SUPERACTIVE GROUP COMPANY LIMITED
先機企業集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 0176)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Revenue	4	**237,525**	206,526
Cost of sales		**(195,456)**	(186,507)
Gross profit		**42,069**	20,019
Other net gains	5	**16,607**	63,368
Selling and distribution costs		**(4,567)**	(4,902)
Administrative costs		**(89,254)**	(53,495)
Finance costs		**(26,941)**	(223)
Impairment of assets		**(107,859)**	—
Net impairment losses on financial assets	6	**(35,157)**	159
Share of results of associates	10	**11,929**	54,122

	Notes	**2018** HK$'000	2017 HK$'000
(Loss)/profit before tax	6	**(193,173)**	79,048
Income tax credit/(expense)	7	**11,167**	(10,074)
(Loss)/profit for the year		**(182,006)**	68,974
(Loss)/profit for the year attributable to:			
Owners of the Company		**(174,334)**	69,324
Non-controlling interests		**(7,672)**	(350)
		(182,006)	68,974
(Loss)/earnings per share			
Basic and diluted	9	**HK cents (8.58)**	HK cents 4.74

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
(Loss)/profit for the year		**(182,006)**	68,974
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from the translation of foreign operations		**(23,176)**	9,476
Exchange differences arising from the translation of interest in a foreign associate	10	**10,812**	12,749
Reclassification adjustments on reserves upon disposal of a subsidiary		**(17,269)**	—
Share of other comprehensive income of an associate	10	**305**	(432)
Other comprehensive income for the year, net of tax		**(29,328)**	21,793
Total comprehensive income for the year		**(211,334)**	90,767
Total comprehensive income for the year attributable to:			
Owners of the Company		**(203,584)**	91,014
Non-controlling interests		**(7,750)**	(247)
		(211,334)	90,767

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**346,195**	9,442
Interest in an associate	10	**155,611**	221,648
Available-for-sale financial assets	11	**—**	25,010
Financial assets at fair value through profit or loss	11	**26,086**	—
Deferred tax assets		**8,789**	9,269
Land appreciation tax recoverables		**1,738**	2,782
Prepayments, deposits and other receivables	15	**3,866**	65,857
Intangible assets	12	**35,703**	117,111
		577,988	451,119
CURRENT ASSETS			
Inventories		**41,514**	24,917
Properties held for sale	13	**507,855**	—
Properties under development	13	**—**	498,854
Trade and bills receivables	14	**58,039**	51,961
Prepayments, deposits and other receivables	15	**44,679**	63,764
Loans receivables	16	**226,664**	58,803
Cash and bank balances		**28,464**	108,131
		907,215	806,430
CURRENT LIABILITIES			
Trade and other payables	17	**302,652**	152,856
Deferred revenues		**2,170**	1,660
Contract liabilities	18	**3,782**	—
Amount due to a shareholder		**152**	9,500
Amounts due to non-controlling interests		**2,843**	1,801
Interest-bearing borrowings		**286,565**	3,021
Tax payable		**10,582**	11,539
		608,746	180,377
NET CURRENT ASSETS		**298,469**	626,053
TOTAL ASSETS LESS CURRENT LIABILITIES		**876,457**	1,077,172

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT LIABILITIES			
Other payables	17	**—**	117,693
Interest-bearing borrowings		**152,704**	—
Deferred tax liabilities		**1,515**	28,133
		154,219	145,826
NET ASSETS		**722,238**	931,346
CAPITAL AND RESERVES			
Share capital		**203,257**	203,257
Reserves		**514,383**	717,967
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**717,640**	921,224
Non-controlling interests		**4,598**	10,122
TOTAL EQUITY		**722,238**	931,346

Notes:

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of its business is Room 1206, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the Directors, at 31 December 2018, Super Fame Holdings Limited ("Super Fame"), a company incorporated in the British Virgin Islands, is the immediate holding company and Ms. Yeung So Lai and Mr. Lee Chi Shing Caesar are the ultimate controlling parties of the Company.

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

(a) Adoption of new/revised HKFRSs – effective 1 January 2018

In current year, the Group has adopted the following new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for the current accounting period.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards and interpretation has had no significant financial effect on the Group's financial statements.

HKFRS 9 – 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.

There was no significant impact of transition to HKFRS 9 on the opening balances of retained earnings, other reserves and non-controlling interests as at 1 January 2018.

(i) Classification and measurement of financial instruments

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("FVTPL"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. 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 assets at amortised cost ("amortised cost"); (ii) financial assets at fair value through other comprehensive income ("FVTOCI"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives are 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 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 FVTOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

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

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

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVTOCI 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 FVTOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	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.

(I) As at 1 January 2018, certain unlisted equity investments was reclassified from available-for-sale financial asset at cost to financial assets at FVTPL. This unlisted equity investment has no quoted price in an active market. The Group intends to hold this unlisted equity investment for long term strategic purposes. Therefore, the Group has designated such unlisted equity instrument at the date of initial application as measured at FVTPL. As at 1 January 2018, management estimates that the fair value of the financial assets approximates its carrying value as the investee was newly set up as a fund for property investment in Australia and has not carried on any business activities and the underlying assets of the investee are predominately cash and cash equivalents temporarily placed with financial institutions pending identification of suitable property investment opportunities.

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 HK$'000**	**Carrying amount as at 1 January 2018 under HKFRS 9 HK$'000**
Unlisted equity investments	Available-for-sale (at fair value)	FVTPL	25,010	25,010
Trade and bills receivables	Loans and receivables	Financial assets at amortised cost	51,961	51,961 (note)
Deposits and other receivables	Loans and receivables	Financial assets at amortised cost	62,187	62,187 (note)
Loans receivables	Loans and receivables	Financial assets at amortised cost	58,803	58,803 (note)
Cash and bank balances	Loans and receivables	Financial assets at amortised cost	108,131	108,131

Note: As explained in (ii) Impairment of financial assets, the Directors consider that the impact of ECLs on these financial assets measured at amortised cost as at 1 January 2018 is immaterial and so retained earnings and the corresponding carrying amount of these financial assets as at 1 January 2018 are not adjusted.

