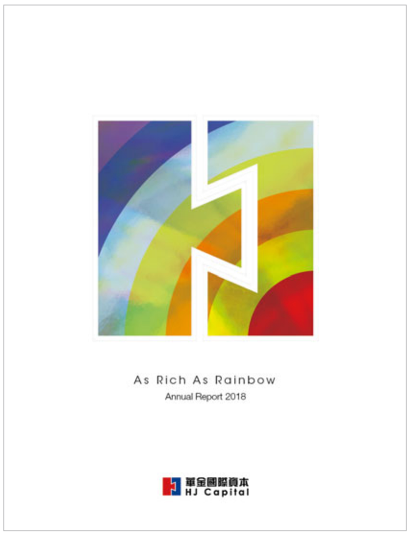
As Rich As Rainbow

Annual Report 2018

華金國際資本
HJ Capital



Design concept

This year, our annual report is designed in the concept of rainbow, leveraging splendid colours to portray the Group's diversified business. Introducing the hotel management business during the year, the Group is convinced that its future will turn out as resplendent as the rainbow.

Prepared with coloured paper of various textures, our annual report showcases the rainbow concept on its cover and underlines the application of colours through simple design of content, coupled with well-designed binding to enhance the overall delivery of its concept.

Content

Rich composition
of products and services
drive the growth for the
group

> An investment in knowledge pays the best interest
>
> *Benjamin Franklin*

Financial Advisory

We offer comprehensive, high-quality financial advisory services, and tailored integrated solutions to our clients.

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Securities Underwriting

We provide services and advices in determining the offering structure, managing underwriting syndicate, book building, coordinating roadshow, taking lead in price determination and shares allocation and on-going share price monitoring and analysis.

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Securities Consultancy

We know how to bring it all together in a way that creates real, lasting value. Our consulting's financial services professionals are constantly helping clients identify new ways to stay ahead of the most complex issues of the day.

Securities and Futures Brokerage

We provide reliable and user-friendly online trading platform for achieveing your trading target. Invest in the global markets anytime and anywhere.

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Equity Research

We are proud of our ability to provide equity research services that customized for each Client's investment strategies.

Hotel Management

Service/ Event Planning
and Management Service

We provide 5 stars
services with a better and
better hotel experience.

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Annual Report

We excel in the financial printing sector, winning significant international awards over the years.

Five Year Summary

Revenue
HK$'000

2018/ 247,278
2017/ 191,271
2016/ 160,399
2015/ 204,703
2014/ 169,593

	Year ended 31 December				
	2018	2017	2016	2015	2014
			(Restated)	(Restated)	(Restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	247,278	191,271	160,399	204,703	169,593
Profit/(loss) before income tax expense	4,040	1,156	(26,272)	18,857	20,506
Income tax expense	(1,786)	(812)	(2,583)	(4,461)	(3,953)
Profit/(loss) for the year	2,254	344	(28,855)	14,396	16,553

	Year ended 31 December				
	2018	2017	2016	2015	2014
			(Restated)	(Restated)	(Restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	333,291	297,897	364,742	381,320	352,595
Total liabilities	(124,363)	(103,105)	(223,242)	(211,548)	(196,558)
Total equity	208,928	194,792	141,500	169,772	156,037

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Directors") (the "Board"), I am pleased to present the annual results of HJ Capital (International) Holdings Company Limited ("HJ Capital", or the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2018.

2018 was a year of uncertainty and challenge. The global markets were influenced by uncertain political and economic events, such as the ongoing Sino-US trade conflict and fractious Brexit negotiations. The Hang Seng Index dropped 13.6 per cent from last year, which was the worst performance in seven years. Despite a challenging external environment in 2018, the Hong Kong Initial Public Offerings ("IPO") market recorded its most active year in history, with a record-breaking 133 new listings and total funds raised of approximately HK$300 billion, placing Hong Kong at the top of the global exchanges for 2018. The Hong Kong IPO market continued to attract company around the globe, with 25 overseas companies listing in Hong Kong in 2018.

Since the completion of the Hong Kong-Zhuhai-Macao Bridge and Guangzhou-Shenzhen-Hong Kong Express Rail Link, and the promulgation of the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area", cooperation among Guangdong, Hong Kong and Macao has continuously deepened and become more concrete. The Group will actively explore new business opportunities in Hong Kong and the Greater Bay Area.

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Performance Review

During the year ended 31 December 2018, the Group recorded an increase of 29.3% in the Group's consolidated revenue to approximately HK$247.3 million (2017: approximately HK$191.3 million) under the fiercely competitive business environment. Profit for the year attributable to owners of the Company was approximately HK$0.04 million (2017: approximately HK$0.34 million), while gross profit margin was approximately 45.6% (2017: approximately 45.6%).

Subsequent to the completion of the acquisition of Huajin Financial (International) Holdings Limited ("Huajin Financial") and its subsidiaries (collectively "Huajin Group"), the Group carries out regulated activities through its wholly-owned subsidiaries, Huajin Group and WAG Worldsec Corporate Finance Limited ("WAG"), including Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance ("SFO"), and also holds a Money Lender's Licence under the Money Lenders Ordinance (Cap 163 of the Laws of Hong Kong). During the year under review, the financial services segment generated a revenue of approximately HK$94.2 million for the Group. Due to fierce competition in the market, the financial printing segment recorded a loss in the last two years. Considering the performance of the financial printing business of the Group, the Group is contemplating a thorough review of the business plan of the financial printing segment.

Meanwhile, the Group was actively pursuing new business opportunities for development. The Group expanded its business scope into high-end services which include the hotel management and advisory services, and consultancy services in relation to convention, exhibition, conference and event planning and organization. During the year under review, this business segment generated a revenue of approximately HK$23.6 million for the Group.

