CEFC Hong Kong Financial Investment Company Limited
香港華信金融投資有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1520)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

– Revenue of the Group for the year ended 31 December 2018 was approximately HK$203,892,000 (2017: HK$325,445,000), representing a decrease of approximately 37.3% as compared with the previous year.

– The loss attributable to the owners of the Company for the year ended 31 December 2018 was approximately HK$60,032,000 (2017: HK$15,632,000), representing an increase in loss attributable to the owners of the Company of approximately HK$44,400,000 or 284.0%. The increase in loss attributable to the owners of the Company for the year ended 31 December 2018 was primarily attributable to (i) decrease in revenue of our apparel operation and (ii) increase in administrative expenses in comparison to 2017.

– Loss per share of the Company for the year ended 31 December 2018 was approximately HK$3.55 cents (2017: loss per share of HK$1.11 cents).

– The Directors do not recommend the payment of any final dividend for the year ended 31 December 2018.

RESULTS

The board of Directors (the "Board") hereby announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018 together with the comparative figures for the corresponding period in 2017 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Revenue	*5*	**203,892**	325,445
Cost of sales		**(161,412)**	(229,856)
Gross profit		**42,480**	95,589
Other income and gains	*5*	**4,661**	3,508
Selling and distribution expenses		**(26,551)**	(39,245)
Administrative expenses		**(82,729)**	(73,085)
Finance costs		**(39)**	(642)
Loss before income tax	*6*	**(62,178)**	(13,875)
Income tax credit/(expense)	*7*	**2,146**	(1,757)
Loss for the year attributable to owners of the Company		**(60,032)**	(15,632)
Other comprehensive income, net of tax, attributable to owners of the Company			
Item that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of financial statements of foreign operations		**(1,388)**	1,652
Total comprehensive income for the year attributable to owners of the Company		**(61,420)**	(13,980)
Loss per share attributable to owners of the Company	*9*		
Basic and diluted loss per share (HK cents)		**(3.55)**	(1.11)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**23,465**	27,198
Payments for leasehold land held for own use under operating lease		**1,661**	1,806
Deposits		**–**	5,000
Goodwill	*10*	**87,656**	87,656
Intangible asset		**800**	800
Loans and interest receivables	*13*	**4,901**	–
Deferred tax assets		**5,333**	1,511
		123,816	123,971
Current assets			
Inventories	*11*	**9,007**	9,313
Trade and bills receivables	*12*	**18,548**	52,789
Loans and interest receivables	*13*	**100,438**	148,881
Deposits, prepayments and other receivables		**19,896**	17,260
Tax recoverable		**–**	2,216
Pledged bank deposits		**3,314**	6,596
Cash and bank balances		**152,597**	164,736
		303,800	401,791
Current liabilities			
Trade and bills payables	*14*	**20,273**	37,395
Contract liabilities		**2,031**	–
Accruals, other payables and receipts in advance		**18,893**	39,469
Interest-bearing borrowings	*15*	**218**	325
Provision for taxation		**2,930**	1,868
		44,345	79,057
Net current assets		**259,455**	322,734
Total assets less current liabilities		**383,271**	446,705
Non-current liabilities			
Interest-bearing borrowings	*15*	**853**	374
Net assets		**382,418**	446,331
EQUITY			
Equity attributable to owners of the Company			
Share capital		**16,900**	16,900
Reserves		**365,518**	429,431
Total equity		**382,418**	446,331

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital	Share premium	Merger reserve	Statutory reserve	Translation reserve	Retained earnings/ (Accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2017	8,300	188,404	2,988	2,982	419	61,059	264,152
Loss for the year	–	–	–	–	–	(15,632)	(15,632)
Other comprehensive income							
– Exchange gain on translation of financial statements of foreign operations	–	–	–	–	1,652	–	1,652
Total comprehensive income for the year	–	–	–	–	1,652	(15,632)	(13,980)
Profit appropriation to reserve	–	–	–	198	–	(198)	–
Issuance of shares	8,600	187,559	–	–	–	–	196,159
At 31 December 2017 and 1 January 2018	**16,900**	**375,963**	**2,988**	**3,180**	**2,071**	**45,229**	**446,331**
Adjustment on adoption of HKFRS 9	–	–	–	–	–	**(2,493)**	**(2,493)**
Restated balance at 1 January 2018	**16,900**	**375,963**	**2,988**	**3,180**	**2,071**	**42,736**	**443,838**
Loss for the year	–	–	–	–	–	**(60,032)**	**(60,032)**
Other comprehensive income							
– Exchange loss on translation of financial statements of foreign operations	–	–	–	–	**(1,388)**	–	**(1,388)**
Total comprehensive income for the year	–	–	–	–	**(1,388)**	**(60,032)**	**(61,420)**
Profit appropriation to reserve	–	–	–	**164**	–	**(164)**	–
At 31 December 2018	**16,900**	**375,963**	**2,988**	**3,344**	**683**	**(17,460)**	**382,418**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

CEFC Hong Kong Financial Investment Company Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 19 June 2013. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-IIII, Cayman Islands and Suite 2101, 21/F Convention Plaza Office Tower, 1 Harbour Road, Wan Chai, Hong Kong respectively. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The parent of the Company is New Seres CEFC Investment Fund LP ("New Seres"), an exempted limited liability partnership registered in Cayman Islands, and the ultimate controlling party of the Company is Shanghai Zhong'an United Investment Fund Co., Ltd.

