage for the self-operated medical clinics; Town Health will continue to actively promote the service integration of insurance and healthcare businesses for the health management business; Town Health will continue to integrate its operation with Town Health's other businesses and seek to create synergies and improve operational efficiency for the beauty and medical cosmetic business; Town Health will continue to focus on expanding its PRC healthcare business such as community healthcare, high-end health check business, high-end PRC dental business, hospital management business and integrated health management centres in the PRC.

As disclosed in Town Health's announcement dated 18 December 2017, the board of Town Health has established an independent board committee, comprising all the independent non-executive directors, to conduct an independent investigation into the issues and matters arising from or relating to the trading suspension, to make recommendations to its board on appropriate actions to be taken, and to work towards the goal of having the shares resumed trading on the Stock Exchange. Details of update on progress of trading in the shares of Town Health are disclosed in Town Health's announcements dated 18 December 2017, 11 July 2018, 1 August 2018, 5 November 2018 and 31 January 2019.

Town Health is proactively seeking external legal advice with regard to the resumption of trading in the shares of Town Health on the Stock Exchange.

General analysis of the Group's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income

The Directors expect that the stock market in Hong Kong will continue to be volatile in the year of 2019 and such investment environment may affect the value of both financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income of the Group. The Group will closely supervise the market prices and trading of these equity and debt instruments will continue in order to optimise return. To diversify risks, the Group will adjust its current investments portfolio from time to time according to market changes and may consider acquiring other potential investments when opportunity arises.

Material acquisition and disposal of subsidiaries and affiliated companies

The Group did not have any material acquisition or disposal of subsidiaries and affiliated companies for the Year.

Deal with the risks and uncertainty

The Company continues to improve risk management policies and monitoring systems to contain exposure associated with credit, liquidity, market and IT systems in all its major operations. In addition, compliance and regulatory risk is continually monitored. It is frequently revisited and revised the risk control measures of business lines to build up a strong defense against risks.

The Company has properly put in place credit management policies which cover the examination of the approval of clients' trading and credit limits, regular reviews of facilities granted, monitoring of credit exposures and the follow up of credit risks associated with overdue debts. The policies are reviewed and updated regularly.

The management closely monitors the market condition so that precautionary measures will be taken to mitigate any risk that the Company may encounter.

The management believes the weak global economic growth and anti-globalisation sentiments will present the Group with business risks and uncertainty, though we are prudently optimistic about the future of financial services business in Hong Kong as RMB further globalisation and the stock connect program enhanced and widened. These risks might make it hard for the Company to solicit new customers and grow business and it is also much harder to profit from invest in stock market when the market is volatile.

The Group has suffered a significant loss in the stock market turmoil in the Year under review both in listed shares and unlisted investments in Hong Kong. The management believes the Hong Kong stock market turmoil created a great uncertainty for the Group's assets investment businesses. To deal with these uncertainties, the Group should increase its investment portfolio by increasing long term investment further to reduce short term investment risks, diversifying its investments and also invest in fixed income products generate more stable continuing income from our investment.

Lapse of pre-conditional voluntary securities exchange partial offer and option offer

On 17 November 2017, Jicheng Investment Limited proposed to the Board that it would make a pre-conditional voluntary securities exchange partial offer and option offer to acquire 1,593,874,096 issued shares in the share capital of the Company and to cancel a maximum of 116,886,645 outstanding share options granted by the Company (the "Offers").

As the conditions to the Offers had not been fulfilled as at 3 September 2018, therefore the Offers did not become unconditional and lapsed.

BUSINESS OUTLOOK

The Hong Kong economy will likely remain on a weak footing after slowing in last two quarters of 2018, due both to the ripple effects from the U.S.-China trade war, the volatility of the RMB, concerns over China's de-leveraging policy and the less accommodating monetary policy of the U.S. Moreover, the rise of populism and the “no-deal” Brexit may also seriously affect the overall political and economic development in Europe. In China, the latest GDP growth was 6.6% last year, the lowest rate in nearly three decades. All these factors will continue to cast a shadow over the market, resulting in a lower level of business confidence, which makes it difficult for companies to plan long-term strategy and investment decisions.