The Group expanded its business scope into high-end services which include the hotel management and advisory services, and consultancy services in relation to convention, exhibition, conference and event planning and organization. During the year under review, this business segment generated a revenue of approximately HK$23.6 million for the Group.

Outlook

Looking forward to 2019, the global markets remain subject to political pressure such as the Brexit which shows no immediate signs of resolution, and the relationship between China and the U.S. remains unpredictable. While facing with a complicated business environment, the Group is still cautiously optimistic about its business prospects.

With the promulgation of the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" and the "Belt and Road Initiative", it is expected that China will accelerate its overseas investments and further expand its trading networks with Asian countries for 2019 and no doubt Hong Kong will continue to be crucial in providing a business platform and a link between overseas companies and Mainland China. In order to contribute to and share the benefits of those national strategies, the Hong Kong Government will definitely study and explore its participation in it, especially for the development of the financial market including IPO market. Following a market consultation, we believe The Stock Exchange of Hong Kong Limited (the "Stock Exchange") has reached a clear consensus that Hong Kong will broaden its listing regime and proactively embrace the new economy. It is expected that a significant number of new economy firms from Mainland China will take Hong Kong as a preferred listing destination to finance their further development.

While facing with a complicated business environment, the Group is still cautiously optimistic about its business prospects.

As the Group has been enhancing the competitiveness of its core business, it has always been seeking to diversify its business and explore new business opportunities.

Based on the above factors, we anticipate that Hong Kong's financial service market will remain positive, which will benefit the business of the Group. Going forward, the Group will adhere to the restructuring of its businesses against the upcoming opportunities and challenges of Hong Kong's financial market. The Group also strives to strengthen the development of the financial services segment and seeks for potential investment and development opportunities, re-deploying the financial licensing business for a wider range of financial service business. As the Group has been enhancing the competitiveness of its core business, it has always been seeking to diversify its business and explore new business opportunities. The Group has recruited a team of relevant experienced personnel with comprehensive expertise in the hotel management industry and event planning and management, and possesses the necessary expertise and personnel to provide hotel management services, and consultancy services in relation to convention, exhibition, conference and event planning and organization, expanding its current principal activities of consulting services from financial consulting to consultancy in high-end services. Through the above-mentioned moves, the Group targets to further diversify and broaden its income stream and secure its sustainable development with efforts to improve the overall operational performance of the Group in the future. To maximise profits and returns for the Group and its shareholders, the Group will focus on enhancing the competitiveness of its current business and simultaneously continue exploring new business opportunities.

I would like to express my sincere gratitude to our clients and shareholders for their continued valuable support. I would also like to take this opportunity to thank our Board of Directors, management team and staff for their dedication and hard work during the year.

Li Guangning
Chairman

Hong Kong, 27 March 2019

Milestone

Jul 2000

iOne Financial commenced operations in Hong Kong and the Asia-Pacific region.

Jun 2001

iOne Financial established its first in-house translation team.

Nov 2005

A new sales team together with the original key members of iOne Financial established iOne (Regional) Financial Press Limited ("iOne (Regional)") in order to expand its market share.

Jul 2008

The Company became the first financial printing company to be listed on the main board of The Stock Exchange of Hong Kong Limited (Stock code: 00982).

Sep 2009

At the 23rd ARC Awards International in New York, iOne Financial picked up 52 trophies plus the Best of Hong Kong Award and Titanium Achievement Award.

Aug 2012

The iOne Financial Beijing Representative Office was relocated to Office Park, Chaoyang District in Beijing, China.

Mar 2013

iOne Financial was honoured with the Most Reliable Printer Award at the Hong Kong's Most Valuable Companies Services Awards 2012.

Aug 2013

iOne Financial won 2 Grand Awards in the 27th International ARC Awards 2013 among a total of 46 awards.

Dec 2013

The Group expanded into property investment, which will diversify its income stream and help maximise shareholder returns.

Jul 2014

One of our productions was ranked #1 among "Top 80 Annual Reports in the Asia-Pacific Region" and #2 among "Top 100 Annual Reports Worldwide" in the 2013 LACP Vision Awards.

Aug 2014

iOne Financial proudly captured the Platinum Achievement Award, 3 Grand Awards, and 62 other awards in the 28th International ARC Awards 2014.

Oct 2015

iOne Financial is awarded the Trophy for BEST OF SHOW, Platinum Achievement Award, 6 Grand Awards, and 60 other awards in the International ARC Awards 2015.

Nov 2015

iOne is proudly ranked as the Best Annual Report Agency in the Asia-Pacific region and named as the winner of Platinum Award in the 2014 LACP Vision Awards.

Jun 2016

The Group expanded into financial advisory services through the acquisition of the entire equity interest in WAG Worldsec Corporate Finance Limited, a licensed corporation carrying on business in Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong).

Jul 2016

iOne Financial has captured a total of 45 awards on behalf of our clients, including 2 Industry Platinum Awards, #5 & #10 for Top 80 Annual Reports in the Asia-Pacific Region, Best Letter to Shareholders in the Asia-Pacific Region Bronze, Most Creative Annual Report Platinum Awards in the Asia-Pacific Region, 6 Industry Gold Awards and other awards in the 2015 LACP Vision Awards.

Oct 2016

iOne was honored with the Platinum Achievement Award, 3 Grand Awards, 23 Gold, 17 Silver, 16 Bronze, and 15 Honors awards in the International ARC Awards 2016.

Sep 2017

Completed the acquisition of the entire issued share capital of Huajin Financial (International) Holdings Limited. The Group now carries out regulated activities through its wholly-owned subsidiaries, including Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under SFO, and also holds a Money Lender's Licence under the Money Lenders Ordinance (Cap 163 of the Laws of Hong Kong).