The Company is an investment holding company and its subsidiaries (together the "Group") are principally engaged in design, manufacturing and trading of apparels and provision of money lending services.

The financial statements for the year ended 31 December 2018 were approved for issue by the board of directors on 28 March 2019.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 Adoption of new/revised HKFRSs – effective 1 January 2018

In the current year, the Group has applied the new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are first effective and relevant for the Group's financial statements for the annual period beginning on 1 January 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

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 balance of retained earnings as of 1 January 2018 as follows:

	HK$'000
Retained earnings	
Retained earnings as at 31 December 2017	45,229
Increase in expected credit losses ("ECLs") in trade receivables and loans and interest receivables	(2,493)
Restated retained earnings as at 1 January 2018	42,736

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 interest 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 as the new requirements only affect the accounting for financial liabilities that are designed at FVTPL and the Group does not have any such liabilities which are subject to HKFRS 9. 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, measure 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 asset at amortised cost; (ii) financial asset at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL. 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 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 at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group has no financial asset classified as FVOCI or FVTPL during the year. The Group's 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.

The Group reviewed its financial assets and liabilities and concluded that there is no significant impact of the classification and measurement of financial assets and liabilities upon the adoption of the new standard since 1 January 2018. The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 January 2018 under HKAS 39**	**Carrying amount as at 1 January 2018 under HKFRS 9**
			HK$'000	*HK$'000*
Deposits and other receivables	Loans and receivables	Amortised cost	19,559	19,559
Trade and bills receivables	Loans and receivables	Amortised cost	52,789	52,150
Loans and interest receivables	Loans and receivables	Amortised cost	148,881	147,027
Pledged bank deposits	Loans and receivables	Amortised cost	6,596	6,596
Cash and cash equivalents	Loans and receivables	Amortised cost	164,736	164,736

(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 model". HKFRS 9 requires the Group to recognised ECL for trade and bills receivables and other financial assets at amortised costs earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current year.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12-month 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.

The Group has elected to measure loss allowances for trade and bills receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets at amortised cost, the ECLs are based on the 12-month ECLs. The 12-month 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.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs, except for trade and bills receivables which apply the simplified approach, as detailed below.

Stage 1: Financial assets for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.

Stage 2: Financial assets for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Stage 3: Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

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

Presentation of ECLs

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

Impact of the ECL model

(a) Impairment of trade and bills receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade and bills receivables. To measure the ECLs, trade and bills receivables have been grouped based on shared credit risk characteristics and the days past due. Management has closely monitored the credit qualities and collectability of the trade and bills receivables.

The increase in loss allowance for trade and bills receivables upon the transition to HKFRS 9 as of 1 January 2018 were HK$639,000. The loss allowance for trade and bills receivables decreased by HK$232,000 during year ended 31 December 2018.

(b) Impairment of loans and interest receivables

The Group's loans and interest receivables are considered not having significant increase in credit risk, and the loss allowance recognised at 1 January 2018 and during the year ended 31 December 2018 was therefore limited to 12-month ECLs. When there have been a significant increase in credit risk, the loss allowance will be based on lifetime ECLs.

The increase in loss allowance for loans and interest receivables upon the transition to HKFRS 9 as of 1 January 2018 were HK$1,854,000. The impairment loss for loans and interest receivables decreased by HK$55,000 during year ended 31 December 2018.

(c) Impairment of other financial assets at amortised cost

Management has closely monitored the credit qualities and collectability of other financial assets at amortised cost and considers the ECL is immaterial on 1 January 2018 and for year ended 31 December 2018.

(iii) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. 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. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings 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.

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

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 retained earnings at the date of initial application (that is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

The transition to HKFRS 15 had no impact on the opening balances of retained earnings.

Details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group are set out below:

Nature of the goods, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
Customers obtain control when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the products. There is generally only one performance obligation. Invoices are usually payable from 10 to 180 days.	**Right of return** Under HKAS 18, revenue for these contracts was recognised when a reasonable estimate of the returns could be made, provide that all other revenue recognition criteria are met. If a reasonable estimate could not be made, such revenue would be deferred until the return period lapsed or a reasonable estimate could be made.
Right of return Some of the Group's contracts with customers from the sale of goods provides customers a right of return (a right to be refunded in cash).	Under HKFRS 15, right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right to recover returned goods assets are recognised. Impact: Accumulated experience is used to estimate such returns at the time of sale. Because of the large size and low value of each individual product, the amount of products return were immaterial. It is highly probable that a significant reversal in the cumulative revenue recognised will not occur. Therefore, no refund liability for goods return was recognised. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. As a result, no accounting impact for refunds while applying HKFRS 15.

Nature of the goods, satisfaction of performance obligations and payment terms	Nature of change in accounting policy and impact on 1 January 2018
Advances received from customers	**Advances received from customers**
Generally, the Group receives short-term advances from its customers.	Prior to the adoption of HKFRS 15, the Group presented these advances as receipts in advance in the consolidated statement of financial position. Upon the adoption of HKFRS 15, reclassifications have been made from deposits received to contract liabilities for the outstanding balance of advances from customers. Impact: As of 1 January 2018, no contract liabilities had been recognised since the amount was immaterial.

Amendments HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

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 financial statements as the Group had not previously adopted HKFRS 15 and took up the clarifications in this, its first year.

2.2 New/revised HKFRSs in issue but not yet effective

The following new/revised HKFRSs 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 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 HKFRS 11, Joint Arrangements[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]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Definition of material[2]
Amendments to HKFRS 3	Definition of business[2]

[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] The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred / removed. Early application of the amendments of the amendments continue to be permitted.