Facing such a rapidly changing financial landscape, we envisage the financial services operating environment to remain challenging in the near term. In an attempt to balance business risks and achieve a stable revenue stream, the Group will continue its efforts to execute a plan of divestments and realising investments, while expanding its investment portfolio by increasing long-term investments further to reduce short-term investment risks. The Group will also invest in fixed income products to generate more stable recurrent income.

Recently, the much-awaited blueprint for the Greater Bay Area was unveiled, turning the Guangdong, Hong Kong and Macao area into a new economic powerhouse, capitalising on the complementary advantages of the three places. Hong Kong, being the financial hub is betting big on its role in the changes, from its yearlong position as “connector” to the more proactive “participant, facilitator and promoter”. The initiative spells fresh new opportunities ahead for Hong Kong. Besides, the Stock and Bond Connect schedules between the Mainland China and Hong Kong continue to grow by means of increasing number of international and Mainland Chinese investors trading securities and bonds across different markets, enhance the attractiveness of the Mainland and Hong Kong stock markets.

Hong Kong’s IPO market achieved stellar result as the top global listing venue in 2018 According to the report of Deloitte, around 200 IPOs raising proceeds of approximately HK$180 to 230 billion are forecasted for 2019 under the current market situation based on a pipeline of just over 200 IPO applicants. In the 2019-2020 Budget, the government considers to establish a limited partnership regime and introducing tax arrangement to attract private equity funds to set up and operate in Hong Kong and to promote mutual recognition of funds with other jurisdictions to broaden the distribution network of local fund products.

All these measures present significant business opportunities for financial institutions in Hong Kong and turn the investment sentiment to a positive and optimistic side. To capture the ample opportunities, we will extend our service offerings beyond retail clients and reach out professional investors with a view to sustain business growth. We will also outline plans to expand our securities operation, targeting professional investors who trade in HK shares.

As for money lending business, in view of the tightening measures of banks, we expect that banks may adjust their property mortgage arrangements. The demand for property mortgage loans provided by non-bank money lenders will be strong. Therefore, the Group will spend more resources in expanding its long-term secured loan business which will be the revenue growth engine for the coming year.

The financial services sector is one of Hong Kong’s pillar industries. It contributes to about 18% of our GDP but accounts for only 7% of our total employment. On the back of all these developments mentioned above, the financial sector in Hong Kong has an incomparable role to play in supporting overall economic growth throughout the region. The Group will continue to cautiously monitor the business environment and continue to strengthen the competitiveness in the markets by exploring new opportunities and widening its scope of services. At the same time, the Group will strive to improve risk management capacity and establish a sound credit management process, thereby achieving stable returns amidst today's unstable market environment.

In order to expand the scope of its business and bring new dynamics for revenue growth, the Group will continue to seek potential investment and business opportunities for further development of the existing business segments.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2018, the Group held bank balances and cash of approximately HK$224,543,000 (2017: HK$863,552,000). Net current assets amounted to approximately HK$1,037,949,000 (approximately HK$1,627,134,000). Current ratio (defined as total current assets divided by total current liabilities) was approximately 17.85 times (2017: 13.63 times). The gearing ratio of the Group (defined as total liabilities to total assets) was approximately 6.41% (2017: 7.62%).

As at 31 December 2018, the Group had outstanding borrowings of approximately HK$37,400,000 (2017: HK$137,400,000). The borrowings are unsecured and carry interest at 7% (2017: 7% to 8%) per annum and repayable in accordance with the relevant loan note certificates. As the Group's bank balances and cash and borrowings were denominated in Hong Kong dollars, United States dollars and Renminbi, risk in exchange rate fluctuation would not be material.

As at 31 December 2018, the Group had shareholders' equity of approximately HK$27,836,000 (2017: HK$30,864,000).

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2018, assets of the Group were not charged to any parties (2017: held-for-trading investments with carrying amounts of approximately HK$18,270,000 have been pledged as security for the Group's margin payable in respect of its securities trading accounts).