Dec 2017

The official registered name of the Company has been changed from "iOne Holdings Limited" to "HJ Capital (International) Holdings Company Limited 華金國際資本控股有限公司" with effect from 25 October 2017.

Oct 2018

iOne Financial was awarded the Trophy for BEST OF SHOW, and won 87 awards which enabled it to achieve Platinum Achievement Award in the 32nd International ARC Awards 2018.

Nov 2018

Developed a new business segment in hotel advisory, hotel management and exhibition services planning.

Hong Kong base financial service company with strong network in mainland china, with a view to becoming one of the leading players in assisting fund raising activities for small to medium enterprises in Hong Kong and the PRC.

Management Discussion and Analysis

Business Review

Facing the complicated business environment and increasingly fierce competition, the Company had gone through a challenging period for the last financial year. But all is the past and the future looks bright indeed with the Group's gradual integration of the business of Huajin Group.

The Company has developed a new business segment in hotel advisory, hotel management and exhibition services planning in 2018 in order to contribute to and share the benefits of development of the Guangdong-Hong Kong-Macao Greater Bay Area.

Subsequent to the completion of the acquisition of Huajin Group on 13 September 2017, the Group carries out regulated activities through its wholly-owned subsidiaries, Huajin Group and WAG, including Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and also holds a Money Lender's Licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). As at the date of this report, the Company is an investment holding company and together with its subsidiaries are principally engaged in the provision of financial printing services, financial services and hotel advisory, hotel management and exhibition planning services in both Hong Kong and Mainland China.

The Group's revenue increased for the year ended 31 December 2018 by 29.3% as compared with the previous year ended 31 December 2017,of which the new segment (Hotel advisory, hotel management and exhibition services planning) has contributed revenue of approximately HK$23.6 million while the financial services segment brought revenue of approximately HK$94.2 million to the Group for the year ended 31 December 2018.

Financial Review

The Group recorded a revenue of approximately HK$247.3 million for the year ended 31 December 2018 (2017: approximately HK$191.3 million), representing an increase of about 29.3% compared with the previous financial year. The Group's profit before income tax increased to approximately HK$4.0 million (2017: approximately HK$1.2 million), which was mainly due to increase in revenue from financial services segment, and hotel advisory, hotel management and exhibition services planning segment.

Profit attributable to owners of the Company was approximately HK$0.04 million (2017: approximately HK$0.34 million). Basic earnings per share was approximately HK0.0004 cent (2017: approximately HK0.0036 cent).

Liquidity and Financial Resources

As at 31 December 2018, the Group's cash and cash equivalents amounted to approximately HK$129.9 million (2017: approximately HK$99.8 million) with bank borrowings of HK$55.0 million (2017: Nil). The Group has current assets of approximately HK$255.0 million (2017: approximately HK$207.3 million) and total current liabilities of approximately HK$124.3 million (2017: approximately HK$102.9 million). The Group's current ratio, being total current assets over total current liabilities, was 2.05 (2017: 2.01). Total equity of the Group as at 31 December 2018 amounted to approximately HK$208.9 million (2017: HK$194.8 million). The Group's gearing ratio, being total liabilities over total assets, was 37.3% (2017: 34.6%).

Capital Structure

There was no material change in the capital structure of the Company during the year.

Exposure to Fluctuations in Interest Rates

As at 31 December 2018, the Group's interest-bearing financial assets primarily comprised of bank deposits and margin loans receivable and the Group's interest-bearing financial liabilities primarily comprised of bank borrowings. As there was no significant financial risk of a change in interest rates, the Group had no interest rate hedging policy.

Exposure to Fluctuations in Exchange Rates

The Group conducted its business transactions principally in Hong Kong Dollars ("HK$"). As at 31 December 2018, most of the Group's bank deposits and cash balances were mainly denominated in HK$ and United States Dollars ("USD"). The HK$ is pegged to the USD, and this made the Group's foreign exchange risk exposure minimal. As such, the Group did not utilise any foreign exchange derivatives for hedging purposes as at 31 December 2018.

Exposure to Credit Risk

The Group's credit risks mainly arise from contract assets, trade receivables and margin loans receivable, bank balances and deposits, client trust bank balances and amount due from a related party. The Group strives to manage the risk exposure of trade receivables and margin loans receivable by closely monitoring the payment records of its customers and requesting customer deposits wherever necessary. The credit risk on the bank deposits is limited because of their high credit rating.

Exposure to Price Risk

The Group's financial asset at fair value through profit or loss is exposed to price risk. The management of the Company ("the Management") will closely monitor this risk by performing on-going evaluations of its asset value and market conditions.

Exposure to Liquidity Risk

The Group's licensed operating unit is required to meet various statutory liquidity requirements as prescribed by the relevant regulatory authorities. The Group has put in place monitoring system to ensure that it maintains adequate liquid capital to comply with the Securities and Futures (Financial Resources) Rules (Cap. 571N of the Laws of Hong Kong).

Exposure to Operational Risk

The financial services of the Group operate in a highly regulated sector. The risk of non-compliance with regulatory requirements could lead to the loss of operating licenses. The Group has actively implemented policies and procedures to ensure compliance with the relevant laws and regulations. To the best of Management's knowledge, the Group has complied with the relevant regulations for the financial services business in Hong Kong and Management did not identify any material non-compliance or breach of the relevant rules and regulations.