(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 loss ("ECL") model". HKFRS 9 requires the Group to recognise ECLs for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVTOCI 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 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 debt financial assets, 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 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 forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

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 120 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

(I) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which recognises lifetime ECLs for all trade receivables. To measure the ECLs, trade receivable have been grouped based on shared credit risk characteristics and the days past due. The loss allowances for trade receivables as at 1 January 2018 were determined as follows:

	Current	**1-60 days past due**	**61-90 days past due**	**91-120 days past due**	**Over 120 days past due**	**Total**
Expected credit loss rate (%)	0.1%	0.5%	5%	20%	50%	
Gross carrying amount (HK$'000)	30,198	21,632	32	99	896	52,857
Loss allowances (HK$'000)	30	108	2	20	448	608

The loss allowances for trade receivables under ECL were HK$288,000 less than the original loss allowance under HKAS 39. The loss allowances for trade receivables further increased by approximately HK$2,273,000 during the year ended 31 December 2018.

(II) Impairment of other receivables

As mentioned above, the Group applies 12-month ECL on debt instruments other than trade receivables. To measure the ECLs, other receivables have been grouped based on shared credit risk characteristics. An ECL rate of 1% has been adopted by management as the history of default for other receivable is low. Under the ECL assessment, the allowances for other receivables as at 1 January 2018 is estimated to increase by HK$192,000.

(III) Impairment of loans receivables

ECLs for loans receivables are assessed on 12-month ECLs basis as there had been no significant increase in credit risk since initial recognition. Management has adopted an ECL rate of 3% as the risk of default of these loans receivables which are secured by assets or guaranteed by other parties is low. An increase in loss allowances for loans receivables as at 1 January 2018 of HK$1,764,000 is expected under the ECL model.

The ECLs for other financial assets at amortised cost, including cash and bank balances and deposits, are assessed on 12-months ECLs basis and the impact of the ECL is considered immaterial.

The Directors considered that the measurement of ECLs has no significant impact to the Group's retained earnings as at 1 January 2018, summarised as follows:

	HK$'000
Decrease in loss allowances for trade receivables	**(288)**
Increase in loss allowances for other receivables	**192**
Increase in loss allowances for loans receivables	**1,764**
Overall impact on adoption of HKFRS 9	**1,668**

Except as described above, the application of HKFRS 9 has had no material impact on the amounts reported in the Group's consolidated financial statements.

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-step 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 (which is, 1 January 2018). As a result, the financial information presented for 2017 has not been restated.

There was no impact of transition to HKFRS 15 on the opening balances of retained earnings and non-controlling interests.

Contract liabilities of HK$2,371,000 were reclassified from trade and other payables and deferred revenue amounted to HK$711,000 and HK$1,660,000 respectively for the consideration received in advance of the services.

The following table summarised the impact of adopting HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018. There was no significant material impact on the Groups' consolidated statement of profit or loss and other comprehensive income and its consolidated statement of cash flows for the year ended 31 December 2018:

Impact on the consolidated statement of financial position as at 31 December 2018

	HK$'000
Liabilities	
Deferred revenues	(3,156)
Contract liabilities	3,782
Trade and other payables	(626)
Total current liabilities	—
Total liabilities	—

Except as described above, the application of HKFRS 15 has had no material impact on the amounts reported set out in the Group's consolidated financial statements.

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

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

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

[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] 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 continues to be permitted.

3. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

The functional currency and the presentation currency of the Company is Hong Kong dollars ("HK$"). Each entity in the Group maintains its books and records in its own functional currency.

4. REVENUE AND SEGMENT INFORMATION

The Group's segment information is based on regular internal financial information reported to the Company's executive directors and management for their decisions about resources allocation to the Group's business components and their review of these components' performance.

The Group currently has five reportable segments. These segments are managed separately as each business offers different products and services and requires different business strategies as follows: (i) manufacture of electronics products; (ii) provision of nursery education service; (iii) money lending business; (iv) property development and management business; and (v) regulated financial services business.

Revenue represents the total invoiced value of goods supplied less discounts and returns; tuition fees received and receivable for tuition services rendered; interest income from financial assets and professional fee received; management fee received from property management services provided and receivable for regulated financial services provided. The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the consolidated financial statements as follows:

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

	2018	2017
	HK'000	HK'000
Revenue from contracts with customers within the scope of HKFRS 15:		
Electronics products - manufacturing and sale of electronics products	**198,628**	200,404
Nursery education - providing nursery education for children	**8,910**	5,188
Property management - providing management services for landlords and tenants	**1,141**	—
Regulated financial services - providing asset management services	**12,221**	—
	220,900	205,592
Revenue scoped out of HKFRS 15		
Money lending	**16,625**	934
	237,525	206,526