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 not 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.

The total operating lease commitment of the Group in respect of rented premises as at 31 December 2018 amounted to HK$9,398,000. The directors anticipate that the adoption of HKFRS 16 would not result in significant impact on the Group's result but expect that the above operating lease commitments will be recognised as right-of-use assets and lease liabilities in the Group's financial statements.

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.

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.

Save as discussed above, other than HKFRS 16 and HK(IFRIC) – Int 23, all new standards, amendments to standards and interpretations issued but not effective are not likely to have significant impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial statements have been prepared under historical cost convention.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

The financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

4. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's chief operating decision maker in order to allocate resources and assess performance of the segment. During the year, the Company has identified design, manufacture and trading of apparels and provision for money lending services as the reportable operating segments.

Each of these operating segments is managed separately as each of them requires different business strategies.

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

– all assets are allocated to operating segments other than certain cash and bank balances and cash and other corporate assets not attributable to the reportable segments;

– all liabilities are allocated to operating segments other than certain interest-bearing borrowings and other corporate liabilities not attributable to the reportable segments; and

– segment results represent the loss or profit incurred or earned by each segment without allocation of certain other income, certain administrative expenses, such as the Group's headquarter rental expenses and forfeiture of deposits, and certain finance costs.

The segment information provided to the executive directors for the reportable segments during the year is as follows:

	Design, manufacture and trading of apparels *HK$'000*	Money lending services *HK$'000*	Total *HK$'000*
Year ended 31 December 2018			
Revenue from external customers	**187,041**	**16,851**	**203,892**
Segment (loss)/profit	**(31,616)**	**8,706**	**(22,910)**
Reconciliation			
Bank interest income			**295**
Unallocated corporate expenses			**(39,524)**
Finance costs			**(39)**
Loss before tax			**(62,178)**
At 31 December 2018			
Segment assets	**103,300**	**219,724**	**323,024**
Other corporate assets			**104,592**
Total assets			**427,616**
Segment liabilities	**40,119**	**2,930**	**43,049**
Other corporate liabilities			**2,149**
Total liabilities			**45,198**
Other segment information			
Year ended 31 December 2018			
Depreciation and amortisation	**(1,723)**	**(1,099)**	**(2,822)**
Written off of trade receivables	**(464)**	**–**	**(464)**
Reversal of ECL on trade receivables	**232**	**–**	**232**
Reversal of ECL on loans and interest receivables	**–**	**55**	**55**
Capital expenditure	**1,719**	**–**	**1,719**

	Design, manufacture and trading of apparels *HK$'000*	Money lending services *HK$'000*	Total *HK$'000*
Year ended 31 December 2017			
Revenue from external customers	309,068	16,377	325,445
Segment (loss)/profit	(4,356)	10,368	6,012
Reconciliation			
Bank interest income			121
Unallocated corporate expenses			(19,366)
Finance costs			(642)
Loss before tax			(13,875)
At 31 December 2017			
Segment assets	163,565	252,920	416,485
Other corporate assets			109,277
Total assets			525,762
Segment liabilities	69,651	2,323	71,974
Other corporate liabilities			7,457
Total liabilities			79,431
Other segment information			
Year ended 31 December 2017			
Depreciation and amortisation	(1,881)	(916)	(2,797)
Fair value gain on financial assets at FVTPL	–	2,320	2,320
Provision for impairment on inventories	(1,519)	–	(1,519)
Impairment on loans and interest receivables	–	(165)	(165)
Capital expenditure	832	5,496	6,328

The Company is an investment holding company and the principal places of the Group's operations are in the People's Republic of China (the "PRC") (including Hong Kong). Management determines the Group is domiciled in Hong Kong, the PRC, which is the Group's principal operating location.

The Group's revenue from external customers is divided into the following geographical areas:

	2018	2017
	HK$'000	*HK$'000*
United States of America (the "USA")	**162,309**	252,852
Canada	**–**	30,259
Hong Kong	**37,207**	36,398
Others	**4,376**	5,936
	203,892	325,445

Geographical location of external customers is based on the location at which the customers are domiciled.

The principal non-current assets held by the Group are located in the PRC (including Hong Kong).

Revenue from each of the major customers which accounted for 10% or more of the Group's revenue for the year is set out below:

	2018	2017
	HK$'000	*HK$'000*
Customer A	**88,819**	106,915
Customer B	**28,316**	N/A*
Customer C	**25,534**	N/A*

* Accounted for less than 10% of the Group's revenue

As at 31 December 2018, 7% (2017: 2%) of the Group's trade receivables was due from these customers.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the interest income from loans receivables, sales of apparels, net of returns, discounts and sales related taxes.

The Group's sale of goods revenue from contracts with customers recognised at a point in time, interest income from loans receivables and other income and gains are as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**187,041**	309,068
Interest income from loans receivables	**16,851**	16,377
	203,892	325,445
Other income and gains		
Gain on disposals of property, plant and equipment	**20**	4
Bank interest income	**295**	121
Subcontracting income	**2,264**	–
Net gain on financial assets at FVTPL	**–**	2,320
Sundry income	**2,082**	1,063
	4,661	3,508

The performance obligation of sale of goods is satisfied upon dispatch of the apparels products and payment is generally due within 10-180 days from delivery. Some contracts provide customers with a right of return which give rise to variable consideration subject to constraint.

