PAK TAK INTERNATIONAL LIMITED
(百德國際有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2668)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of Pak Tak International Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 together with the audited comparative figures for the nine months ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Note	**Year ended 31 December 2018** *HKD'000*	Period from 1 April 2017 to 31 December 2017 *HKD'000*
Continuing Operations			
Revenue	*2*	**1,358,821**	751,469
Other revenue	*4*	**4,401**	1,629
Other net gains	*4*	**5,873**	5,559
Fair value gain on investment properties		**5,113**	72,778
Direct costs and operating expenses		**(1,308,971)**	(727,591)
Administrative expenses		**(47,769)**	(33,387)
Selling expenses		**(7,313)**	(4,982)
Profit from operations		**10,155**	65,475
Finance costs	*5(a)*	**(10,617)**	(6,598)
Share of results of an associate		**(4,045)**	—

* *for identification purpose only*

	Note	Year ended 31 December 2018 HKD'000	Period from 1 April 2017 to 31 December 2017 HKD'000
(Loss)/profit before taxation	*5*	**(4,507)**	58,877
Income tax expense	*6*	**(4,547)**	(20,788)
(Loss)/profit from continuing operations		**(9,054)**	38,089
Discontinued operations			
Loss for the year/period from discontinued operations		**—**	(7,581)
(Loss)/profit for the year/period		**(9,054)**	30,508
Attributable to equity shareholders of the Company:			
— from continuing operations		**(9,041)**	38,089
— from discontinued operations		**—**	1,114
		(9,041)	39,203
Attributable to non-controlling interests:			
— from continuing operations		**(13)**	—
— from discontinued operations		**—**	(8,695)
		(13)	(8,695)
		(9,054)	30,508
		HK cents	*HK cents*
(Loss)/earnings per share	*7*		
From continuing and discontinued operations			
— Basic and diluted		**(0.31)**	2.19
From continuing operations			
— Basic and diluted		**(0.31)**	2.13

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Year ended 31 December 2018 *HKD'000*	Period from 1 April 2017 to 31 December 2017 *HKD'000*
(Loss)/profit for the year/period	**(9,054)**	30,508
Other comprehensive (loss)/income for the year/period:		
Items that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	**(13,649)**	17,158
— Share of associate's other comprehensive loss	**(240)**	—
Items that will not be reclassified subsequently to profit or loss:		
— Fair value changes of financial assets at fair value through other comprehensive loss, net of nil tax	**(33,419)**	—
Total comprehensive (loss)/income for the year/period	**(56,362)**	47,666
Attributable to:		
Equity shareholders of the Company	**(56,349)**	56,518
Non-controlling interests	**(13)**	(8,852)
	(56,362)	47,666

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 HKD'000	2017 HKD'000
Non-current assets			
Property, plant and equipment		**86,546**	19,137
Investment properties	*10*	**186,683**	191,677
Investment in an associate	*11*	**163,915**	—
Financial assets at fair value through other comprehensive income	*12*	**85,768**	—
Finance lease receivables	*13*	**19,969**	43,210
		542,881	254,024
Current assets			
Inventories		**38,571**	26,952
Trade and bills receivables	*14*	**38,167**	40,242
Loans receivables	*15*	**45,115**	60,451
Current portion of finance lease receivables	*13*	**30,286**	29,845
Other receivables, prepayments and deposits		**34,533**	19,954
Financial assets at fair value through profit or loss	*16*	**210**	26,329
Cash and cash equivalents		**138,404**	535,822
		325,286	739,595
Assets classified as held for sale		—	33,000
		325,286	772,595
Current liabilities			
Trade payables	*17*	**26,336**	26,646
Other payables and accrued charges		**26,633**	29,368
Bond	*18*	**97,764**	—
Borrowings and overdraft	*19*	**179,951**	336,762
Tax payable		**4,756**	1,081
		335,440	393,857
Net current (liabilities)/assets		**(10,154)**	378,738
Total assets less current liabilities		**532,727**	632,762

	Note	2018 HKD'000	2017 HKD'000
Non-current liabilities			
Borrowings	*19*	**46,208**	89,382
Deferred tax liabilities		**14,243**	14,397
Provision and other accrued charges		**14,481**	14,841
		74,932	118,620
NET ASSETS		**457,795**	514,142
CAPITAL AND RESERVES			
Share capital		**58,000**	58,000
Reserves		**399,793**	456,142
Equity attributable to equity shareholders of the Company		**457,793**	514,142
Non-controlling interests		**2**	—
TOTAL EQUITY		**457,795**	514,142

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to equity shareholders of the Company								
	Share capital *HKD'000*	Share premium *HKD'000*	Warrant reserve *HKD'000*	Financial assets at fair value through other comprehensive income reserve *HKD'000*	Exchange reserve *HKD'000*	Retained profits *HKD'000*	Sub-total *HKD'000*	Non-controlling interests *HKD'000*	Total equity *HKD'000*
At 1 April 2017	28,300	41,308	5,490	—	(5,205)	37,205	107,098	95,021	202,119
Changes in equity for the period from 1 April 2017 to 31 December 2017:									
Profit/(loss) for the period	—	—	—	—	—	39,203	39,203	(8,695)	30,508
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	—	—	—	—	17,315	—	17,315	(157)	17,158
Total comprehensive income/(loss) for the period	—	—	—	—	17,315	39,203	56,518	(8,852)	47,666
Issue of shares	29,700	320,826	—	—	—	—	350,526	—	350,526
Disposal of subsidiaries	—	—	—	—	(4,789)	4,789	—	(86,169)	(86,169)
At 31 December 2017	58,000	362,134	5,490	—	7,321	81,197	514,142	—	514,142
At 1 January 2018	**58,000**	**362,134**	**5,490**	**—**	**7,321**	**81,197**	**514,142**	**—**	**514,142**
Changes in equity for the year ended 31 December 2018:									
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(9,041)**	**(9,041)**	**(13)**	**(9,054)**
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	**—**	**—**	**—**	**—**	**(13,649)**	**—**	**(13,649)**	**—**	**(13,649)**
Share of associate's other comprehensive loss	**—**	**—**	**—**	**—**	**(240)**	**—**	**(240)**	**—**	**(240)**
Fair value change of financial assets at fair value through other comprehensive loss, net of nil tax	**—**	**—**	**—**	**(33,419)**	**—**	**—**	**(33,419)**	**—**	**(33,419)**
Total comprehensive loss for the year	**—**	**—**	**—**	**(33,419)**	**(13,889)**	**(9,041)**	**(56,349)**	**(13)**	**(56,362)**
Capital contribution by non-controlling interests of a subsidiary	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**15**	**15**
Warrants lapsed	**—**	**—**	**(5,490)**	**—**	**—**	**5,490**	**—**	**—**	**—**
At 31 December 2018	**58,000**	**362,134**	**—**	**(33,419)**	**(6,568)**	**77,646**	**457,793**	**2**	**457,795**