	Electronics products HK$'000	Nursery education HK$'000	Money lending HK$'000	Property development and management HK$'000	Regulated financial services HK$'000	Total HK$'000
2018						
Segment revenue	**198,628**	**8,910**	**16,625**	**1,141**	**12,221**	**237,525**
Inter-segment revenue	**—**	**391**	**—**	**—**	**7,064**	**7,455**
Reportable segment revenue	**198,628**	**9,301**	**16,625**	**1,141**	**19,285**	**244,980**
Segment profit/(loss)	**(8,797)**	**(132,836)**	**1,792**	**(2,885)**	**3,573**	**(139,153)**
Other information:						
Additions to segment non-current assets	**5,953**	**295**	**—**	**5,105**	**264**	**11,617**
Net finance credit	**(22)**	**(2)**	**—**	**(11)**	**—**	**(35)**
Depreciation of property, plant and equipment	**1,802**	**1,136**	**—**	**230**	**38**	**3,206**
Income tax (credit)/expense	**591**	**(17,329)**	**—**	**3,023**	**870**	**(12,845)**
Net impairment losses on financial assets	**2,273**	**20,955**	**11,929**	**—**	**—**	**35,157**
Impairment loss on inventories	**4,965**	**—**	**—**	**—**	**—**	**4,965**
Impairment of assets	**—**	**107,859**	**—**	**—**	**—**	**107,859**
2017						
Segment revenue	200,404	5,188	934	—	—	206,526
Inter-segment revenue	—	—	—	—	1,100	1,100
Reportable segment revenue	200,404	5,188	934	—	1,100	207,626
Segment profit/(loss)	834	(2,389)	(226)	(3,065)	30	(4,816)
Other information:						
Additions to segment non-current assets	878	2,172	—	749	—	3,799
Net finance credit	(48)	(2)	—	(101)	—	(151)
Depreciation of property, plant and equipment	1,311	287	—	48	1	1,647
Income tax expense/(credit)	472	—	—	(1,222)	—	(750)
Net impairment losses on financial assets	(159)	—	—	—	—	(159)
Impairment loss on inventories	992	—	—	—	—	992

	2018	2017
	HK$'000	HK$'000
Reportable segment loss	**(139,153)**	(4,816)
Share of results of associates	**11,929**	54,122
Other net gains	**6,133**	58,210
Unallocated corporate costs (note)	**(45,217)**	(28,854)
Unallocated corporate net finance (cost)/credit	**(26,865)**	386
(Loss)/profit before tax	**(193,173)**	79,048

Note:

The unallocated corporate costs mainly comprise staff cost (including Directors' remuneration), legal and professional fee, exchange differences and office rental.

	2018	2017
	HK$'000	HK$'000
Segment assets		
Electronics products	**154,679**	114,998
Nursery education	**1,991**	131,731
Money lending	**227,202**	59,413
Property development and management	**541,737**	600,633
Regulated financial services	**24,495**	14,125
Total reportable segment assets	**950,104**	920,900
Unallocated corporate assets		
Interest in an associate	**155,611**	221,648
Available-for-sale financial assets	**—**	25,010
Financial assets at fair value through profit or loss	**26,086**	—
Property, plant and equipment (note (i))	**331,913**	—
Prepayments, deposits and other receivables	**22,730**	87,139
Elimination of inter-segment receivables	**(1,650)**	(150)
Others (note (ii))	**409**	3,002
Total assets	**1,485,203**	1,257,549

Notes:

(i) This mainly represents office buildings acquired during the year which will be used as corporate head office.

(ii) The balance mainly represents cash and bank balances retained at corporate level.

	2018	2017
	HK$'000	HK$'000
Segment liabilities		
Electronics products	**72,881**	58,214
Nursery education	**7,268**	23,593
Money lending	**3,329**	259
Property development and management	**61,026**	90,729
Regulated financial services	**2,942**	1,594
Total reportable segment liabilities	**147,446**	174,389
Unallocated corporate liabilities		
Bond payable	**280,000**	—
Deferred tax liabilities	**—**	9,289
Interest-bearing borrowings	**159,269**	—
Other payables (note 17)	**111,590**	117,693
Fund contribution payable	**59,800**	—
Elimination of inter-segment payables	**(1,650)**	(150)
Others (note)	**6,510**	24,982
Total liabilities	**762,965**	326,203

Note:

The balance mainly represents amounts due to a shareholder and accrued corporate expenses.

Geographical information

The following provides an analysis of the Group's revenue from external customers by geographical market, irrespective of the origin of the goods:

	2018	2017
	HK$'000	HK$'000
The People's Republic of China ("PRC")		
Mainland China	**35,224**	6,525
Hong Kong (place of domicile)	**29,573**	2,191
	64,797	8,716
United States of America ("US")	**139,015**	156,206
United Kingdom	**23,233**	19,768
Europe	**8,936**	12,778
Others	**1,544**	9,058
	237,525	206,526

Information about major customers

For the year ended 31 December 2018, revenue from one customers (2017: two customers) of the manufacture of electronics products segment with whom transactions have exceeded 10% of the Group's revenue for the year as detailed below:

	2018	2017
	HK$'000	HK$'000
Customer A	**98,726**	80,058
Customer B	**N/A**	52,642
	98,726	132,700

Timing of revenue recognition

	Electronics products		Nursery education		Property management		Regulated financial services		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Timing of revenue recognition										
At a point in time	**198,628**	200,404	**—**	—	**—**	—	**—**	—	**198,628**	200,404
Transferred over time	**—**	—	**8,910**	5,188	**1,141**	—	**12,221**	—	**22,272**	5,188
	198,628	200,404	**8,910**	5,188	**1,141**	—	**12,221**	—	**220,900**	205,592

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

	Note	**31 December 2018 HK$'000**	1 January 2018 HK$'000
Receivables	14	**58,039**	51,961
Contract liabilities	18	**3,782**	2,371

5. OTHER NET GAINS

	Note	**2018 HK$'000**	2017 HK$'000
Interest on bank deposit and balances		**111**	760
Loss on disposal of property, plant and equipment		**(139)**	—
Gain/(loss) on disposal of subsidiaries	20	**1,024**	(1,110)
Gain on bargain purchase of subsidiaries		**—**	60,190
Over provision of payables in relation to properties under development		**5,980**	—
Rental income		**8,172**	1,678
Fair value loss on financial assets at fair value through profit or loss		**(914)**	—
Others		**2,373**	1,850
		16,607	63,368