Events After the Financial Year Ended 31 December 2018

As disclosed in the announcement of the Company dated 21 February 2019 (the "Bidding Announcement"), the Group has been selected as the successful bidder for the cooperation arrangement in relation to Huafa Place (華發行政公寓) and Sheraton Zhuhai Hotel (珠海華發喜來登酒店) (the "Proposed Arrangement"), at a tender price of an annual cooperation fee of RMB50 million. In the event that the Proposed Arrangement proceeds, it may constitute a connected transaction or continuing connected transaction of the Company pursuant to Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

For details, please refer to the aforementioned announcement.

Following the Bidding Announcement, the Company further announced on 19 March 2019 that Zhuhai SZM CBD Construction Holding Co. Ltd. (珠海十字門中央商務區建設控股有限公司)("Zhuhai SZM") (as the lessor) and the Group (as the lessee) entered into a property lease framework agreement ("the Property Lease Framework Agreement"), pursuant to which, Zhuhai SZM agreed to lease Huafa Place (華發行政公寓) and Sheraton Zhuhai Hotel (珠海華發喜來登酒店) ("the Target Property") to the Group, and the Group agreed to rent the Target Property.

As Zhuhai SZM is a connected person of the Company pursuant to Chapter 14A of the Listing Rules, the Property Lease Framework Agreement constitutes a continuing connected transaction of the Company and since various applicable percentage ratios in respect of the Property Lease Framework Agreement are over 5% and the annual rent payable by the Group is greater than HKD10,000,000, the entering into of the Property Lease Framework Agreement is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details, please refer to the aforementioned announcement.

Significant Acquisitions and Disposals of Investments

On 31 August 2018, Miracle View Group Limited, a direct wholly-owned subsidiary of the Company, completed the disposal of 40% of the entire issued share capital of Rising Win Ltd, an indirect wholly-owned subsidiary of the Company, at a consideration of HK$12 million. For details, please refer to the Company's announcement dated 31 August 2018.

Save as disclosed in this report and note 34 to the audited consolidated financial statements, the Group did not acquire or dispose of any significant investments or properties, nor did the Group carry out any material acquisitions or disposals of the Company's subsidiaries and associates during the year.

Employees

As at 31 December 2018, the Group had a total of about 217 employees (2017: 176). The staff costs of the Group for the year ended 31 December 2018 were approximately HK$103.5 million (2017: approximately HK$86.6 million), which comprised salaries, commissions, bonuses and other allowances, and contributions to their retirement benefit scheme. The Group operates a defined contribution scheme under the Mandatory Provident Fund Schemes Ordinance, and provides medical insurance to all its Hong Kong employees. For Mainland employees, social insurance, social housing and pension are provided. The Group structured its employee remuneration packages with reference to general market practice, employees' duties and responsibilities, and the Group's financial performance. The Group provided training courses and developed training programmes to equip staff with the necessary skills, techniques and knowledge in order to enhance their productivity and administrative efficiency.

Pledge of Assets

As at 31 December 2018, the Group has restricted bank balances of HK$15,000,000 to secure the bank borrowings.

Contingent Liabilities

As at 31 December 2018, the Group did not have any contingent liabilities.

Capital Expenditure

For the year ended 31 December 2018, capital expenditure for property, plant and equipment of the Group amounted to approximately HK$1.56 million (2017: approximately HK$0.52 million).

Capital Commitments

As at 31 December 2018, the Group did not have any capital commitments.

Business Plan

Financial Services

During the year, the corporate finance division completed sponsorship for two IPO projects, namely Anchorstone Holdings Limited (1592:HK) and Prosperous Industrial (Holdings) Limited (1731:HK), and financial advisory for one very substantial disposal transaction. The corporate finance team will strive to complete IPO projects in progress and has been proactively exploring new customers so as to participate in more IPO sponsorship and underwriting projects as well as financial advisory projects in order to consolidate the foundation of the corporate finance business.

Competition in brokerage business remained intense while new entrants kept on tapping into this market. In response to the market competition, the Group has been continuously optimizing its customer service process so as to attract more clients with quality services. The Group will also proactively expand its margin financing business under prudent risk control.

The Group will further enhance its business cooperation with Zhuhai Huafa Group Company Limited ("Zhuhai Huafa") and will make use of its business networks. With experienced expertise, the Group will continue to closely keep up with market developments so as to formulate long term sustainable development of the Group.

Financial Printing Services

The Company, through its subsidiary, iOne Financial Press Limited ("iOne Financial"), has provided the financial printing service since 2008. Formerly known as "iOne Holdings Limited", the Company was the first financial printer listed on the Main Board of the Stock Exchange, with the listing having taken place in July 2008. With a view to improve its profitability, iOne Financial will continue to improve its office facilities, streamline work procedures and service quality, and upgrade its software and equipment to enhance its competitiveness. Furthermore, in light of tough market conditions, the Group will strive to optimize the business structure and materialize the consolidation of internal resources to enhance the overall operating efficiency of the financial printing services.

Hotel Advisory, Hotel Management and Exhibition Services Planning

As the Company has been enhancing the competitiveness of its core business, it has always been seeking to diversify the business of the Group and explore new business opportunities. The Group has recruited a team of relevant experienced personnel with comprehensive expertise in the hotel management industry and event planning and management, and possesses the necessary expertise and personnel to provide hotel management and advisory services, and consultancy services in relation to convention, exhibition, conference and event planning and organization, expanding its current principal activities of consulting services from financial consulting to consultancy in other aspects.

Award

To perfect your investor relation stories by our innovative design and detailed printing execution!

We will keep our excellent performance to maximize the value of our shareholders.