1. BASIS OF PREPARATION

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

(a) Going Concern

In preparing the consolidated financial statements of the Group, the directors of the Company have given consideration to the future liquidity of the Group in the light of the fact that the Group's current liabilities exceed its current assets by approximately HKD10,154,000 and the Group incurred a loss attributable to equity shareholders of the Company of approximately HKD9,041,000 for the year ended 31 December 2018. As at 31 December 2018, the Group had bond and borrowings and overdraft amounts of HKD97,764,000 and HKD179,951,000 respectively to be matured within one year after that date which are included in current liabilities.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group is able to operate as a going concern for the foreseeable future. In the opinion of the directors of the Company, the Group can meet its financial obligations as and when they fall due within the next year from the date of approval of these consolidated financial statements, after taking into consideration of the measures and arrangements made by the Group as detailed below:

(i) one substantial shareholder of the Company has confirmed that he will provide continuous financial support to the Group for a period of twelve months from the date of approval of the consolidated financial statements by the directors;

(ii) the Group is in negotiation with financial institutions for the renewals of the Group's short term bank borrowings upon expiry, new borrowings and applying for future credit facilities; and

(iii) The directors will consider to improve the financial position of the Group and to enlarge the capital base of the Company by conducting fund raising exercises such as share placement when necessary.

In light of the measures and arrangements implemented to date, the directors of the Company are of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for the next year from the date of approval of these consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its business. Accordingly, the directors of the Company are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows in the near future and obtain the continuous financial support from its substantial shareholders.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their estimated recoverable amounts, to provide further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

(b) Changes in accounting policies

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

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers and related amendments
- HK(IFRIC) Int 22, Foreign currency transactions and advance consideration
- Amendments to HKFRS 2, Share-based payment: Classification and measurement of share-based payment transactions
- Amendments to HKAS 40, Investment property: Transfers of investment property
- Amendments to HKFRSs, Annual improvements to HKFRSs 2014-2016 cycle

Other than as further explained below, the directors do not anticipate that the adoption of the new and amended HKFRSs will have a material impact on the consolidated financial statements for the current and prior periods and the related disclosures.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 and the related clarification to HKFRS 15 (hereinafter referred to as "**HKFRS 15**") presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue related Interpretations. HKFRS 15 establishes a single comprehensive model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

HKFRS 15 has been applied retrospectively without restatement of opening balances, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits at 1 January 2018. In accordance with the transition guidance, HKFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

The directors of the Company assessed that the adoption of HKFRS 15 has no material impact on the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows.

HKFRS 9 "Financial instruments"

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

The directors of the Company considered that there is no significant impact on the classification and measurement of the Group's financial assets as the Group does not have:

- Debt instruments that are classified as available-for-sale financial assets; and

- Debt instruments classified as held-to-maturity and measured at amortised cost.

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

The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed in HKFRS 9.

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

Financial assets — impairment

From 1 January 2018, the Group assesses on a forward-looking basis the expected credit losses ("**ECLs**") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For loans receivables, the ECLs are determined 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 end of the reporting period. 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 ECLs, 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 available forward-looking information. The Group's loan receivables at amortised cost are considered to have low credit risk since there was no recent history of default of the debtor and it has a good settlement record with the Group.

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

While cash and cash equivalents and other receivables are also subject to the impairment requirements of HKFRS 9, however, no material impairment loss was identified up to the report date.

The Group has not applied any new or amended HKFRSs that is not yet effective for the current accounting period.

2. REVENUE

Revenue represents the amounts received and receivable for goods sold, interest income from money lending business, finance lease income from leasing business, rental income from property investment business, gains on disposals of financial assets at fair value through profit or loss, consultancy fee income and income from sub-contracting services provided to outside customers during the year/period, net of discounts and related value added tax or other taxes, and is analysed as follows:

	Year ended 31 December 2018 *HKD'000*	Period from 1 April 2017 to 31 December 2017 *HKD'000*
Sales of goods	**1,323,798**	734,008
Loan interest income	**3,906**	2,880
Finance lease income	**7,421**	4,180
Rental income	**4,434**	1,443
Gains on disposals of financial assets at fair value through profit or loss	**7,825**	8,520
Consultancy fee income	**11,339**	237
Sub-contracting income	**98**	201
	1,358,821	751,469

3. BUSINESS COMBINATIONS

On 5 November 2018, Golden Flourish Property Limited, the direct wholly-owned subsidiary incorporated in British Virgin Islands of the Company, has completed the acquisition of 100% equity interest in Confield Worldwide Limited ("**Confield Worldwide**") from an independent third party vendor at a cash consideration of HKD71,332,000. The Directors are of the opinion that the acquisition of Confield Worldwide is in substance an asset acquisition instead of a business combination, as the net assets of the Confield Worldwide were mainly properties and Confield Worldwide was investment in properties for rental income prior to the acquisition by the Group.