6. (LOSS)/PROFIT BEFORE TAX

	2018	2017
	HK$'000	HK$'000
Staff costs including Directors' emoluments:		
Directors' emoluments	**9,293**	11,645
Staff salaries, allowance and welfare	**39,532**	31,933
Retirement benefit scheme contributions	**3,865**	2,706
Total staff costs	**52,690**	46,284
Auditors' remuneration	**1,213**	1,230
Cost of inventories recognised as expenses	**159,820**	156,556
Depreciation of property, plant and equipment	**19,499**	2,037
Exchange gain	**(54)**	(91)
Minimum lease payment in respect of rented premises	**9,584**	6,856
Impairment loss on intangible assets (note 12)	**104,034**	—
Impairment loss on property, plant and equipment	**3,825**	—
Impairment of assets	**107,859**	—
Impairment loss/(reversal of impairment loss) on trade receivables	**2,273**	(159)
Impairment loss on other receivables	**20,955**	—
Impairment loss on loan receivables	**11,929**	—
Net impairment losses on financial assets	**35,157**	(159)
Impairment loss on inventories	**4,965**	992

7. INCOME TAX CREDIT/(EXPENSE)

The income tax credit/(expense) for the year comprises:

	2018	2017
	HK$'000	HK$'000
Current income tax – PRC		
Provision for the year	**(3,936)**	(1,587)
Under provision in prior years	**(548)**	(42)
	(4,484)	(1,629)
Withholding tax on dividend income from an associate in Taiwan	**—**	(3,132)
Deferred tax	**15,651**	(5,313)
Income tax credit/(expense)	**11,167**	(10,074)

PRC Enterprise Income Tax has been provided on estimated assessable profits of the subsidiaries' operations in the PRC at 25% (2017: 25%).

There is no Taiwan withholding tax levied for the year ended 31 December 2018 as the associate in Taiwan did not distribute any dividend. Taiwan withholding tax is levied at 20% on the dividend distributed by the associate in Taiwan for the year ended 31 December 2017.

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the year ended 31 December 2018 (2017: 16.5%), except for the first HK$2,000,000 of the qualified entity's assessable profit is calculated at 8.25%, which is in accordance with the new two-tiered profits tax rates with effect from the year of assessment 2018/19.

8. DIVIDEND

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share is based on the loss attributable to owners of the Company of HK$174,334,000 (2017: profit of HK$69,324,000) and the weighted average number of 2,032,571,385 (2017: 1,463,758,150) ordinary shares.

The calculation of weighted average number of ordinary shares is as follows:

	2018	2017
Issued ordinary shares at 1 January	**2,032,571,385**	1,318,279,590
Issue of shares upon acquisition of a subsidiary (note (i))	**—**	22,967,408
Effect of open offer shares issued (note (ii))	**—**	122,511,152
Weighted average number of ordinary shares at 31 December	**2,032,571,385**	1,463,758,150
Basic and diluted (loss)/earnings per share (HK cents) (note (iii))	**(8.58)**	4.74

Notes:

(i) Pursuant to the sale and purchase agreement dated 18 May 2017 in relation to the acquisition of the entire issued share capital of Speed Fame Enterprises Limited, the Company had issued 36,768,000 new shares at issue price of HK$0.647 at the date of issuance for settlement of partial consideration.

(ii) On 29 August 2017, the Company proposed to raise approximately HK$338.8 million before expenses by issuing 677,523,795 offer shares at the subscription price of HK$0.5 per offer share on the basis of one (1) offer share for every two (2) existing shares held on the record date (i.e. 14 September 2017). The open offer was completed and share certificates for the offer shares dispatched on 27 October 2017.

(iii) The basic and diluted (loss)/earnings per share are the same for the years ended 31 December 2018 and 2017 as there were no potential dilutive shares outstanding.

10. INTEREST IN AN ASSOCIATE

	Note	**2018**	2017
		HK$'000	HK$'000
Movements of interest in an associate are as follows:			
At 1 January		**221,648**	155,317
Investment in an associate (note (i))		**151,000**	—
Capital contribution to an associate		**1,071**	—
Share of profits and total comprehensive income of associates		**12,311**	53,582
Disposal of a subsidiary (note (ii))	20	**(241,231)**	—
Currency realignment		**10,812**	12,749
At 31 December		**155,611**	221,648

Notes:

(i) On 2 May 2018, the Group entered into the limited partnership agreement in relation to the operation of IT City Development Fund LP ("IT City") and two subscription agreements in relation to the application to subscribe for an interest in IT City with a committed capital contribution of HK$51,000,000 in capacity of general partner through an indirect wholly owned subsidiary of the Company ("GP1") and HK$100,000,000 in capacity of limited partner (through a direct wholly owned subsidiary of the Company respectively. The principal purpose of IT City is to invest in properties that can consolidate and promote the development of IT industry and its related supporting facilities. According to the limited partnership agreement, the management, policies and control of IT City shall be vested exclusively in the general partners who, acting unanimously, may make such investment decisions as they shall determine, having given consideration to the investment objective and investment strategy of IT City and the advice of the investment committee of IT City (the "Investment Committee"). GP1 shall be entitled to appoint two members to the Investment Committee, which demonstrates its significant influence over IT City.

(ii) On 20 July 2018, interest in an associate relating to 27.9% of equity interest in Yuji Development Corporation ("Yuji") was disposed upon the disposal of Rise Up International Limited ("Rise Up"), wholly owned subsidiary of the Company. Rise Up is an investment holding company which holds the Group's 27.9% equity interest in Yuji. Please refer to note 20 for details.