With the adoption of HKFRS 15 from 1 January 2018, the disaggregation of the Group's revenue from contracts with customers are as follows:

	Design, Manufacturing and trading of apparels
	HK$'000
Geographical markets	
The USA	162,309
Hong Kong	20,356
Others	4,376
Total revenue from contracts with customers	187,041

The following table provides information about trade and bills receivables and contract liabilities from contracts with customers.

	31 December 2018	1 January 2018
	HK$'000	*HK$'000*
Trade and bills receivables	**18,548**	52,150
Contract liabilities	**2,031**	–

6. LOSS BEFORE INCOME TAX

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

	2018	2017
	HK$'000	*HK$'000*
Amortisation of payments for leasehold land held for own use under operating lease	**54**	54
Auditor's remuneration	**1,200**	780
Cost of inventories recognised as expense	**161,412**	229,856
Depreciation of property, plant and equipment	**4,980**	2,955
Foreign exchange (gains)/losses, net	**(506)**	502
Gain on disposals of property, plant and equipment	**(20)**	(4)
Impairment on loans and interest receivables	**–**	165
Provision for impairment on inventories	**–**	1,519
Written off of trade receivables	**464**	–
Reversal of ECL on trade receivables	**(232)**	–
Reversal of ECL on loans and interest receivables	**(55)**	–
Forfeiture of deposit related to the possible acquisition of companies	**5,000**	–
Operating lease charges in respect of land and buildings	**14,839**	7,464
Employee benefit expense (including directors' emoluments)		
– Wages and salaries	**69,962**	76,513
– Pension scheme contribution – defined contribution plans	**3,037**	2,608
– Other benefits	**3,045**	3,020
	76,044	82,141

7. INCOME TAX (CREDIT)/EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current income tax (credited)/charged for the year:		
Hong Kong profits tax	**953**	1,845
PRC enterprise income tax ("EIT")	**725**	1,754
Over-provision in respect of prior year	**(2)**	–
	1,676	3,599
Deferred tax	**(3,822)**	(1,842)
	(2,146)	1,757

(i) Pursuant to the rules and regulations of the British Virgin Islands ("BVI") and the Cayman Islands, the Group is not subject to any taxation under these jurisdictions.

(ii) Hong Kong profits tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong, except for the first HK$2,000,000 of qualified entity's assessable profit is calculated at 8.25%, which is in accordance with the new two-tiered profits tax rates regime with effect from the year of assessment 2018/19.

(iii) PRC EIT is provided at 25% (2017: 25%) on the estimated assessable profits of the Group's PRC subsidiary for the year.

Under the law of the PRC on EIT, corporate withholding income tax is levied on the foreign investor for the dividends distributed out of the profits generated by the foreign investment enterprises. The Group's applicable withholding income tax rate is 5% (2017: 5%).

(iv) The USA corporate income tax comprises federal income tax calculated at 15% and state and local income tax calculated at various rates on the estimated assessable profits of the Group's subsidiary in the USA.

8. DIVIDENDS

No interim dividend was declared during the year (2017: Nil) and the board of directors of the Company does not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: Nil).

9. LOSS PER SHARE

The calculations of basic loss per share are based on the loss for the year attributable to owners of the Company of approximately HK$60,032,000 (2017: HK$15,632,000) and the weighted average of 1,690,000,000 (2017: 1,404,904,110) shares in issue during the year.

Diluted loss per share are the same as the basic loss per share as there were no dilutive potential ordinary shares in existence during the years.

10. GOODWILL

	2018	2017
	HK$'000	*HK$'000*
Cost at 1 January and 31 December	**99,109**	99,109
Accumulated impairment loss	**(11,453)**	(11,453)
Carrying amount as at 31 December	**87,656**	87,656

For the purpose of impairment testing, goodwill is allocated to the cash generation unit ("CGU") in relation to the Group's provision of money lending services (the "Money Lending CGU") in Hong Kong.

The recoverable amount of the Money Lending CGU has been determined from value in use calculation based on cash flow projections from formally approved budgets covering a five-year period. The discount rate applied to the cash flow projections is 13.4% (2017: 16.3%). Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2017: 3%), which does not exceed the long-term growth rate for market in Hong Kong. The discount rate used is pre-tax and reflect specific risks relating to the Money Lending CGU. The growth rate within the five-year period have been based on past experience.

If the discount rate increased to 1%, the recoverable amount of the Money Lending CGU would be approximately equal to its carrying amount. Except for this, any reasonable possible change in the key assumptions used in the value-in-use assessment would not affect the management's view on impairment as at 31 December 2018.

11. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Raw materials and consumables	**2,575**	3,266
Work in progress	**742**	765
Finished goods	**5,690**	5,282
	9,007	9,313

12. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**15,725**	42,613
Less: written off of trade receivables	**(464)**	–
Less: impairment loss	**(407)**	–
	14,854	42,613
Bills receivables	**3,694**	10,176
	18,548	52,789

Trade receivables are recognised at their original invoice amounts which represented their fair values at initial recognition. The Group's trade receivables are attributable to a number of independent customers with credit terms. Bills receivables are received from independent customers under the ordinary course of business. The Group normally allows a credit period ranging from 10 to 180 days (2017: 10 to 180 days) to its customers. Trade and bills receivables are non-interest bearing.