Net assets of Confield Worldwide acquired:

	HKD'000
Property	71,332
Prepayments and deposits	35
Accruals and other payables	(17)
Tax payable	(18)
	71,332

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

	HKD'000
Consideration paid in cash and net cash outflow from acquisition of a subsidiary as assets acquisition	(71,332)

4. OTHER REVENUE AND OTHER NET GAINS

	Year ended 31 December 2018 ***HKD'000***	Period from 1 April 2017 to 31 December 2017 *HKD'000*
Other revenue		
Discount received	**127**	211
Dividend income	**821**	—
Interest income	**757**	335
Reimbursement income	**1,879**	555
Sales of scrap and unused raw materials	**15**	35
Sundry	**802**	493
	4,401	1,629
Other net gains		
Exchange gain/(loss), net	**4,297**	(1,462)
Gain on disposal of property, plant and equipment	**77**	179
Gain on disposal of assets classified as held for sale	**1,560**	—
Fair value changes of financial assets at fair value through profit or loss	**(61)**	6,842
	5,873	5,559

5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived after charging:

	Year ended 31 December 2018 *HKD'000*	Period from 1 April 2017 to 31 December 2017 *HKD'000*
(a) Finance costs:		
Interest on bond	**2,192**	—
Interest on borrowings and overdraft	**6,661**	6,598
Commission paid for issuance of bond	**1,764**	—
	10,617	6,598
(b) Staff costs (including directors' remuneration):		
Salaries, wages and allowances	**50,966**	33,682
Contributions to defined contribution retirement plans	**4,076**	2,994
Staff welfare and benefits	**1,364**	669
	56,406	37,345
(c) Other items:		
Auditors' remuneration	**1,208**	1,009
Cost of inventories sold #	**1,308,971**	727,591
Depreciation on property, plant and equipment	**7,350**	5,153
Legal and professional fees	**3,005**	2,350
Loss on disposals of property, plant and equipment	**1,312**	1,663
Operating lease charges: minimum lease payments		
— properties rentals	**8,100**	5,829

Cost of inventories includes HKD37,377,000 (period from 1 April 2017 to 31 December 2017: HKD24,138,000) relating to staff costs, depreciation and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in Note 5(b) for each of these types of expenses.

6. INCOME TAX EXPENSE

	Year ended 31 December 2018 *HKD'000*	Period from 1 April 2017 to 31 December 2017 *HKD'000*
Current tax		
— Hong Kong Profits Tax	**1,290**	1,092
— Over-provision in respect of prior years	**(375)**	—
— The PRC Enterprises Income Tax	**2,920**	—
	3,835	1,092
Deferred tax		
— Hong Kong	**(1,296)**	1,144
— The PRC	**2,008**	18,552
	712	19,696
Income tax expense	**4,547**	20,788

Hong Kong Profits Tax is calculated at 16.5% (period from 1 April 2017 to 31 December 2017: 16.5%) of the estimated assessable profit for the year ended 31 December 2018.

The subsidiaries in the PRC are subject to a tax rate of 25% (period from 1 April 2017 to 31 December 2017: 25%). No provision for income tax has been made by the Group's subsidiaries for the period from 1 April 2017 to 31 December 2017 as they either do not have assessable profits or have agreed tax losses brought forward in excess of any estimated assessable profits.

7. (LOSS)/EARNINGS PER SHARE

The diluted (loss)/earnings per share for the year ended 31 December 2018 and period from 1 April 2017 to 31 December 2017 was same as the basic (loss)/earnings per share. The computation of diluted (loss)/earnings per share does not assume the exercise of the Company's warrants because the exercise price of those warrants was higher than the average market price of the shares for the period from 1 April 2017 to 31 December 2017 and there is no impact on the diluted (loss)/earnings per share in 2018 as all the Company's warrants had expired on 27 August 2018.

Basic (loss)/earnings per share is calculated by dividing the (loss)/earnings attributable to equity shareholders of the Company by weighted average number of ordinary shares in issue during the year/period.

	Year ended 31 December 2018 *HKD'000*	Period from 1 April 2017 to 31 December 2017 *HKD'000*
(Loss)/earnings		
(Loss)/profit attributable to equity shareholders of the Company		
— From continued operations	**(9,041)**	38,089
— From discontinued operations	**—**	1,114
	(9,041)	39,203
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares in issue	**2,900,000**	1,789,399

Basic (loss)/earnings per share are the same as diluted (loss)/earnings per share as the Company has no dilutive potential shares.

8. SEGMENT REPORTING

The chief operating decision-maker ("**CODM**") has been identified as the executive Directors of the Company. The CODM reviews the Group's internal reporting for purpose of allocating resources to, and assessing the performance of, the Group's various businesses.

The Group is organised into business units based on their products and services and has seven reportable operating segments under HKFRS 8 Operating Segments which were as follows:

(i) Manufacturing and trading of garment;
(ii) Money lending business;
(iii) Securities investment
(iv) Leasing business;
(v) General trading;
(vi) Property investment and consultancy; and
(vii) New energy development (discontinued).

After the disposal, the new energy development business was discontinued in 2017.

The Group's operations are monitored with strategic decisions which are made on the basis of operating results, consolidated assets and liabilities as reflected in the consolidated financial statements.

(a) Operating segment

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

Year ended 31 December 2018	Continuing operations: Manufacturing and trading of garment *HKD'000*	Money lending business *HKD'000*	Securities investment *HKD'000*	Leasing business *HKD'000*	General trading *HKD'000*	Property investment and consultancy *HKD'000*	Subtotal *HKD'000*	Discontinued operations: New energy development *HKD'000*	Total *HKD'000*
Revenue from external customers	**278,303**	**3,906**	**7,825**	**7,421**	**1,045,592**	**15,774**	**1,358,821**	**—**	**1,358,821**
Segment result	**(15,503)**	**948**	**1,849**	**3,634**	**(1,781)**	**20,268**	**9,415**	**—**	**9,415**
Reconciliation:									
Interest income									**757**
Unallocated gains									**5,935**
Corporate and other unallocated expenses									**(8,494)**
Finance costs									**(10,617)**
Other net gains									**2,542**
Share of results of an associate									**(4,045)**
Loss before taxation									**(4,507)**
Income tax expense									**(4,547)**
Loss for the year									**(9,054)**

Period from 1 April 2017 to 31 December 2017	Continuing operations: Manufacturing and trading of garment *HKD'000*	Money lending business *HKD'000*	Securities investment *HKD'000*	Leasing business *HKD'000*	General trading *HKD'000*	Property investment and consultancy *HKD'000*	Subtotal *HKD'000*	Discontinued operations: New energy development *HKD'000*	Total *HKD'000*
Revenue from external customers	191,401	2,880	8,520	4,417	542,808	1,443	751,469	—	751,469
Segment result	(14,672)	580	13,062	1,430	(214)	73,670	73,856	(5,458)	68,398
Reconciliation:									
Interest income									502
Unallocated gains									5
Corporate and other unallocated expenses									(7,438)
Finance costs									(8,849)
Other net losses									(1,283)
Profit before taxation									51,335
Income tax expense									(20,827)
Profit for the period									30,508