As at 31 December 2018, the Group had an interest in the following associate:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Total capital HK$	Proportion of capital contributed by the Group	Proportion of voting rights held by the Group as general partner	Principal activities
IT City	Limited partnership	Cayman Islands	Hong Kong	255,250,000	60%	28.57%	IT properties investment

The summarised financial information in respect of IT City is set out below:

	2018
	HK$'000
Current assets	**260,770**
Total assets	**260,770**
Current liabilities	**(2,720)**
Total liabilities	**(2,720)**
Net asset	**258,050**
Share of an associate's net assets	**155,611**
Revenue	**7,791**
Total comprehensive income	**264**
Share of profit and total comprehensive income of an associate (net of tax)	**3,540**

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018	2017
	HK$'000	HK$'000
Available-for-sale financial assets		
— Unlisted private fund, at cost (note (i))	**—**	25,010
Financial assets at fair value through profit or loss		
— Unlisted equity investment (note (ii))	**26,086**	—
	26,086	25,010

Notes:

(i) The unlisted private fund consists of 33.33% of the interest in the trust established ultimately to purchase and manage commercial property in Australia. Upon adoption of HKFRS 9, the investment in unlisted private fund was reclassified to financial assets at fair value through profit or loss.

On 19 June 2018, the Group disposed the investment at a consideration of Australian dollars ("AUD") 4,000,000, and an exchange loss of HK$1,922,000 is recognised in profit or loss.

(ii) The unlisted equity investment amounted to HK$26,086,000 consists of 18% of the equity in ORBiz International Limited established for provision of real-time kinematic solution. The equity of Link Complex Limited, which owns this unlisted equity investment and a wholly owned subsidiary of the Company was pledged to secure the Group's bond issued.

12. INTANGIBLE ASSETS

	Note	**License HK$'000**	**Goodwill HK$'000**	**Total HK$'000**
At 1 January 2017		—	—	—
Acquisition of subsidiaries:				
—Nursery education service		69,314	34,720	104,034
—Money lending business		—	409	409
—Regulated financial services business		9,186	3,482	12,668
At 31 December 2017 and 1 January 2018		78,500	38,611	117,111
Acquisition of subsidiaries:				
—Electronic products	19(i)	—	19,538	19,538
—Property development and management	19(ii)	—	3,883	3,883
Regulated financial services business				
—Addition of license		600	—	600
Impairment		(69,314)	(34,720)	(104,034)
Currency realignment		—	(1,395)	(1,395)
At 31 December 2018		9,786	25,917	35,703

The intangible assets comprise license and goodwill from business combinations. License mainly represent the nursery education license and Type 1, Type 4, Type 5, Type 6 and Type 9 regulated activities licenses as defined under Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong). These licenses were considered to have indefinite useful lives and will be tested for impairment annually and whenever there is an indication that it may be impaired.

13. PROPERTIES UNDER DEVELOPMENT/PROPERTIES HELD FOR SALE

Properties under development	**2018 HK$'000**	2017 HK$'000
Land use rights costs	**—**	8,747
Other development costs	**—**	441,271
Capitalised finance costs	**—**	48,836
	—	498,854
Properties held for sale	**507,855**	—

The properties are all located in the PRC. Properties under development have been completed and being reclassified to properties held for sale during the year.

14. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	HK$'000
Trade receivables	**59,394**	52,857
Less: Impairment provision	**(3,169)**	(896)
Trade receivables – net	**56,225**	51,961
Bills receivables	**1,814**	—
	58,039	51,961

At the reporting date, the ageing analysis of trade and bills receivables, based on invoice date, is as follows:

	2018	2017
	HK$'000	HK$'000
0 - 60 days	**40,877**	36,279
61 - 90 days	**3,894**	3,622
91 - 120 days	**3,654**	11,308
Greater than 120 days	**12,783**	1,648
	61,208	52,857

The Group allows credit periods ranging from 0 to 120 days (31 December 2017: 30 to 120 days) to its trade customers depending on their credit status and geographical location. The Directors consider that the carrying amounts of trade and bills receivables approximate to their fair values.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	HK$'000	HK$'000
Prepayments, deposits and other receivables	**41,815**	63,764
Other tax recoverable	**6,730**	6,590
Deposits for acquisition of properties (note)	**—**	59,267
	48,545	129,621
Less: Non-current portion		
Other tax recoverable	**3,866**	6,590
Deposits for acquisition of properties (note)	**—**	59,267
	3,866	65,857
	44,679	63,764

Note:

On 20 November 2017, the Group entered into formal agreements to acquire the properties located at units 1501, 1502, 1510, 1511, 1512A and 1512B on 15/F of West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong. The acquisitions of the properties have been completed on 9 February 2018. Details please refer to the announcements of the Company dated 7 November 2017 and 21 November 2017 and the circular of the Company dated 22 December 2017.

16. LOANS RECEIVABLES

	2018	2017
	HK$'000	HK$'000
Loan receivables	**238,593**	58,803
Less: Impairment provision	**(11,929)**	—
Loan receivables - net	**226,664**	58,803

As at 31 December 2018, loans receivables with aggregate gross principal amount of HK$225,269,000 and gross interest receivables of HK$13,324,000 (2017: gross principal amount of HK$57,869,000 and gross interest receivables of HK$934,000) were due from nine (2017: three) independent third parties. The interest rates of the loans receivables range from 6% to 15% per annum (2017: 10% to 14% per annum). Five of the loans receivables are secured by share charges of the borrowers, and six of the loans receivables are guaranteed by independent third parties. All loans receivables which were repayable within twelve months from the end of the reporting period were classified as current assets at the reporting date.

As at reporting date, the ageing analysis of loans receivables, based on loans' drawdown date, is as follows:

	2018	2017
	HK$'000	HK$'000
0 - 60 days	**3,325**	50,581
61 - 90 days	**1,582**	—
91 - 120 days	**1,382**	—
Over 120 days	**232,304**	8,222
	238,593	58,803

All loan receivables are not yet past due as at reporting date.

17. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	HK$'000
Trade payables	**95,174**	122,454
Accruals and other payables (note)	**207,478**	148,095
	302,652	270,549
Less: Non-current portion		
Other payables (note)	**—**	117,693
	302,652	152,856

Note: The amount represented the purchase consideration of the acquisition of Shenzhen City Qianhai Wanke Financial Services Company Limited and its subsidiaries amounted to RMB100,000,000 (equivalent to HK$117,693,000) which will be payable on the date falling two years from 5 June 2017.