Ageing analysis of trade receivables based on invoice date and net of loss allowance is as follows:

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**3,215**	6,646
31 to 60 days	**5,895**	10,560
61 to 90 days	**717**	10,024
91 to 180 days	**2,120**	13,623
Over 180 days	**2,907**	1,760
	14,854	42,613

The movements in the loss allowance for impairment on trade receivables are as follows:

	2018	2017
	HK$'000	*HK$'000*
At beginning of year	**–**	777
Impact on initial application of HKFRS 9	**639**	–
Impairment losses, net	**(232)**	–
Amount written off as uncollectible	**–**	(777)
At end of year	**407**	–

The Group provided for impairment loss on individual assessment based on the accounting policy under HKFRS 9 and HKAS 39 for the year ended 31 December 2018 and 2017 respectively. The Group did not hold any collateral as security over the trade receivables. However, in order to minimise the credit risk of not receiving payments from its customers, the Group has entered into arrangements with a financial institution in the USA and a bank in Hong Kong (which in turn entered into certain arrangement with an insurance company in this connection), and Hong Kong Export Credit Insurance Corporation ("ECIC") (provides Hong Kong exporters with insurance protection against non-payment risks arising from commercial and political events), which offered trade receivable credit protection arrangement against the Group's trade receivables for certain major customers. As at 31 December 2018, trade receivables of approximately HK$9,439,000 (2017: HK$16,383,000) were under such arrangements of which if the Group ultimately becomes unable to collect the trade receivables, the Group will be entitled to receive compensation for the trade receivables from the financial institution or the bank.

13. LOANS AND INTEREST RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Non-current		
Loans receivables	**4,901**	–
Current		
Loans receivables	**100,190**	147,906
Interest receivables	**2,047**	975
Less: impairment loss	**(1,799)**	–
	100,438	148,881
	105,339	148,881

The Group's loans and interest receivables, which arise from the money lending business of providing corporate loans, personal loans and property mortgage loans in Hong Kong, are denominated in HK$.

As at 31 December 2018, loans and interest receivables of HK$60,578,000 (2017: HK$39,716,000) were unsecured while remaining loans and interest receivables of HK$44,761,000 (2017: HK$109,165,000) were secured by charges over certain properties in Hong Kong and personal properties such as diamonds and jewelries, and guaranteed by certain independent third parties. The interest rates on all loans receivables are from 2.3% to 36% (2017: 2.3% to 36%) per annum and loans receivables is due within 12 to 60 months and contains repayment on demand clause. The maximum exposure to credit risk at each of the reporting date is the carrying value of the loans and interests receivables mentioned above.

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

As at the reporting date, the Group reviewed its loans and interest receivables for evidence of impairment on both individual and collective basis. The Group recognised impairment loss on individual assessment based on the accounting policy under HKFRS 9 and HKAS 39 for the year ended 31 December 2018 and 2017 respectively.

The movements for impairment on loans and interest receivables are as follows:

	2018	2017
	HK$'000	*HK$'000*
At beginning of year	**–**	–
Impact on initial application of HKFRS 9	**1,854**	–
Impairment loss, net	**(55)**	–
At end of year	**1,799**	–

14. TRADE AND BILLS PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**9,227**	23,044
Bills payable	**11,046**	14,351
	20,273	37,395

Credit periods of trade payables normally granted by its suppliers were ranging from 15 to 120 days (2017: from 15 to 120 days).

Ageing analysis of trade payables as at the end of the reporting period based on invoice date is as follows:

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**4,728**	11,216
31 to 60 days	**1,929**	2,239
61 to 90 days	**881**	3,075
91 to 180 days	**981**	2,950
Over 180 days	**708**	3,564
	9,227	23,044

Bills payable are normally settled on 180-day (2017: 180-day) credit terms.

15. INTEREST-BEARING BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Current portion:		
Obligations under finance leases, secured	**218**	325
Non-current portion:		
Obligations under finance leases, secured	**853**	374
	1,071	699
Interests borne at rates per annum in the range of:		
– Fixed-rate borrowings	**4.5% to 5%**	4.5% to 5%

The carrying amounts of the Group's interest bearing borrowings are denominated in HK$. Total interest-bearing borrowings due for repayment based on the scheduled repayment dates are as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**218**	325
More than one year, but not exceeding two years	**229**	176
More than two years, but not exceeding five years	**624**	198
	1,071	699

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group principally engages in (i) design, manufacture and trading of apparels; and (ii) provision of money lending business.

APPAREL OPERATION

Revenue from apparel operation is principally derived from the sales of apparel products. The Group's products can be classified into two categories, namely, private label products and own brand products. Private label products are those designed and manufactured under the private labels owned or specified by the Group's customers, while own brand products are those designed and manufactured under the Group's proprietary labels.

There was intensified trade friction between China and the United States in 2018. During the year, the United States imposed tariffs on US$250 billion Chinese products, which included apparel products.

Our apparel products are manufactured in China and most of those apparel products are exported to the United States. Our apparel operation were thus adversely affected by the intensified trade friction between China and the United States. During the year, the apparel industry was worried about the development of trade disputes and was filled with uneasiness in the shadow of trade barriers.

Apart from trade disputes between China and the United States, the apparel industry was undergoing continuous transformation from brick-and-mortar retails to e-commerce retails in 2018 and certain of our customers were adversely affected.

Our apparel operation remained the largest contributor to the Group's business, accounting for 91.7% of total revenue. The revenue from apparel operation for 2018 was approximately HK$187,041,000 (2017: HK$309,068,000), declined by approximately 39.5%, as orders from our major customers, which have been adversely affected by the shift of consumers' buying habit to online shopping and weak sentiment among our customers in the United States due to intensified trade friction between China and the United States.