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

At 31 December 2018	Continuing operations							Discontinued operations	
	Manufacturing and trading of garment	Money lending business	Securities investment	Leasing business	General trading	Property investment and consultancy	Subtotal	New energy development	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Segment assets	**82,934**	**50,540**	**86,512**	**178,851**	**22,109**	**207,010**	**627,956**	**—**	**627,956**
Reconciliation:									
Corporate and other unallocated assets									**240,211**
Total assets									**868,167**
Segment liabilities	**114,395**	**27**	**—**	**116,173**	**8,311**	**51,477**	**290,383**	**—**	**290,383**
Reconciliation:									
Deferred tax liabilities									**14,243**
Bond									**97,764**
Corporate and other unallocated liabilities									**7,982**
Total liabilities									**410,372**

At 31 December 2017	Continuing operations							Discontinued operations	
	Manufacturing and trading of garment	Money lending business	Securities investment	Leasing business	General trading	Property investment and consultancy	Subtotal	New energy development	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Segment assets	82,551	109,536	35,434	453,580	38,122	198,838	918,061	—	918,061
Reconciliation:									
Corporate and other unallocated assets									108,558
Total assets									1,026,619
Segment liabilities	100,412	719	—	322,361	13,670	58,824	495,986	—	495,986
Reconciliation:									
Deferred tax liabilities									14,397
Corporate and other unallocated liabilities									2,094
Total liabilities									512,477

The following is an analysis of the Group's other segment information by reportable segments:

Year ended 31 December 2018	Continuing operations: Manufacturing and trading of garment	Money lending business	Securities investment	Leasing business	General trading	Property investment and consultancy	Subtotal	Discontinued operations: New energy development	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Other information									
Additions to non-current segment assets	4,364	9	—	222	—	—	4,595	—	4,595
Unallocated expenditure									—
									4,595
Depreciation	6,254	42	—	68	—	—	6,364	—	6,364
Unallocated depreciation									986
									7,350
Impairment loss on trade and bills receivables	—	—	—	—	—	—	—	—	—

Period from 1 April 2017 to 31 December 2017	Continuing operations: Manufacturing and trading of garment	Money lending business	Securities investment	Leasing business	General trading	Property investment and consultancy	Subtotal	Discontinued operations: New energy development	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Other information									
Additions to non-current segment assets	5,928	23	—	69	3	113,895	119,918	900	120,818
Unallocated expenditure									—
									120,818
Depreciation	4,535	67	—	22	—	—	4,624	2,255	6,879
Unallocated depreciation									529
									7,408
Impairment loss on trade and bills receivables	—	—	—	—	—	—	—	—	—

(b) Geographical information

The Group's revenue from continuing operations from external customers by geographical market is as follows:

	Year ended 31 December 2018	Period from 1 April 2017 to 31 December 2017
	HKD'000	*HKD'000*
United States of America ("**USA**")	**190,338**	146,143
Europe	**38,471**	23,163
Asia	**1,112,508**	578,075
Others	**17,504**	4,088
	1,358,821	751,469

The Group's information about its non-current assets from continuing operations by geographic location is as follows:

	2018	2017
	HKD'000	*HKD'000*
The PRC	**198,112**	205,743
Hong Kong	**75,117**	5,071
	273,229	210,814

(c) Major customers

Revenue from major customers, each of whom amounted to 10% or more of the total revenue, is set out below:

	Year ended 31 December 2018	Period from 1 April 2017 to 31 December 2017
	HKD'000	*HKD'000*
Customer A[1]	—	198,757
Customer B[1]	—	89,295
Customer C	**477,807**	—
Customer D	**149,179**	—

[1] Revenue from customers for the year ended 31 December 2018 was contributed less than 10% of the total revenue of the Group.

9. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2018 (the period from 1 April 2017 to 31 December 2017: HKDNil).

10. INVESTMENT PROPERTIES

	2018	2017
	HKD'000	*HKD'000*
At the beginning of the year/period	**191,677**	—
Additions	—	113,895
Exchange realignment	**(10,107)**	5,004
Fair value gain	**5,113**	72,778
At the end of the year/period	**186,683**	191,677

The investment properties are situated in the PRC and are held under a medium-term lease.

At 31 December 2018, the Group's investment properties with an aggregate carrying amount of HKD186,683,000 (2017: HKD191,677,000), were pledged to bank loans granted to the Group (Note 19(a)).

11. INVESTMENT IN AN ASSOCIATE

	2018	2017
	HKD'000	*HKD'000*
Share of net assets other than goodwill	**127,472**	—
Goodwill	**36,443**	—
	163,915	—

On 3 June 2018, Hua Tong Group Limited, the direct wholly-owned subsidiary of the Company, has acquired 28% equity interest in Golden Affluent Limited ("**Golden Affluent**"), for a cash consideration of HKD168,200,000 from an independent third party. The acquisition was completed on 29 June 2018.

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

At 31 December 2018 and 31 December 2017, the Group has interests in the following associate:

Name	**Form of entity**	**Country of incorporation**	**Principal place of operation**	**Class of shares held**	**Proportion of nominal value of issued capital held by the Group**		**Principal activities**
					2018	2017	
Golden Affluent *(Note)*	Limited liability	British Virgin Islands	Hong Kong	Ordinary shares	28%	—	Investment holding

Note: Golden Affluent is principally engaged in investment holding and its subsidiaries are engaged in the provision of financial and bullion services in Hong Kong and private investment management services in the PRC.

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

	2018
	HKD'000
Current assets	133,591
Non-current assets	986,393
Current liabilities	(640,506)
Non-current liabilities	(6,268)
Equity	473,210
Revenue	129,738
Loss for the year	(10,142)
Other comprehensive loss	(254)
Total comprehensive loss	(10,396)
Reconciled to the Group's interest in the associate	
Net assets of the associate	473,210
Non-controlling interests of the associate's subsidiaries	(17,954)
	455,256
Group's effective interest	28%
Group's share of net assets of the associate	127,472
Goodwill	36,443
Carrying amount in the consolidated financial statement	163,915

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018	2017
	HKD'000	*HKD'000*
Equity investment designated at fair value through other comprehensive income		
— Listed equity securities in Hong Kong	**85,768**	—

The above listed equity investments represent ordinary shares of certain entities listed in Hong Kong. These investments are not held for trading, instead, they are held for long-term strategic purposes. Upon the initial adoption of HKFRS 9, the directors of the Company have elected to designate these investments in equity instruments as at fair value through other comprehensive income ("**FVOCI**") as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Changes in fair value of those equity securities are recognised in other comprehensive income and accumulated within the financial assets at FVOCI reserve within equity. The Group transfers amounts from this reserve to retained profits when the relevant equity securities are derecognised.