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

	2018	2017
	HK$'000	HK$'000
0 - 60 days	25,556	31,933
61 - 90 days	10,266	6,259
Greater than 90 days	59,352	84,262
	95,174	122,454

The Directors consider that the carrying amounts of trade and other payables approximate to their fair values.

18. CONTRACT LIABILITIES

	31 December 2018	1 January 2018
	HK$'000	HK$'000
Contract liabilities arising from:		
Provision of nursery education service	810	1,660
Provision of property management services	2,346	—
Manufacturing of electronic products	626	711
	3,782	2,371

Typical payment terms which impact on the amount of contract liabilities are as follows:

The contract liabilities primarily relate to the tuition fee and properties management fee received in advance from customers for provision of nursery education services and property management services, for which revenues are recognised over time. The amount of HK$2,371,000 recognised in contract liabilities at 1 January 2018 has been recognised as revenue during the year ended 31 December 2018.

19. BUSINESS COMBINATIONS

Acquisition of subsidiaries

The acquisition of subsidiaries accounted for as business combination are as follows:

(i) Acquisition of entire equity interest of Shenzhen Jiaxin Enterprise Management Company Limited ("Shenzhen Jiaxin")

On 4 July 2018, the Group acquired the entire equity interest of Shenzhen Jiaxin, a company incorporated in the PRC with limited liability, for cash consideration of RMB30,000,000 (equivalent to approximately HK$35,550,000). Shenzhen Jiaxin and its subsidiaries are principally engaged in the manufacturing and trading of electronic products in Shenzhen, the PRC. The fair values of the identifiable assets and liabilities acquired during the year are as follows:

	Notes	**Fair value recognised on acquisition HK$'000**
Property, plant and equipment		1,226
Trade receivables		19,448
Inventories		14,795
Other receivables, deposits and prepayments		896
Cash and cash equivalents		806
Bank and other borrowings		(356)
Trade payables		(14,555)
Other payables and accruals		(1,719)
Amount due to former shareholder		(14,248)
Amount due to immediate holding company		(3,429)
Tax payables		(12)
		2,852
Amount due to former shareholder assigned to the Group		14,248
Total identifiable net assets at fair value		17,100
Non-controlling interests		(1,088)
		16,012
Goodwill	12	19,538
		35,550

	HK$'000
Satisfied by:	
Cash consideration paid	35,550

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

	HK$'000
Consideration settled by cash	(35,550)
Cash and cash equivalents acquired	806
Net outflow of cash and cash equivalents included in cash flows from investing activities	(34,744)

(ii) Acquisition of entire equity interest of Lijiang Shunjing Business Administration and Management Limited ("Shunjing")

On 30 September 2018, the Group acquired the entire equity interest of Shunjing, a company incorporated in the PRC with limited liability, for cash consideration of RMB4,000,000 (equivalent to approximately HK$4,554,000). Shunjing is principally engaged in property management services. The fair values of the identifiable assets and liabilities acquired during the year are as follows:

	Notes	**Fair value recognised on acquisition HK$'000**
Prepayment, deposits and other receivables		3,625
Amount due from a fellow subsidiary		595
Cash and cash equivalents		1,070
Trade payables		(34)
Accruals and other payables		(3,372)
Contract liabilities		(1,213)
Total identifiable net assets at fair value		671
Goodwill	12	3,883
		4,554

Satisfied by:	**HK$'000**
Cash consideration paid	4,554

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

	HK$'000
Consideration settled by cash	(4,554)
Cash and cash equivalents acquired	1,070
Net outflow of cash and cash equivalents included in cash flows from investing activities	(3,484)

20. DISPOSAL OF A SUBSIDIARY

On 27 April 2018, the Group entered into a sale and purchase agreement with a purchaser pursuant to which the Group agreed to sell all of the Group's 100% equity interest of a subsidiary, Rise Up and shareholder's loan to an independent third party at a consideration of HK$214,000,000. The disposal of Rise Up was completed on 20 July 2018. The net assets of Rise Up at the disposal date were as follows:

	Note	**HK$'000**
Net assets disposed of:		
Interest in an associate	10	**241,231**
Cash and cash equivalents		**57**
Amount due to immediate holding company		**(69,000)**
Deferred tax liabilities		**(11,043)**
		161,245
Translation reserve		**(17,265)**
Investment revaluation reserve		**(4)**
		143,976

	HK$'000
Consideration	**214,000**
Less: Net assets disposed of	**(143,976)**
Less: Amount due to immediate holding company	**(69,000)**
Gain on disposal (notes 5)	**1,024**

	HK$'000
Net cash inflow arising on disposal:	
Cash consideration	**214,000**
Cash and cash equivalents disposed of	**(57)**
	213,943

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and Gross Profit: Revenue comprised of sales of electronics products, tuition fee from the provision of nursery education service, interest income from the provision of money lending, management fee received from property management services provided and services income from the provision of regulated financial services. The revenue in 2018 increased by approximately HK$30,999,000 (representing an increase of approximately 15.01% when compared with 2017) from HK$206,526,000 in 2017 to HK$237,525,000 in 2018. The gross profit increased by approximately HK$22,050,000 (representing an increase of approximately 110.15% when compared with 2017) from HK$20,019,000 in 2017 to HK$42,069,000 in 2018. The gross profit margin increased by approximately 8.02% from 9.69% in 2017 to 17.71% in 2018.

Other net gains: In 2017, the other net gains were mainly attributable to the gain on bargain purchase of subsidiaries of approximately HK$60,190,000, which was non-recurring and fully recognised in 2017. No such item in 2018.

Selling and distribution costs: The selling and distribution costs in the year remained stable as in 2017.