OPERATING LEASE COMMITMENT

At the end of the reporting period, the Group had commitment for future minimum lease payments under a non-cancellable operating lease in respect of its office premises which fall due as follows:

	2018	2017
	HK$'000	*HK$'000*
Not later than 1 year	**3,912**	–
Later than 1 year and not later than 2 years	**3,912**	–
	7,824	–

As at 31 December 2018, lease was negotiated and rental is fixed for terms of 3 years (2017: The relevant lease was expired or terminated during the year ended 31 December 2017 and thus there was no operating lease commitment).

CAPITAL COMMITMENTS

The Group had the following significant capital commitments contracted but not provided for in the consolidated financial statements:

	2018	2017
	HK$'000	*HK$'000*
Commitment contracted for but not provided for in respect of investment in investment fund which will be recognised as equity instruments at FVOCI (2017: available-for-sale investments)	**15,194**	7,116

EVENTS AFTER THE REPORTING DATE

On 28 February 2019, the Group exercised its right of redemption of a fund and submitted a written request for redemption to the fund administrator. According to terms of the fund, the completion of the Redemption will take place on 1 April 2019 (or such other day as the directors of the Fund may determine) (i.e. the "Redemption Day") and the price for the redemption will be determined with reference to the net asset value per each participating share of the fund on the business day immediately preceding the Redemption Day. The fair value of the fund held by the Group and classified as equity instrument at FVOCI as at 31 December 2018 was approximately HK$35,278,000.

On 6 March 2019, the Group accepted the offer from an independent purchaser to purchase non-voting participating redeemable shares of a fund at a consideration of approximately HK$36,592,000. The purchaser will settle the consideration in cash by 34 monthly instalments, whereby (i) approximately HK$3,049,000 shall be paid on or before 29 March 2019 and (ii) approximately HK$1,016,000 on or before the last business day of each consecutive month from April 2019 to December 2021.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group employed 36 employees. The Group continues to maintain and upgrade the capabilities of its workforce by providing them with adequate and regular training. The Group remunerates its employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share options may be granted to eligible staff by reference to the Group's performance as well as individual's performance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Year, a total of 302,820,000 ordinary shares of the Company were repurchased by the Company on the Stock Exchange. All the repurchased shares were subsequently cancelled by the Company. The Directors believe that the repurchases reflect the Company's confidence in its long term business prospects and would ultimately benefit the Company and create value for the shareholders of the Company. Details of the repurchases of shares of the Company are as follows:

Month of repurchase	**Number of shares repurchased**	**Highest price per share**	**Lowest price per share**	**Aggregate purchase price (before expenses)**
		HK$	*HK$*	*HK$*
November 2018	192,000,000	0.152	0.141	28,012,020
December 2018	110,820,000	0.142	0.133	15,383,320
Total	302,820,000			43,395,340

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of any listed securities of the Company during the Year.

CORPORATE GOVERNANCE PRACTICES

The Company endeavours in maintaining good corporate governance for the enhancement of shareholders' value. The Company has complied with all the applicable code provisions in the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the Year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, the Directors have complied with the required standard set out in the Model Code throughout the Year.

AUDIT COMMITTEE

The audit committee of the Board ("Audit Committee") comprises three independent non-executive Directors, namely Mr. Chu Hau Lim (the chairman of the Audit Committee), Mr. Wong Kun To and Ms. Lim Xue Ling, Charlene. During the Year, the Audit Committee reviewed the Group's audited consolidated financial statements for the year ended 31 December 2017 and the unaudited consolidated financial information for the six months ended 30 June 2018 respectively, discussed audit scope and findings with the Company's independent auditor, reviewed the Group's financial reporting system and internal control system, and made recommendation to the Board regarding appointment and remuneration of the external auditor. In the meeting of the Audit Committee of March 2019, the Audit Committee reviewed the Group's audited consolidated financial statements for the Year prior to recommending them to the Board for approval and discussed the internal audit report and other supporting document for the review of risk management and internal control systems and the effectiveness of internal audit function.

On behalf of the Board
Power Financial Group Limited
Choi Chun Chung, Danny
Chairman and Chief Executive Officer

Hong Kong, 22 March 2019

As at the date of this announcement, the executive Directors are Mr. Choi Chun Chung, Danny and Mr. Sit Sai Hung, Billy; and the independent non-executive Directors are Mr. Wong Kun To, Mr. Chu Hau Lim and Ms. Lim Xue Ling, Charlene.