13. FINANCE LEASE RECEIVABLES

	2018	2017
	HKD'000	*HKD'000*
Non-current finance lease receivables	**19,969**	43,210
Current finance lease receivables	**30,286**	29,845
	50,255	73,055

The total minimum lease payments receivable under finance leases and their present values are as follows:

	Minimum lease payments receivable		**Present value of minimum lease payments**	
	2018	2017	**2018**	2017
	HKD'000	*HKD'000*	***HKD'000***	*HKD'000*
Within one year	**34,318**	34,767	**30,286**	29,845
Later than one year and not later than five years	**20,108**	45,230	**19,969**	43,210
	54,426	79,997	**50,255**	73,055
Less: Unearned interest income	**(4,171)**	(6,942)	**—**	—
Present value of minimum lease payments receivable	**50,255**	73,055	**50,255**	73,055

Certain motor vehicles and machineries are leased out under finance leases with lease terms of 36 to 48 months (2017: 36 months). The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate is approximately ranging from 6.2% to 8% (2017: 8%) per annum.

Finance lease receivables are secured over the motor vehicles and machineries leased. The Company is not permitted to sell or repledge the collateral in the absence of default by the lessee. The finance lease receivables at 31 December 2018 and 31 December 2017 are neither past due nor impaired.

14. TRADE AND BILLS RECEIVABLES

At 31 December 2018, the Group discounted bills receivable amounted to HKDnil (2017: HKD9,430,000) to banks with recourse and continue to be recognised as assets in the consolidated financial statements as the Group has not transferred substantially the risks and rewards of ownership of the bills receivable taking into account the credit rating of the issuers of the bills. Accordingly, the liabilities associated with such bills, bank borrowings, as disclosed in Note 19.

The ageing analysis of trade and bills receivables (net of loss allowances) as of the end of the reporting period, based on invoice date, is as follows:

	2018	2017
	HKD'000	*HKD'000*
Within 1 month	**25,843**	35,897
1 to 3 months	**11,433**	2,728
3 to 12 months	**698**	1,617
Over 12 months	**193**	—
	38,167	40,242

15. LOANS RECEIVABLES

The loans receivables from the money lending line of business are provided to independent third parties after a credit assessment on the borrower, bears interest ranging from 8% to 10% per annum and repayable within 1 year (2017: interest at 8% to 11% per annum and repayable within 1 year).

As at 31 December 2018, the loans receivables of amounting to HKD20,016,000 (2017: HKD18,015,000) are secured by the charges on certain shares of a company listed on the Main Board of the Stock Exchange held by the borrower, amounting to HKDNil (2017: HKD18,010,000) are secured by the charges on certain shares of a private company incorporated in Hong Kong held by the borrower, and amounting to HKD25,099,000 (2017: HKD24,426,000) are secured by the personal guarantee given by the sole director and sole shareholder of the borrower.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	HKD'000	*HKD'000*
Held for trading investments at fair value		
— Listed equity securities in Hong Kong	**210**	26,329

17. TRADE PAYABLES

The ageing analysis of trade payables as of the end of the reporting period, based on invoice date, is as follows:

	2018	2017
	HKD'000	*HKD'000*
Within 1 month	**21,240**	21,564
1 to 3 months	**4,672**	4,310
3 to 12 months	**352**	764
Over 12 months	**72**	8
	26,336	26,646

18. BOND

	2018	2017
	HKD'000	*HKD'000*
Bond carried at fixed coupon rate of 5% per annum	**97,764**	—

The Company entered into a placing agreement with a placing agent, a subsidiary of an associated company of the Company, issued a 5% coupon unlisted bond on 24 July 2018 with the principal amount of HKD100,000,000. The amount is repayable within 12 months from the date of issue, which is 24 July 2018.

Transaction cost of placing commission of 4% of the principal amount of bond is incurred and amortised over the expected life of the bond.

19. BORROWINGS AND OVERDRAFT

	2018	2017
	HKD'000	*HKD'000*
Bank loans, secured *(Note (a))*	**95,182**	78,734
Bank advances for discounted bills *(Note 14)*	**—**	9,430
Bank overdraft *(Note (a))*	**17,117**	19,794
Other borrowings, unsecured *(Note (b))*	**113,860**	318,186
	226,159	426,144

The maturity profile of borrowings and overdraft, based on the scheduled repayment dates set out in relevant loan agreements, is as follows:

	2018	2017
	HKD'000	*HKD'000*
Within 1 year	**179,951**	336,762
After 1 year but within 2 years	**4,678**	4,633
After 2 years but within 5 years	**41,530**	84,749
	226,159	426,144
Less: Amount due within one year or repayable on demand classified as current liabilities	**(179,951)**	(336,762)
	46,208	89,382

Notes:

(a) At 31 December 2018, bank loans of HKD44,580,000 (2017: HKD21,028,000) were secured by corporate guarantee from the Company, legal charges on leasehold properties of companies controlled by and personal guarantees from Mr. Cheng Kwai Chun ("**Mr. Cheng**"), a director of a wholly owned subsidiary of the Company. Bank loan of HKD50,602,000 (2017: HKD57,706,000) was secured by investment properties of the Group. Bank overdraft of HKD17,117,000 (2017: HKD19,794,000) was secured by legal charge on certain assets of Mr. Cheng.

(b) Other borrowings are obtained from independent third parties. Amount of HKD113,860,000 is unsecured, interest-bearing at 4.35% per annum and are repayable within 1 year.