Administrative costs: The increase in the year was mainly due to the depreciation expenses for the newly acquired office of approximately HK$16,000,000 which is a non-cash item for the year; and the administrative cost for the new operating business which was acquired in the second half of 2017.

Finance costs: The increase in the year was mainly due to the bank loan interest for the new bank loans in relation to the acquisition of the Company office, and interest for the bonds with principal of HK$280,000,000 at a coupon rate of 8% per annum.

Impairment of assets: The impairment was mainly made for the license and goodwill for the nursery education business which was acquired in 2017.

Net impairment losses on financial assets: The net impairment losses on financial assets for the year comprises the impairment loss on trade receivables, other receivables and loans receivables. The impairment was made according to the expected credit loss rates which are based on the actual loss experience over the previous years adjusted for forward-looking information available to the Group without undue cost and effort.

Share of results of associates: The amount represented the Group's share in the results for the year of the associates, Yuji and IT City, based on the percentage of the equity interest owned by the Group. Yuji was disposed in July 2018.

SEGMENT ANALYSIS

Manufacturing Electronics Products

During the year, the segment of manufacturing electronics products include manufacturing of baby monitors and semi-products and manufacturing of transformers. The segment of manufacturing electronics products contributed approximately HK$198,628,000 to revenue (2017: HK$200,400,000 and representing a decrease of 0.89% when compared with 2017), in which approximately of HK$174,238,000 (2017: HK$200,400,000 and representing a decrease of 13.05% when compared with 2017) was generated from manufacturing of baby monitors and semi-products and approximately of HK$24,390,000 (2017: nil) was generated from manufacturing of transformers. The main markets for baby monitors and semi-products and transformers are the US and the PRC respectively.

Provision of Nursery Education Services

During the year, the segment of the provision of nursery education services contributed approximately HK$8,910,000 to revenue (2017: HK$5,188,000, representing an increase of 71.74% when compared with 2017). The tuition fee per head per month for the year remain the same as in 2017. The increment was due to the revenue of 2017 has only been recognised after the completion of the acquisition in May 2017.

Provision of Money Lending Services

During the year, the segment of the provision of money lending services contributed approximately HK$16,625,000 to revenue (2017: HK$934,000, representing an increase of 1,679.99% when compared with 2017). The terms of the lendings were from 7 days to 1 year (2017: from 1 month to 1 year) at the interest rate from 6% per annum to 15% per annum (2017: from 10% per annum to 14% per annum) on the principals from HK$7,800,000 to HK$51,000,000 (2017: from HK$7,800,000 to HK$50,000,000).

Property Development and Management

Lijiang Underground Walkway: The Lijiang Underground Walkway is located at the underground of Minzhu Road and Fuhui Road, Lijiang City, Yunan Province, the PRC. The construction and the final acceptance have been completed during the year. The gross floor area of the underground walkway project is approximately 36,583 square metre ("sq. m.") comprising a civil air defence work structure of approximately 13,730 sq. m., 741 units of the saleable shop premises with a total gross floor area of approximately 19,923 sq. m., a non-saleable property utility room of approximately 15 sq. m. and a commercial function room of approximately 2,915 sq. m.. The Lijiang Underground Walkway is now held-for-sales purpose but in the meantime, the shop premises will be leased to generate rental income and management fee income. During the year, the management fee income generated was approximately HK$1,141,000 (2017: nil).

Provision of Regulated Financial Services

The regulated financial services are provided by the Company's subsidiary, Superactive Financial Group Company Limited ("Superactive Financial Group") (formerly known as Shining International Holdings Limited) which is licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities.

During the year, the segment of the provision of regulated financial services contributed approximately HK$12,221,000 to revenue (2017: nil). The revenue of the provision of regulated financial services was generated from the management services of asset management. Apart from the management services of asset management, Superactive Financial Group also provided intra group financial advisory services.

BUSINESS REVIEW AND PROSPECTS

With the outbreak of the Sino-US trade war, the international trade market uncertainty and volatility increased. As the US is the largest market for the Group's manufacturing of baby monitors and semi-products, the Sino-US trade war will inevitably have a direct impact on the Group's business. Fortunately, the Group expanded its business to the manufacturing of transformers in 2018, and its main market is the domestic market of Mainland China that could ease the impact of the Sino-US trade war. Looking ahead, the Group believes that as the completion of the new factory in Zhaoqing, the PRC, the production capacity of manufacturing of transformers will increase significantly. The Group's business will gradually reduce its reliance on the manufacturing of baby monitors and semi-products and the US market, while the manufacturing of transformers and the PRC market will gradually increase.

In recent years, China's nursery education industry has shown a good development trend. On the one hand, with the continuous improvement of people's consumption level, parents' awareness of nursery education has gradually strengthened. On the other hand, the second-child policy continues to ferment, so that the children of suitable ages are expected to continue to grow, prompting the development of China's nursery education industry to become more rapid, and the market potential is huge. However, the Central Committee of the Communist Party of China and the State Council of the PRC jointly issued "Certain Opinions on In-Depth Reform and Regulated the Development of Pre-school Education" (the "Opinions") in November 2018. The Opinions implies that the PRC government wants to closely monitor and regulate the industry of education and to curb the high-priced tuition fees charged by the private kindergartens. The outlook for nursery education, therefore, has changed dramatically. The Group stepped in nursery education services business through acquisitions in 2017. In view of the Opinions, the Group decided to suspend the development plan of the expansion the number of kindergartens and the license and goodwill in relation to the nursery education services business has been fully impaired during the year. The development plan of the Group's nursery education business has yet to be finalised and will be depended on how the Opinions are implemented, the market situation and the industry's response plan.