Number of Awards:

ARC	582
Astrid	72
Galaxy	113
HKPA	6
IADA	58
LACP	213
Mercury	158

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Li Guangning

Mr. Li Guangning, aged 47, has been appointed as an executive Director and chairman of the Board (the "Chairman") with effect from 21 July 2014. Mr. Li currently serves as a director and the general manager of Zhuhai Huafa, the single largest shareholder of the Company. In addition, Mr. Li also holds various positions in the subsidiaries of Zhuhai Huafa, including director and chairman of the board of 珠海華發實業股份有限公司 (Zhuhai Huafa Industrial Co., Ltd.) (a company listed on the Shanghai Stock Exchange (stock code: 600325)), Zhuhai Huajin Capital Co., Ltd. (珠海華金資本股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 00532) and Zhuhai Financial Investment Holdings Group Co., Ltd. ("Zhuhai Financial Investment"). Mr. Li joined Zhuhai Huafa in 1993 and held various managerial positions in various subsidiaries of Zhuhai Huafa.

Mr. Xie Wei

Mr. Xie Wei, aged 44, has been appointed as an executive Director, chief executive officer of the Company (the "Chief Executive Officer") and a member of the remuneration committee of the Board (the "Remuneration Committee") and the authorised representative of the Company with effect from 21 July 2014. Mr. Xie currently serves as a director and executive deputy general manager of Zhuhai Huafa. He also holds various positions in the subsidiaries of Zhuhai Huafa, including a director and the general manager of Zhuhai Financial Investment. Mr. Xie joined Zhuhai Huafa in August 2004 as the director of the investment banking department of 珠海鏵創投資管理有限公司 (Zhuhai Huachuang Investment Management Co., Ltd.) (then known as 珠海鏵創投資擔保有限公司 (Zhuhai Huachuang Investment Guarantee Co., Ltd.)). Mr. Xie is also a director of 珠海華發實業股份有限公司 (Zhuhai Huafa Industrial Co., Ltd.), a company listed on the Shanghai Stock Exchange (stock code: 600325), and the vice chairman of the board of directors of Zhuhai Huajin Capital Co., Ltd. (珠海華金資本股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 00532).

Ms. Guo Jin

Ms. Guo Jin, aged 47, graduated from South China Agricultural University in 1994 with a bachelor's degree in Economics. Ms. Guo joined Zhuhai Financial Investment Holding Group Co., Ltd. (珠海金融投資控股集團有限公司) since May 2013 and currently serves as the executive deputy general manager. Starting from May 2014, Ms. Guo works as the director and president of Zhuhai Huajin Capital Co., Ltd. (珠海華金資本股份有限公司), a company listed in the Shenzhen Stock Exchange and its stock code is 00532. From August 2014, Ms. Guo also serves as the chairman of Zhuhai Higrand Technology Co., Ltd. (珠海華冠科技股份有限公司), a company listed in National Equities Exchange and Quotations in China (全國中小企業股份轉讓系統) and its stock code is 871447. Prior to joining Zhuhai Financial Investment Holdings Group Co., Ltd. in May 2013, from 2002 to April 2013, Ms. Guo served as various management positions in the Bank of Communications Zhuhai City Branch and Bank of Communications Guangdong Province Branch. Ms. Guo has extensive experience and has been working in both banking and private investment fields for over 15 years.

Non-Executive Directors

Ms. Zhang Kuihong

Ms. Zhang Kuihong, aged 50, has been appointed as a non-executive Director with effect from 9 December 2015. Ms. Zhang holds a bachelor's degree in engineering. Ms. Zhang is a certified public accountant and certified tax adviser of the People's Republic of China (the "PRC"), as well as a Certified Internal Auditor. Presently, Ms. Zhang is a director and financial controller of Zhuhai Huafa. She is also a director of Zhuhai Financial Investment and a chairman of the board of supervisors of 珠海華發實業股份有限公司 (Zhuhai Huafa Industrial Co., Ltd), a company listed on the Shanghai Stock Exchange (stock code: 600325), all of which are subsidiaries of Zhuhai Huafa.

Prior to joining Zhuhai Huafa in November 2013, Ms. Zhang has been assigned by the Zhuhai State-owned Asset Supervision and Administration Commission (the "Zhuhai SASAC") since February 2007 to serve as a director and/or financial controller of various companies owned by the Zhuhai SASAC, including but not limited to Zhuhai Duty Free Enterprises Group Co., Ltd. (珠海市免稅企業集團有限公司), Zhuhai Water Management Group Co., Ltd. (珠海水務集團) and Zhuhai Public Transportation Group Co., Ltd. (珠海公共交通運輸集團有限公司), where Ms. Zhang was responsible for managing the financial risks of the relevant companies, financial planning as well as financial reporting to the management. During the period commencing from May 2011 to January 2012, Ms. Zhang also served as a supervisor of Zhuhai Huajin Capital Co., Ltd. (珠海華金資本股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 00532).

Mr. Shong Hugo

Mr. Shong Hugo, aged 62, has been appointed as the non-executive Director with effect since 15 September 2017. He joined International Data Group ("IDG") in November 1991 and was responsible for IDG's business operations and development in Asia. Mr. Shong is the non-executive director of IDG Energy Investment Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 650), Mei Ah Entertainment Group Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 391), and the independent director of China United Telecommunications Limited, a company listed on the Shanghai Stock Exchange (stock code: 600050). He earned his M.S. degree from Boston University and completed the 151st session of the Advanced Management Program from Harvard Business School.

Mr. Qie Yan

Mr. Qie Yan, aged 32, has been appointed as the non-executive Director with effect from 15 September 2017. Mr. Qie is currently acting as the chairman of the board of supervisors of Sichuan Shuangma Cement Co., Ltd. (四川雙馬水泥股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock code: 00935) and serves as the legal representative and executive director of Tibet Aiqihongyuan Oil and Gas Technology Consulting Company Limited (西藏艾奇鴻源油氣技術諮詢有限公司). Mr. Qie graduated from Tsinghua University with a bachelor's degree in engineering and a master's degree in finance.