At 31 December 2017, other borrowings amount of HKD282,165,000 is unsecured, interest-bearing at 1.5% per month and are repayable within 1 year. The remaining other borrowings amount of HKD36,021,000 is interest-bearing at 6% per annum and is repayable within 2 years.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2018, the principal activities of the Group are: i) manufacture and trading of garments (the "**Garments Business**"); ii) money lending business in Hong Kong under the provisions of the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) (the "**Money Lending Business**"); iii) the finance leasing business (the "**Leasing Business**"); iv) general trading (the "**General Trading**"); v) property investment and consultancy (the "**Property Investment**") and vi) securities investment (the "**Securities Investment**").

Garments Business

For the year ended 31 December 2018, the Garments Business was full of uncertainty due to the growing trade tension between the USA and the PRC, especially because the USA is our major market of the Garments Business. In spite of that, the Group focused on the existing customers with long-term relationships and recorded a sales growth during the year. Even though the overall performance of garment business had slightly improved throughout the year, it is still loss-making and the Group will continue to monitor the business development closely to improve such situation.

Money Lending Business

The Group engages in the Money Lending Business since 2017, such as loans to customers comprising individuals and corporations to earn interest income. For the year ended 31 December 2018, the Group's loan receivables, which are repayable in accordance with the repayment schedules within 1 year, amounted to approximately HKD45.1 million, and the recognised loan interest income was HKD3.9 million. The rate of return of the Money Lending Business is in the range of 8% to 10%. All the loan receivables are repayable according to the repayment schedules. To safeguard development of Money Lending Business, the Group will continue to adopt a prudent risk management policy, and also to carry out regularly review of credit risk over the existing borrowers.

Leasing Business

As at 31 December 2018, the aggregate finance lease receivables was HKD50.3 million and recognised the revenue of HKD7.4 million for the year ended 31 December 2018. As at the date of this announcement, all the finance lease receivables as at 31 December 2018 have been collected and received on time according to the repayment schedule. The Group adopted a prudent approach in the Leasing Business to minimise its credit and business risks.

Securities Investment

In order to enhance the investment opportunities, the Group invested in several equities listed on the Stock Exchange as short term and long-term investments in 2018. For the year ended 31 December 2018, the Securities Investment segment recorded revenue of HKD7.8 million. Under the unstable global political and economic environments, we will closely monitor the market changes and adjust our investment strategy.

General Trading

For the year ended 31 December 2018, the revenue from the General Trading segment amounted to approximately HKD1,045.6 million, involving products including but not limited to the trading of non-ferrous metals, the marine products, construction materials and metal materials, of which the customers and the suppliers include listed companies and private companies in the PRC. In 2018, the management of the Company put effort to expand the operation of this segment for achieving a long-term growth development.

Property Investment

Since 2017, the Group had acquired 141 retailing shops which have a total floor area of approximately 18,000 square meter located in Yunfu, PRC. For the year ended 31 December 2018, the Group recorded the revenue of rental income and consultancy income amounted to approximately HKD15.8 million and as at 31 December 2018, the investment properties held by the Group measured at fair value amounted to HKD186.7 million, representing a fair value gains on investment properties of HKD5.1 million and decrease in exchange realignment of HKD10.1 million. The revenue from this segment proved that the investment properties could provide a considerable and steady return to the Group.

FINANCIAL REVIEW

Below is an analysis of our key financial information including, but not limited to revenue, expenses and loss for the year, which reflected the financial position of the business.

Revenue

The total revenue of the Group for the year ended 31 December 2018 amounted to HKD1,358.8 million. This represented a significant increase of 80.8% over the revenue of HKD607.3 million for the nine months ended 31 December 2017. Such increase was mainly due to the sharp increase in trading of non-ferrous metals, and recorded the revenue in General Trading of HKD1,045.6 million for the year ended 31 December 2018 as compared with HKD542.8 million for the nine months ended 31 December 2017.

The revenue in Garments Business recorded an increase of HKD86.9 million from HKD191.4 million for the nine months ended 31 December 2017 to HKD278.3 million for the year ended 31 December 2018. The increase is mainly due to the increase in sales order from our two major customers which indicated the slow recovery in USA economy.

Apart from the General Trading and Garments Business, the revenue from Money Lending, Securities Investment, Leasing Business and Property Investment was amounted to HKD34.9 million in total for the year ended 31 December 2018 as compared the same with the nine months ended 31 December 2017 of HKD17.3 million.

For the year ended 31 December 2018, the major market of the Group was in Asia, which accounted for 81.9% of the Group's total revenue, whereas 16.8% of the Group's total revenue was attributed to sales to USA and Europe.

Expenses

The Group's direct costs and operating expenses significantly increased by HKD581.4 million from HKD727.6 million for the nine months ended 31 December 2017 to HKD1,309.0 million for the year ended 31 December 2018. The increase in direct costs and operating expenses was mainly due to the significant growth in General Trading whereas the revenue from General Trading was accounted for 76.9% of the Group's total revenue.

The Group's administrative expenses from continuing operations increased by HKD14.4 million from HKD33.4 million for nine months ended 31 December 2017 to HKD47.8 million for the year ended 31 December 2018, as a result of the change in financial year end date.

The Group's selling expenses from continuing operations increased by HKD2.3 million from HKD5.0 million for the nine months ended 31 December 2017 to HKD7.3 million for the nine months ended 31 December 2018, such increase was in line with the increase in revenue in Garments Business. All the selling expenses were related to the Garment Business.

The Group's finance cost from continuing operations increased by HKD4.0 million from HKD6.6 million for the nine months ended 31 December 2017 to HKD10.6 million for the year ended 31 December 2018. The increase in finance cost was mainly due to the issuance of unlisted bond in the current year.

Loss for the Year

For the year ended 31 December 2018, the Group recorded a net loss of HKD9.1 million as compared to a net profit of HKD30.5 million for the nine months ended 31 December 2017, such loss was mainly due to (a) a substantial decrease of HKD67.7 million in the fair value gain on investment properties; and (b) the absence of a one-off gain on disposal of the new energy business companies of HKD10.5 million which recorded in previous period.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2018, the cash and cash equivalents (excluding bank overdrafts) of the Group were HKD138.4 million (2017: HKD535.8 million) and interest-bearing borrowings, included the unlisted bond, the borrowings and overdraft, were HKD323.9 million (2017: HKD426.1 million). The following table details the cash and cash equivalents, the bond and the borrowings and overdraft of the Group at the end of the reporting period denominated in original currencies:

	At 31 December 2018		
	HKD	**RMB**	**USD**
	('000)	*('000)*	*('000)*
Cash and cash equivalents	8,866	108,612	753
Bond	97,764	—	—
Borrowings and overdraft	61,698	144,442	—

	At 31 December 2017		
	HKD	**RMB**	**USD**
	('000)	*('000)*	*('000)*
Cash and cash equivalents	195,797	280,948	277
Borrowings and overdraft	50,283	313,060	—

The Group principally satisfies its demand for operating capital with cash inflow from its operations and the borrowings. As at 31 December 2018, the gearing ratio, which is calculated on the basis of total borrowings over total shareholders' fund of the Group, was 70.8% (2017: 82.9%). The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 0.97 (2017: 1.96). Decrease in liquidity ratio was due to the long-term investments made during the year.