PRIVATE LABEL PRODUCTS

Revenue from certain major private label customers dropped in the year, resulting in the revenue from private label products decreased by approximately 31.2% to approximately HK$125,227,000 (2017: HK$181,966,000). Private label products continued to be the core business of the Group, contributing 67.0% (2017: 58.9%) of the total revenue from apparel operation for the year. The gross profit derived from private label products decreased by 73.8% to approximately HK$9,149,000 (2017: HK$34,904,000) and the gross profit margin declined to approximately 7.3% in 2018, compared with approximately 19.2% in 2017.

OWN BRAND PRODUCTS

Own brand products accounted for 33.0% (2017: 41.1%) of the total revenue from apparel operation for the year. For the year 2018, revenue from own brand products decreased by approximately 51.4% to approximately HK$61,814,000 (2017: HK$127,102,000) and gross profit decreased by 62.8% to approximately HK$16,480,000 (2017: HK$44,308,000). The gross profit margin for own brand products decreased from approximately 34.9% in 2017 to approximately 26.7% in 2018.

MONEY LENDING BUSINESS

Our money lending business primarily offers loans to individual consumers and small businesses in Hong Kong.

The Hong Kong economy grew by 3.0% for 2018 as a whole. Growth remained strong at 4.1% on a year-on-year basis in the first half of the year. However, affected by increasing external uncertainties, particularly those stemming from the trade conflicts between China and the United States and increase in the interest rate of the United States, the pace of Hong Kong economic growth decelerated to 2.8% in the third quarter and further to 1.3% in the fourth quarter.

As we focus on individual consumers and small businesses in Hong Kong, our money lending business is closely bound up with the Hong Kong economy. Despite facing volatile economic environment and keen competition, there was steady growth of approximately 2.9% of revenue from our money lending operation, from approximately HK$16,377,000 for the year ended 31 December 2017 to HK$16,851,000 for the year ended 31 December 2018. Our loans and interest receivables decreased by approximately 29.2%, from HK$148,881,000 at 31 December 2017 to approximately HK$105,339,000 at 31 December 2018.

COST OF SALES

As there was no direct cost incurred for money lending operation, cost of sales was incurred entirely for our apparel operation only. In light of the decline in revenue from apparel operation, the cost of sales decreased by approximately 29.8%, from approximately HK$229,856,000 for the year ended 31 December 2017 to approximately HK$161,412,000 for the year ended 31 December 2018.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit for the year ended 31 December 2018 was approximately HK$42,480,000 (2017: HK$95,589,000), representing a decrease of approximately HK$53,109,000 or 55.6% as compared to the corresponding period in 2017. The gross profit margin decreased from approximately 29.4% for the year ended 31 December 2017 to 20.8% for the year ended 31 December 2018. During the year, apparel operation contributed approximately HK$25,629,000 (2017: HK$79,212,000) to the gross profit, and money lending operation contributed approximately HK$16,851,000 (2017: HK$16,377,000) to the gross profit.

The gross profit from apparel operation decreased by approximately HK$53,583,000 or 67.6% to approximately HK$25,629,000 for the year ended 31 December 2018. The gross profit margin of apparel operation decreased to 13.7% for the year ended 31 December 2018 (2017: 25.6%). Our procurement costs fell during the year, but the decline was lower than the decline in sale. In addition, the Group also recorded a raise in the wages for production workers. On the other hand, because of the sales market was weak and so we were unable to pass the rising costs on to customers, which led to a narrowing of gross profit margin.

The gross profit from money lending operation increased by approximately HK$474,000, from HK$16,377,000 for the year ended 31 December 2017 to HK$16,851,000 for the year ended 31 December 2018, as there was more revenue from money lending operation in the year. The gross profit margin was 100% for money lending operation for the year ended 31 December 2018 (2017: 100%), as there was no direct cost incurred in generating revenue in the money lending operation.

OTHER INCOME AND GAINS

Other income and gains increased by approximately HK$1,153,000 or 32.9%, from approximately HK$3,508,000 in 2017 to approximately HK$4,661,000 in 2018. In 2018, there was subcontracting income of approximately $2,264,000 (2017: nil).

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses mainly consist of (i) import duty and transportation costs for delivery of the products; (ii) staff costs for our sales representatives; and (iii) rental costs of our showroom. The selling and distribution expenses incurred in the reporting period were approximately HK$26,551,000 (2017: HK$39,245,000), decreased by approximately HK$12,694,000 or 32.3% on a year to year basis. The decrease in selling and distribution expenses was primarily attributable to approximately 39.5% decline in revenue from apparel operation. As a percentage of revenue, selling and distribution expenses increased to 13.0% for the year ended 31 December 2018 from 12.1% for the year ended 31 December 2017.

ADMINISTRATIVE EXPENSES

Administrative expenses primarily consist of (i) staff costs; (ii) rental expenses; (iii) professional fees, (iv) forfeiture of deposit in relation to the possible acquisition of companies; and (v) depreciation of property, plant and equipment. The administrative expenses for the year ended 31 December 2018 were approximately HK$82,729,000 (2017: HK$73,085,000), increased by approximately 13.2% or HK$9,644,000. The increase in administrative expenses was mainly attributable to (i) the increase in rental expenses and depreciation of property, plant and equipment during the year following the change in control of the Company in May 2017; and (ii) forfeiture of deposit of HK$5,000,000 in relation to the possible acquisition of companies (please refer to the paragraph headed "POSSIBLE ACQUISITION OF PRIOR SECURITIES LIMITED AND PRIOR ASSET MANAGEMENT LIMITED" for further details).