Independent Non-Executive Directors

Dr. Sun Mingchun

Dr. Sun Mingchun, aged 48, has been appointed as an independent non-executive Director, the chairman of the Remuneration Committee, a member of each of the audit committee and nomination committee of the Board (the "Audit Committee") (the "Nomination Committee") with effect from 21 July 2014. Dr. Sun has served as the chairman and chief investment officer of Deepwater Capital Limited since October 2014. Dr. Sun has been appointed as an independent non-executive director of Great Wall Pan Asia Holdings Limited, a company listed on the Stock Exchange (stock code: 00583) with effect from 4 November 2016, an independent non-executive director of Weimob Inc., a company listed on the Stock Exchange (stock code: 02013) with effect from 30 July 2018. Prior to joining Deepwater Capital Limited, Dr. Sun held the positions as the senior partner and chief economist at China Broad Capital Co., Limited, the managing director, head of China research and chief Greater China economist at Daiwa Capital Markets Hong Kong Limited, the chief China economist, head of China equity research and managing director at Nomura International (Hong Kong) Limited and the senior China economist, vice president at Lehman Brothers Asia Limited. During the period from July 1993 to August 1999, Dr. Sun was also an economist of the State Administration of Foreign Exchange of the PRC. Dr. Sun is also currently the vice chairman of the Chinese Financial Association of Hong Kong and a member of the China Finance 40 Forum. Dr. Sun received a bachelor's degree in international economics from Fudan University in July 1993. He also obtained a master's degree in engineering-economic systems and operations research and a doctoral degree in management science and engineering from Stanford University in June 2001 and June 2006, respectively.

Dr. Chen Jieping

Dr. Chen Jieping, aged 66, has been appointed as an independent non-executive Director, the chairman of the Audit Committee, a member of each of the Remuneration Committee and the Nomination Committee with effect from 21 July 2014. Dr. Chen has over 16 years of experience in accounting. Dr. Chen is an independent non-executive director of Shenzhen Worldunion Properties Consultancy Incorporated (stock code: 002285) since September 2013 and Saurer Intelligent Technology Co. Ltd. (stock code: 600545) since September 2017, which are listed on the Shenzhen Stock Exchange and the Shanghai Stock Exchange respectively. Dr. Chen is also an independent non-executive director of Shanghai La Chapelle Fashion Co., Ltd. (stock code: 06116) since January 2016 and Jinmao (China) Hotel Investments and Management Limited (stock code: 06139) since March 2014, both are listed on the Stock Exchange. Dr. Chen served as an independent non-executive director of Shanghai DragonNet Technology Co., Ltd. (stock code: 300245), a company listed on the Shenzhen Stock Exchange, from 2005 to September 2015, and an independent non-executive director of Industrial Securities Co., Ltd. (stock code: 601377), a company listed on the Shanghai Stock Exchange, from 2010 to March 2017. He is currently a professor of the China Europe International Business School. He was the head of the department of accountancy of the City University of Hong Kong from 2005 to 2008. Dr. Chen received a bachelor's degree in science and a master's degree in hospitality management, respectively, from the University of Houston in August 1990. He obtained a master's degree in business administration from the University of Houston in May 1992 and a doctoral degree in business administration from the University of Houston in August 1995.

Independent Non-Executive Directors

Mr. Tse Yung Hoi

Mr. Tse Yung Hoi, aged 66, has been appointed as an independent non-executive Director, the chairman of the Nomination Committee, a member of each of the Audit Committee and Remuneration Committee with effect from 21 July 2014. Mr. Tse is currently the chairman and non-executive director of BOCI-Prudential Asset Management Limited. He was the deputy chief executive officer of BOC International Holding Limited from December 2002 to December 2012, and the deputy general manager of investment management and treasury of Bank of China in Beijing from October 1998 to December 2002. Mr. Tse currently serves as the standing committee member of the Chinese General Chamber of Commerce and permanent honorary president of Hong Kong Chinese Securities Association. He was the council member of HKSAR Financial Services Development Council (FSDC), from January 2013 to December 2018. Mr. Tse was awarded the Bronze Bauhinia Star (BBS) by the government of HKSAR in 2013. Mr. Tse graduated from English studies from the department of foreign language of Fudan University in July 1975.

Mr. Tse has been appointed as an independent non-executive director of Guoan International Limited (formerly known as "Global Tech (Holdings) Limited"), a company listed on the Stock Exchange (stock code: 00143) with effect from 11 March 2016, BOCOM International Holdings Company Limited, a company listed on the Stock Exchange (stock code: 03329) with effect from 26 June 2014 and DTXS Silk Road Investment Holdings Company Limited, a company listed on the Stock Exchange (stock code: 00620) with effect from 16 November 2017 respectively. He was appointed as independent non-executive director of Vico International Holdings Limited (stock code: 01621) on 16 January 2018, appointed as independent non-executive director of China Tower Corporation Limited (stock code: 00788) on 3 May 2018 and appointed as independent non-executive director of Well Link Bank on 30 June 2018. Mr. Tse has resigned as an independent non-executive director of Huarong International Financial Holdings Limited, a company listed on the Stock Exchange (stock code: 00993) since 13 June 2016.