Subject to the contradiction between the borrower's urgency for the use of money and personal privacy, and the disclosure requirements and the processing time to get the required approval of the notifiable transactions to comply with the Listing Rules, the Group faced certain degree of difficulty in engaging in the money lending business. As the Group's total assets increased, and revenue and profits improved, the impact in 2018 is relatively less than in 2017. Interest income from money lending business for the year increased by 1,679.99% when compared with 2017. The significant increase is not only about half a year's operation time in 2017, but also the total sum of the loan principal in this year is much higher than that in 2017. However, as the sum for the loan principal is close to the limit of the Group's budget, the interest income from money lending business will not be expected to increase significantly in the coming year unless the borrowing interest rate rises or the Group increases its budget.

For the property development and management business, as the construction and the final acceptance of the Lijiang Underground Walkway have been completed during the year, the shop premises will be available for sales in the coming year. The Group will schedule the sales of the shop premises according to the Group's financial needs and market conditions. The Group is optimistic about the shops' investment market of Lijiang.

For the regulated financial services business, the Group has engaged in financial advisory and asset management businesses during the year. Superactive Financial Group was approved by the Securities and Futures Commission, to carry out in Type 1 (Dealing in Securities) regulated activity under the SFO in June 2018. The Group is now actively preparing to carry out the dealing services.

The Group will continue to explore and invest in potential projects and business opportunities with good potential.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 31 December 2018, the Group has cash and cash equivalents of approximately HK$28,464,000 (2017: HK$108,131,000) which included approximately HK$4,660,000, RMB11,411,000 and US$1,391,000.

The Group had interest-bearing borrowings of approximately HK$439,269,000 (2017: HK$3,021,000) of which approximately HK$286,565,000 (2017: HK$3,021,000) were repayable on demand or within one year; approximately HK$6,565,000 (2017: nil) were repayable in the second year; and approximately HK$146,139,000 (2017: nil) were repayable in the third to fifth years, inclusive. The Group's total bank and other borrowings divided by total assets as at 31 December 2018 was 29.58% (2017: 0.24%). As at 31 December 2018, the gearing ratio of the Group was 0.57 (31 December 2017: zero). This ratio is calculated as net debt divided by total equity. Net debt is calculated as total interest-bearing borrowings less cash and cash equivalents. With the cash and bank balances available, and other current assets could be converted to cash within a year, the Group has sufficient financial resources to finance its operations and to meet the financial obligations of its business.

As at 31 December 2018, the Group has a net asset value of HK$722,238,000 (2017: HK$931,346,000), with a liquidity ratio (ratio of current assets to current liabilities) of 1.49 (2017: 4.47).

CHARGE ON ASSETS

As at 31 December 2018, the share equity of (i) Chengdu One Two Three Aozhong Education Investment Company Limited, the operating company of the nursery education in PRC; (ii) Superactive Financial Group, the operating company of the regulated financial services; (iii) Link Complex Limited, a company which held the 18% unlisted equity shares of a company which is for provision of real-time kinematic solution; and (iv) Shenzhen Jiaxin, the holding company of a group operating the manufacturing of transformers were pledged to secure the Company's bonds issued on 29 December 2017. In addition, the office properties included in Land and Building under the Property, Plant and Equipment were pledged to bank to secure the Group's term loans.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's monetary assets, loans and transactions are principally denominated in Hong Kong dollars, RMB and US dollars. All the Group's borrowings are denominated in Hong Kong dollars. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its financial position exposure as at 31 December 2018.

EMPLOYEES

As at 31 December 2018, the Group had a staff force of approximately 600 employees (2017: approximately 500 employees). Of this, most were stationed in the PRC. The remuneration of employees was in line with the market trend and commensurable to the level of pay in the industry. Remuneration of the Group's employees includes basic salaries, bonuses and long-term incentives (such as share option scheme). Total staff costs incurred for the year 2018 was approximately HK$52,690,000 (2017: approximately HK$46,284,000).

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2018 and up to the date of this announcement.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year 2018 (2017: nil).

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

The Company has not purchased, sold or redeemed any of the Company's listed securities during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct governing Directors' securities transactions. All Directors have confirmed, following a specific enquiry by the Company, that they had complied with the required standards set out in the Model Code throughout the year.

CORPORATE GOVERNANCE CODE

The Company has adopted all the code provisions in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. Throughout the year, the Company complied with all applicable code provisions of the CG Code save as disclosed below:

Under Code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual. The Company does not at present have an officer with the title CEO. The daily operation and management of the Company are monitored by the executive Directors. The Board considers the present structure is more suitable for the Company because it can promote the efficient formulation and implementation of the Company's strategies.

Under Code provision E.1.2 of the CG Code, the chairman of the Board should attend the general meetings of the Company and invite the chairman of the committees to attend; Under code provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. However, due to her other business commitment, Ms. Hu Gin Ing, the chairman of the audit committee and remuneration committee of the Company and an independent non-executive Director, did not attend the annual general meeting of the Company held on 12 June 2018 and the special general meeting held on 17 July 2018.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three Independent Non-executive Directors, namely Ms. Hu Gin Ing (Chairman), Mr. Chiu Sze Wai Wilfred and Mr. Chow Wai Leung William.

The Audit Committee has, together with the Board reviewed and approved the accounting principles and practices adopted by the Group and the annual results for the year ended 31 December 2018. The Audit Committee has also reviewed the effectiveness of the risk management and internal control systems of the Company and considers them to be effective and adequate.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the announcement of the Group's consolidated results for the year ended 31 December 2018 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 results announcement.

PUBLICATION OF THE ANNUAL RESULTS AND 2018 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.superactive.com.hk). The Company's 2018 annual report containing all the information required under the Listing Rules will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
Superactive Group Company Limited
Yeung So Lai
Chairman

Hong Kong, 29 March 2019

As at the date of this announcement, the Board comprises two Executive Directors, namely Ms. Yeung So Lai and Mr. Lee Chi Shing Caesar; and three Independent Non-Executive Directors, namely Mr. Chiu Sze Wai Wilfred, Mr. Chow Wai Leung William and Ms. Hu Gin Ing.