FINANCE COSTS

Finance costs represent interest expenses on the Group's obligations under finance leases. The finance costs decreased by approximately 93.9% or HK$603,000 from approximately HK$642,000 for the year ended 31 December 2017 to approximately HK$39,000 for the year ended 31 December 2018, primarily due to there was only interest expenses for obligations under finance leases in 2018.

LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The loss attributable to the owners of the Company for the year ended 31 December 2018 was approximately HK$60,032,000 (2017: HK$15,632,000), representing an increase in loss attributable to the owners of the Company of approximately HK$44,400,000 or 284.0%. The increase in loss attributable to the owners of the Company for the year ended 31 December 2018 was primarily attributable to decrease in revenue of our apparel operation and increase in administrative expenses in comparison to 2017 as previously discussed.

GOODWILL

Goodwill arose on the acquisition of our money lending operation in November 2016, which was the fair value of consideration exceeding the fair value of the net identifiable assets of the acquiree. Goodwill is subject to impairment review periodically.

INVENTORY

The following table sets out a summary of the Group's inventory balances as at respective financial position dates below:

	As at 31 December 2018 *HK$'000*	As at 31 December 2017 *HK$'000*
Raw materials and consumables	**2,575**	3,266
Work in progress	**742**	765
Finished goods	**5,690**	5,282
	9,007	9,313
Inventory turnover day	**20**	15

The Group's inventory decreased by approximately HK$306,000 or 3.3%, from approximately HK$9,313,000 as at 31 December 2017 to approximately HK$9,007,000 as at 31 December 2018. The inventory turnover day increased from 15 days as at 31 December 2017 to 20 days as at 31 December 2018.

TRADE AND BILL RECEIVABLES

The following table sets out a summary of the Group's trade and bill receivables balances as at respective financial position dates below:

	As at 31 December 2018 *HK$'000*	As at 31 December 2017 *HK$'000*
Trade receivables	**14,854**	42,613
Bill receivables	**3,694**	10,176
	18,548	52,789
Trade receivables turnover day	**26**	48

The Group's trade and bills receivables decreased by approximately HK$34,241,000 or 64.9% from approximately HK$52,789,000 as at 31 December 2017 to approximately HK$18,548,000 as at 31 December 2018, as well as trade receivables turnover day decreased from 48 days as at 31 December 2017 to 26 days as at 31 December 2018.

LOAN AND INTEREST RECEIVABLES

The Group's loans and interest receivables decreased by approximately 29.2%, from HK$148,881,000 at 31 December 2017 to approximately HK$105,339,000 at 31 December 2018. The loans receivable as at 31 December 2018 were mainly comprised of mortgage loans receivables, secured loans receivables and personal loans receivables.

DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group's deposits, prepayments and other receivables increased by approximately HK$2,636,000 or 15.3% from approximately HK$17,260,000 as at 31 December 2017 to approximately HK$19,896,000 as at 31 December 2018, primarily due to more trade deposits were placed to our suppliers to purchase raw materials and finished goods.

TRADE AND BILL PAYABLES

The following table set out a summary of the Group's trade and bill payables balances as at respective financial position dates below:

	As at 31 December 2018 *HK$'000*	As at 31 December 2017 *HK$'000*
Trade payables	**9,227**	23,044
Bill payables	**11,046**	14,351
	20,273	37,395
Trade payables turnover day	**21**	37

The Group's trade and bills payables decreased by approximately HK$17,122,000 or 45.8% from approximately HK$37,395,000 as at 31 December 2017 to approximately HK$20,273,000 as at 31 December 2018. The trade payables turnover day decreased from 37 days as at 31 December 2017 to 21 days as at 31 December 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, pledged bank deposits and cash and bank balances amounted to approximately HK$155,911,000 (2017: HK$171,332,000). Total interest-bearing borrowings of the Group as at 31 December 2018 was approximately HK$1,071,000 (2017: HK$699,000), of which approximately HK$218,000 (2017: HK$325,000) would be repayable within one year and all the remaining interest-bearing borrowings of approximately HK$853,000 (2017: HK$374,000) would be repayable after one year. The current ratio of the Group was approximately 6.85 (2017: 5.08).

GEARING RATIO

The gearing ratio of the Group, calculated as total interest-bearing borrowings over total equity, was approximately 0.3% as at 31 December 2018 (2017: 0.2%).

CHARGE ON ASSETS

As at 31 December 2018, the Group's time deposits of HK$3,314,000 (2017: HK$4,522,000) and nil (2017: HK$2,074,000) were pledged as securities for the Group's bills payables and banking facilities respectively. Buildings and land with net carrying value of approximately HK$5,874,000 (2017: HK$6,653,000) were pledged as securities for the Group's bills payables.

CONTINGENT LIABILITIES

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

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FOREIGN EXCHANGE EXPOSURE

The Group derives the majority of its revenue in US$ while substantial portion of our costs are denominated in Renminbi ("RMB"). Appreciation of RMB against US$ will therefore directly decrease the profit margin of the Group if the Group is unable to increase the selling prices of its products accordingly. If the Group increases the selling prices of its products as a result of the appreciation of RMB, it may in turn affect the Group's competitiveness against its other business competitors. To the extent that the Company needs to convert future financing into RMB for the Group's operations, appreciation of the RMB against the relevant foreign currencies would have an adverse effect on the purchasing power of the RMB amount that the Company would receive from the conversion.