Senior Management

Mr. Wu Jiang (Chief Financial Officer)

Mr. Wu Jiang, aged 46, has been appointed as an executive Director, chief financial officer of the Company and a member of the Remuneration Committee with effect from 12 July 2017. Mr. Wu Jiang had tendered his resignation as an executive Director and accordingly ceased as a member of the Remuneration committee of the Company with effect from 18 April 2018. He joined Zhuhai Huafa since March 2009, and currently serves as the chief financial officer for Zhuhai Huafa. Mr. Wu is also acting as the director of Zhuhai Huafa Commerce and Trading Holding Co., Ltd. (珠海華發商貿控股有限公司). Prior to current positions, Mr. Wu held various core management positions in the subsidiaries of Zhuhai Huafa, including the deputy general manager of Zhuhai Shizimen Central Business District Construction Holding Co., Ltd. (珠海十字門中央商務區建設控股有限公司), the deputy general manager of Zhuhai Huafa City Centre Construction Holding Co., Ltd. (珠海華發城市之心建設控股有限公司) and the Vice President of Zhuhai Huafa City Operation Investment Holding Co., Ltd. (珠海華發城市運營投資控股有限公司). Before joining Zhuhai Huafa, Mr. Wu also held the accounting and finance management positions in several companies of different industries starting from 1999. Mr. Wu graduated from Sun Yat-sen University with a bachelor's degree of Economics in accounting and auditing in 1993. He is a qualified accountant in China and has more than 18 years' extensive experience in audit, corporate finance and corporate strategy development.

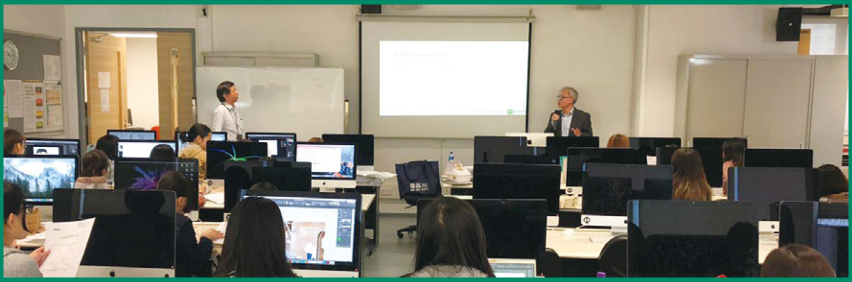
Corporate Social Responsibility

1. Dress Casual Day
2. The Community Chest Walk for Millions
3. Standard Chartered Hong Kong Marathon

Over the years, we have not only provided donations to worthwhile organisations, but also participated in and supported various charitable activities. We strive to be a good corporate citizen and are determined to create harmony and make full commitments to social services. For instance, our staff members have participated in Skip Lunch Day with an aim to donating their lunch fees to support the needy. As a socially responsible company, we encourage our staff members to offer their time and care to the people in need in our community.

We have been awarded as Caring Company by the Hong Kong Council of Social Service for more than five consecutive years for our commitment to being an outstanding corporate. We are dedicated to promote corporate social responsibilities through caring for our employees, community, and the environment.

Event Highlights



1. Annual Dinner
2. Christmas Party
3. Recruitment Talk

Every year, we engage our staff members in a variety of recreational events so as to promote staff morale. We are committed to enhancing the quality of life for our staff, their families and the community; hence we put the objective of work life balance into practice while seeking to create a harmonious workplace and loyalty among our staff.

We will continually seek opportunities to make improvement on the current employment practices to meet our stakeholders' needs and expectations. We will hold recruitment talks and career fairs in different universities or institutions regularly to promote our company culture and prospects.

Environmental, Social and Governance Report

HJ Capital (International) Holdings Company Limited (the "Company", together with its subsidiaries, the "Group", "we" or "us") is pleased to present the Environmental, Social and Governance Report 2018 (the "Report") to provide an overview of the Group's management of significant issues affecting its operations, including environmental, social and governance issues.

Reporting Year

The Report describes our environmental and social policies and performances during the period from 1 January 2018 to 31 December 2018 (the "Reporting Period").

Scope of the Report

The information disclosed in the Report covers the principal business segments of the Group in Hong Kong: the financial printing services and financial services, and its business units are primarily offices. The scope of this year's report has the following changes:

1. A business unit of financial services segment is newly included, the activities of which cover investment holding, securities dealing and consultation, dealing in futures contracts, money lending service and securities advisory service

2. The business unit of financial printing services segment located in Tuen Mun had ceased operation during the Reporting Period, therefore, this business unit is excluded

Upon the Group's data collection system becomes more mature and the work on the environment, society and governance has been deepened, the Group will continuously optimise and improve its operations in accordance with the disclosure requirements.

Reporting Standards

The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Main Board Listing Rules") issued by the Hong Kong Stock Exchange and has complied with the "comply or explain" provisions set out in the Listing Rules. The Report provides an overview of the Group's environmental, social and governance performances in a simple and concise manner.

The information included in the Report is derived from the Group's official documents and statistics, and consolidated and summarized based on the monitoring, management and operation information provided by its subsidiaries in accordance with the relevant systems of the Group. The final chapter of the Report contains a complete content index for readers' quick reference. The Report is prepared in both Chinese and English, and in the event of any discrepancy or inconsistency between the Chinese and English versions, the Chinese version shall prevail.

Information and Feedback

The Group values your opinion on the Report, and if you have any opinions or advices, you are welcome to email us at inquiry@ione.com.hk.

About Us

HJ Capital (International) Holdings Company Limited is an integrated financial service institution based in Hong Kong market. The Company has customers across China, including dozens of enterprises listed in Hong Kong. The business areas of the subsidiaries of the Company include financial advisory services, securities underwriting and consultancy, securities and futures brokerage, equity research, money lending business and financial printing services.

Going forward, the Company will continue to enhance its development in financial advisory services and securities underwriting business and to further expand the securities and futures brokerage business, targeting customers including listed companies in Hong Kong and the PRC which are intended to deal in or list their securities in Hong Kong, as well as other equity firms and investors. Leveraging on the advantage of Guangdong-Hong Kong-Macau Greater Bay Area, the Company is committed to serving as a bridge between the PRC and overseas capital markets.