UNLISTED WARRANTS

On 27 August 2015, the Company issued an aggregate of 283,000,000 unlisted warrants at the issue price of HKD0.02 per warrant to the subscribers, each of which would entitle the warrant holder(s) to subscribe in cash for one share at the exercise price of HKD3.00 (subject to adjustment) at any time during a period of 3 years commencing on the date immediately after the issue date of the unlisted warrants (the "**Unlisted Warrants**"). Upon full exercise of the subscription rights attaching to the Unlisted Warrants, a total of 283,000,000 warrant shares would be issued. The warrant shares, when fully paid and allotted would rank pari passu in all respects with the then existing issued shares of the Company. The exercise period of the Unlisted Warrants had expired on 27 August 2018, and no Unlisted Warrant was exercised by the warrant holder(s).

Upon the expiry of the Unlisted Warrants, the Company does not have any outstanding Unlisted Warrants.

FOREIGN EXCHANGE AND INTEREST RATE RISKS MANAGEMENT

The Group adopts strict and cautious policies in managing its exchange rate risk and interest rate risk. The principal foreign currency exchange risk stems from the exchange rate movements of the Hong Kong dollar, which is pegged to the United States dollar, and Renminbi. The sales of the Group and purchases of raw materials are mainly denominated in Renminbi and United States dollar, while the Group's operations in the PRC, the location of its production, are primarily conducted in Renminbi, its Hong Kong operations are conducted in Hong Kong dollar. The management will closely monitor such risk and will consider hedging significant foreign currency exposure should the need arise.

The interest rate risk arises from the borrowings and overdrafts, which, being obtained at variable rates and at fixed rates, expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group analyses its interest rate exposure on a dynamic basis and considers managing this risk in a cost-effective manner when appropriate, through a variety of means.

PLEDGED ON GROUP ASSETS

As at 31 December 2018, certain of the Group's investment properties located in Yunfu, PRC with net carrying amount of HKD186.7 million (2017: 191.7 million) were pledged to secure the banking facilities.

CAPITAL EXPENDITURES AND COMMITMENTS

During the period under review, the Group invested HKD75.9 million (2017: HKD120.8 million) on properties, plant and equipment and investment properties, which included leasehold improvements, plant and machinery, furniture, fixtures and equipment and motor vehicles. As at 31 December 2018 and 2017, the Group had no capital commitments.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2018, the significant investments held by the Group are as follows:

	31 December 2018	31 December 2017
	HKD'000	*HKD'000*
Investment in an associate	**163,915**	–
Financial assets at fair value through other comprehensive income	**85,768**	–
Financial assets at fair value through profit or loss	**210**	26,329
	249,893	26,329

Information in relation to the financial assets at fair value through other comprehensive income and the financial assets at fair value through profit or loss as at 31 December 2018 are set out as follows:

Stock Code	**Name of investee company**	**Nature of investment**	**Number of shares held**	**Percentage of shareholding in such stock**	**Fair value as at 31 December 2018** *HKD'000*	**Percentage to the Group's total assets as at 31 December 2018**	**Change in fair value for the year ended 31 December 2018** *HKD'000*
Financial assets at fair value through other comprehensive income							
0299	New Sports Group Limited ("**New Sports**")	Investment in shares	36,500,000	0.90%	17,155	1.98%	(13,778)
1282	China Goldjoy Group Limited ("**China Goldjoy**")	Investment in shares	85,000,000	0.33%	40,800	4.70%	(1,266)
8057	Madison Holdings Group Limited ("**Madison Holdings**")	Investment in shares	25,100,000	0.59%	25,853	2.98%	(16,711)
Other					1,960		(1,664)
Sub-total					85,768		(33,419)
Financial assets at fair value through profit or loss							
Other					210		(61)
Total					85,978		(33,480)

The principal activities of the securities are as follows:

1. New Sports is a Hong Kong-based investment holding company and is principally engaged in information technology (IT) businesses into three segments: (1) software segment is engaged in the provision of outsourcing software development services and technical support services; (2) provision of online game services segment is engaged in the design, development and operation of mobile and web games; and (3) peer-to-peer (P2P) financial intermediary services segment is engaged in the provision of P2P financial intermediary services and other related consultancy services.

2. China Goldjoy is an investment holding company principally engaged in the manufacture of high-technology products, and the trading of automation-related equipment. The company operates through three business segments: automation, manufacturing and securities investment. The company is also engaged in the research and development, trading of software, manufacturing of printed circuit board touch pad, as well as the development of business and the marketing of products through its subsidiaries.

3. Madison Holdings is an investment holding company and is principally engaged in the retailing and wholesaling of alcoholic beverages. It is also engaged in the provision of wine storage services through its subsidiaries. Its products are mainly purchased from wine merchants and wineries, auction houses and individual wine collectors. Its business is mainly conducted in Hong Kong.

Save as disclosed above, the Group also invested in other shares listed in the Stock Exchange. Each of the fair value of these shares represented less than 1% of the total assets of the Group as at 31 December 2018.

Save as disclosed above, there were no significant investments held by the Group for the year ended 31 December 2018.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

Discloseable Transaction in Relation to the Acquisition of the Property in Hong Kong

In March 2018, the Company through its direct wholly-owned subsidiary, entered into a provisional sale and purchase agreement with the independent third party in relation to the acquisition of the entire interest in and loan to Confield Worldwide a property holding company at a cash consideration of HKD71,632,000. The property held by Confield Worldwide is situated at Unit 1902, 19/F, Tower 2 Lippo Centre, No. 89 Queensway, Hong Kong and is a commercial property with a gross floor area of approximately 1,900 square feet, which is intended to be used as the office premises of the Group. The above-mentioned transaction was completed in November 2018 and accounted for as property, plant and equipment. The final consideration was HKD71.3 million.