The exchange rates between RMB and US$ are subject to changes in the PRC Government's policies and global political and economic conditions.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2018.

POSSIBLE ACQUISITION OF PRIOR SECURITIES LIMITED AND PRIOR ASSET MANAGEMENT LIMITED

On 25 January 2017, the Group entered into two sale and purchase agreements (as supplemented and amended) thereof (the "Agreements") with a vendor in relation to the acquisition (the "Acquisition") of the entire share capital of Prior Securities Limited and Prior Asset Management Limited.

The conditions precedent pursuant to the Agreements were not fulfilled or satisfied by 31 July 2018, being the long stop date of the Agreements, therefore the Acquisition was not completed and the Agreements were automatically terminated.

The amount of HK$5,000,000 which represented payments of non-refundable deposit for the Acquisition was forfeited after the termination of the Agreements. The forfeiture of the non-refundable deposit was reflected in this annual result for the year ended 31 December 2018.

THE SUBSCRIPTION AND THE USE OF PROCEEDS

As disclosed in the joint announcement issued by the Company and New Seres CEFC Investment Fund LP ("New Seres") dated 15 February 2017 (the "Joint Announcement") and the circular of the Company dated 10 April 2017 (the "Circular"), the Company entered into an agreement with New Seres on 26 January 2017 in relation to the subscription of 860,000,000 new shares in the Company by New Seres (the "Subscription"). The Subscription was completed on 2 May 2017, raising net proceeds of approximately HK$195,720,000. Set out below are the details of the utilisation of the net proceeds from the Subscription during the financial year ended 31 December 2018:

	Intended use of the net proceeds as disclosed in the Joint Announcement and the Circular	Actual use of the net proceeds up to 31 December 2018	Unutilised net proceeds as at 31 December 2018
	HK$'000	*HK$'000*	*HK$'000*
(i) for the development of the loan financing business of the Group including but not limited to:			
– the provision of loans of larger principal amount longer term and (e.g. mortgage loans)	103,432	117,600	Over-utilised of HK$14,168 *(Note 1)*
– the expansion of sales and customer service team and the overheads for the loan financing business	9,000	3,199	5,801 *(Note 1)*
– the marketing campaign for the loan financing business	5,000	802	4,198 *(Note 1)*
(ii) for the development of the securities and asset management business of the Group including but not limited to:			
– the settlement of the outstanding consideration for the Acquisition	28,900	3,000	25,900 *(Note 2 and 3)*
– the business development of Prior Securities and Prior Asset	11,388	–	11,388 *(Note 3)*
– the grant of securities margin financing loans	38,000	–	38,000 *(Note 3)*
	195,720	124,601	71,119

Notes:

1. As the development of the financing business has exceeded expectation, no significant additional expenses were expected to be incurred on expansion of sales and customer service team and marketing campaign, and the unutilised proceeds as at 31 December 2018 had accordingly been used principally towards provision of loans to clients.

2. Up to 31 December 2018, the amount of HK$3,000,000 was utilised which represented payment of the second non-refundable deposit for the Acquisition in accordance with the terms of the Agreements.

3. As disclosed in the paragraph headed "POSSIBLE ACQUISITION OF PRIOR SECURITIES LIMITED AND PRIOR ASSET MANAGEMENT LIMITED" above, the Acquisition was not completed and the Agreements were automatically terminated. The unutilised proceeds, amounting to HK$75,288,000, which was originally allocated for the development of the securities and asset management business (including the Acquisition), shall be retained by the Group for its future acquisition(s) and business development and/or working capital purposes.

CAPITAL COMMITMENTS

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had a total of 332 employees (2017: 339 employees). Total staff costs (including Directors' emoluments) were approximately HK$76,044,000, as compared to approximately HK$82,141,000 for the year ended 31 December 2017. Remuneration is determined with reference to market norms as well as individual employees' performance, qualification and experience.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 31 December 2018 (31 December 2017: nil).

FINAL DIVIDEND

The Board of Directors did not recommend any payment of a final dividend for the year ended 31 December 2018.

EVENTS AFTER THE REPORTING DATE

There are no important subsequent events which would materially affect the Company or the Group after 31 December 2018 and up to the date of this announcement.

FUTURE PROSPECTS

The rise of trade protectionism among countries has weighed on global economic sentiment since 2018. Looking ahead, the risks to the global economy outlook remained skewed to the downside, in particular if the trade disputes drag on or deteriorate, this would unavoidably cast a shadow on our apparel business. With challenges, grave and complicated environment ahead, we will continue to steer our apparel business with prudent operation strategy.

For money lending business, we are pleased with our strategic positioning and we believe we would deliver satisfactory performance, despite the complicated external environment and keen competition. The outlook remains positive in the widst of any disruptive market developments and we remains optimistic with its development.

OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2018.

CORPORATE GOVERNANCE CODE

The Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year. The Board of the Company will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the audited consolidated annual results of the Company for the year ended 31 December 2018 and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure.

AUDITOR'S PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the announcement of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

By order of the Board
CEFC Hong Kong Financial Investment Company Limited
Guo Lin
Chairman & Executive Director

Hong Kong, 28 March 2019

As at the date of this announcement, the executive Directors are Mr. Guo Lin, Mr. Jiang Mingsheng, Mr. Jiang Tianqing, Mr. Hubert Tien, Mr. Liu Chun Fai;and the independent non-executive Directors are Mr. Lu Hongbing, Mr. Tang Shu Pui Simon, Mr. Hon Ming Sang and Mr. Wu Fei.