Discloseable Transaction in Relation to the Acquisition of Minority Interest in Financial Services Companies

In June 2018, the Company through its direct wholly-owned subsidiary, entered into a share transfer agreement with an independent third party in relation to the acquisition of 28% of the issued share capital of the Golden Affluent at the cash consideration of HKD168,200,000. The acquisition was completed on 29 June 2018. The consideration was fully paid. After the acquisition, Golden Affluent and its subsidiaries, which was principally engaged in the provision of financial and bullion services in Hong Kong and private investment management services in the PRC, became the associates of the Company.

Save as disclosed above, there were no other material acquisitions and disposals of subsidiaries by the Group for the year ended 31 December 2018.

FINANCIAL GUARANTEES PROVIDED

As at 31 December 2018, the Company had provided corporate guarantees amounting to HKD111.9 million (2017: HKD151.1 million) in favour of certain banks and lenders in connection with facilities granted to certain subsidiaries of the Group.

The guarantees were provided by the Company at nil consideration. The transactions were not at arm's length, and it is not possible to measure reliably the fair value of these transactions in accordance with HKFRS 9, Financial instruments, had they been at arm's length. Accordingly, the guarantees have not been accounted for as financial liabilities and measured at fair value.

As at 31 December 2018, the Directors considered it was not probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees provided amounted to the facilities drawn down by the subsidiaries of HKD44.6 million (2017: HKD66.5 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had a total of approximately 510 employees (2017: approximately 470 employees). The total staff cost of the Group amounted to approximately HKD56.4 million for the year ended 31 December 2018, representing 4.2% of the Group's turnover. Employees' remuneration and bonuses are based on their responsibilities, performances, experience and the prevailing industry practice. The Group's remuneration policies and packages were reviewed periodically by the management of the Company. The Group provides relevant training to its employees in accordance with the skills requirements of difference positions.

EVENTS AFTER THE REPORTING PERIOD

The Company does not have any significant events after the reporting period.

FUTURE PROSPECTS

Under the unstable global political and economic environments in 2018, the Garments Business is expected to continue facing significant challenges in 2019, i.e. the United States and China trading argument and the issues of Brexit. We shall maintain a cautious and prudent approach in Garments Business segments by closely monitoring the business development, also optimizing our resources and increasing operational efficiency, and will take any possible solutions to improve the overall performance of the Group. Meanwhile, we are going to divert more attention and resource to developing the General Trading, Money Lending Business, Leasing Business and Securities Investment, respectively.

Considering the challenging investment environment, the management will continue to exercise prudency in looking for any suitable business opportunities in future, so as to broaden the sources of our revenues and cash flows, taking into account the funding requirements and associated business risks.

DIVIDEND

The Board did not recommend the payment of any dividend for the year ended 31 December 2018 (the nine months ended 31 December 2017: Nil).

OTHER INFORMATION

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2018, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the following deviations:

Under code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Wang Jian ("**Mr. Wang**") served as both the Chairman of the Board and the Chief Executive Officer of the Company. Mr. Wang has extensive experience in the construction and engineering industry and is responsible for the overall corporate strategies, planning and business development of the Group. Accordingly, the Board believes that this structure has the advantage of a strong and consistent leadership which is conducive to making and implementing decision efficiently and consistently, and the balance of power and authority is adequately ensured by the operation of the Board which comprises experienced and high caliber individuals, with the majority of the member of the Board being non-executive Directors (including independent non-executive Directors);

Under code provision A.4.1, non-executive directors should be appointed for a specific term and are subject to re-election. Mr. Law Fei Shing ("**Mr. Law**"), who is a non-executive Director of the Company, was not appointed for a specific term but is subject to retirement by rotation and re-election at annual general meeting at least once every three years in accordance with the Bye-laws of the Company. When Mr. Law is due for re-election, the nomination committee of the Board and the Board will review his performance and consider whether a recommendation should be made to the shareholders of the Company on his re-election at the annual general meeting in accordance with the Company's policy on selection and nomination of Directors. As such, the Board is of the view that sufficient safeguards are in place to ensure that Mr. Law will remain suitable for directorship of the Company; and

Under code provisions A.6.7 and E.1.2, the chairman of the board should attend the annual general meeting, and independent non-executive directors and other non-executive directors should attend general meetings. Mr. Wang, Mr. Law and Mr. Shin Yick Fabian were unable to attend the annual general meeting of the Company held on 25 May 2018, due to other prearranged business commitments which had to attend.

The Board will continuously review the effectiveness of the corporate governance structure of the Company and effect changes whenever necessary.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions (the "**Model Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code for the year ended 31 December 2018.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three Independent Non-executive Directors of the Company. The Audit Committee has reviewed with the management of the Company and the external auditor, Baker Tilly Hong Kong Limited, the accounting principles and practices adopted by the Group and also discussed auditing, internal controls and financial reporting matters including the review of the audited consolidated financial statements for the year ended December 2018 of the Group.

CLOSURE OF REGISTER OF MEMBERS

The 2019 Annual General Meeting of the Company is scheduled to be held on Friday, 21 June 2019 (the "**AGM**"). The register of members of the Company will be closed from Monday, 17 June 2019 to Friday, 21 June 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all properly completed transfer of share(s) accompanied by the relevant share certificate(s), must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 14 June 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, the Company maintained a sufficient public float with at least 25% of the issued shares of the Company being held by the public under the Listing Rules throughout the year ended 31 December 2018 and up to the date of this announcement.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company's annual report containing all information required by the Listing Rules will be despatched to shareholders and published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.paktakintl.com in due course.

On behalf of the Board
Pak Tak International Limited
Wang Jian
Chairman and Chief Executive Officer

Hong Kong, 29 March 2019

As at the date of this announcement, the Board comprises Mr. Wang Jian, Ms. Qian Pu and Mr. Feng Guoming as Executive Directors; Mr. Law Fei Shing and Mr. Shin Yick Fabian as Non-executive Directors; and Mr. Liu Kam Lung, Mr. Chan Kin Sang and Mr. Zheng Suijun as Independent Non-executive Directors.