Environmental, Social and Governance Management Approach

The Board of the Group attaches great importance to the Group's environmental, social and governance strategies. It evaluates the risks of the Group's operations on the environmental, social and governance aspects, and instructs the senior management to enforce a corresponding system of risk management and internal control. During the Reporting Period, the Group strictly complied with the laws and regulations in relation to the environment and society, including the environmental, employment and labour standards, staff health and occupational safety, anti-corruption (against bribery, extortion and money laundering).

Stakeholders

The Group values stakeholders' participation, including our staff, customers, suppliers or other stakeholders. All of them have material influence on the success of our business or activities. The following are the Group's relevant stakeholders. We actively communicate with every stakeholder through various channels to monitor and manage our impact on all aspects of the environment and society.

Stakeholders	Stakeholders' Concerns	Communication Channels
Government/Regulatory Authorities	Compliance with laws and Listing Rules Payment of proper taxes Promotion of regional economic development and employment	Company activities Annual reports, quarterly reports and interim reports and other public information
Shareholders and Investors	Low risk Return on investment Information disclosure and transparency for protection of interests of shareholders and fair treatment	Annual general meetings and other general meetings Company activities Annual reports, quarterly reports and interim reports and other public information Websites of the Company and The Stock Exchange of Hong Kong Limited

Stakeholders	Stakeholders' Concerns	Communication Channels
Customers	Legal and quality service Stable relationship Information transparency Integrity Business ethics	Websites, brochures, annual reports, quarterly reports and other public information Credential Email and customer service hotline Social channels Feedback forms
Peer/Industry Associations	Experience sharing Cooperation Fair competition	Industry conferences, exhibitions (such as the International Financial Annual Report Design Awards Ceremony) Company activities Website of the Company
Public and Communities	Community involvement Social responsibilities	Volunteering Charity and social investment

Environmental Aspects

Emissions

The Group complies with relevant environmental laws and regulations, including the Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) and the Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong). During the Reporting Period, there was no material illegal or non-compliance issue that had a significant impact on the Group.

As the Group is principally engaged in financial printing services and financial services business, its direct environmental impact is minimal with no direct discharge of air pollutants. Types of emissions of the Group's business operations are mostly indirect greenhouse gases and solid wastes.

Greenhouse Gas Emissions

We are committed to taking active steps to tackle climate change and trying our best to reduce risks for society in the most effective way. The Group is taking steps to reduce its greenhouse gas emissions from its business operations. We have implemented energy-saving measures as described in the section headed "Use of Resources". The Group's greenhouse gas emissions[1] are as follows:

Greenhouse Gas Emissions	Unit	2017	2018
Scope 1[2]	Kg carbon dioxide equivalent	0	**0**
Scope 2[3]	Kg carbon dioxide equivalent	269,137	**329,547**
Scope 3[4]	Kg carbon dioxide equivalent	3,279	**15,373**
Total Greenhouse Gas Emissions	Kg carbon dioxide equivalent	272,416	**344,920**
Intensity of Total Greenhouse Gas Emissions	Kg carbon dioxide equivalent/ square meter	157	**147**

The greenhouse gas emissions of the Group are mainly indirect emissions in Scope 2, which are derived from the purchase of electricity. The rest are other indirect emissions in Scope 3, including employees' business travels by air. To reduce emissions, we have implemented a series of electricity-saving measures (see the section headed "Use of Resources" for details). In addition, the Company cuts down unnecessary overseas trips as far as possible. If necessary, all staff would take the economy class whenever they go on business trips to minimise carbon emissions. As more business activities are covered in the reporting scope, the total greenhouse gas emissions increased, while the greenhouse gas volume emitted per square meter from business units has no significant change.

Waste Management

Although the Group conducts its operations mainly in offices and has no self-operated printing-related facilities for its financial printing services, the use of large amount of paper is required in its daily work, either for printing contract orders, compiling, printing and proofreading or for clients' review, which will exert impact on the environment. The Group continues to make efforts in reducing paper consumption and wastes. It also advocates the use of environmentally friendly paper and the recycling of double-printed paper in its operations as landfills will be further burdened without "recycling". To protect the environment, we have formulated relevant policies to minimise the waste of paper and other resources.

1 Greenhouse gas emissions are calculated with reference to the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong issued by the Environmental Protection Department and Sustainability Report 2017 of HK Electric Investments

2 Scope1: Emissions generated directly from business operations owned or controlled by the Company

3 Scope2: "Indirect energy" emissions caused by the Company's in-house consumption of purchased or acquired electricity, heating, freezing and steam

4 Scope3: Cover all other indirect greenhouse gas emissions outside the Company, including upstream and downstream emissions

Waste Management	
Office Paper	The Group calculates and monitors its wastes by referring to the monthly reports of Secure Information Disposal Services Limited (SSID). For example, we monitor the effect of our environmental protection by calculating the amount of A4 paper ordered each year and that of used paper recycled each year. Colleagues put the double-printed paper into red bags for recycling, and the recycling company regularly collects waste paper for recycling, so as to reduce the greenhouse gases emissions and office wastes. We encourage double-sided printing and use of electronic documents to minimise paper printing. We consider reminding our clients or staff in emails not to print out the emails, if possible, so as to reduce paper consumption and carbon emissions
Large Office Furniture	To provide a comfortable office environment to our colleagues and clients, the administration department conducts regular checks and audits on all of our office furniture. We would first explore the possibility of refurbishment or repair for any defects spotted. For example, we engage skilled workers to check and refurnish the leather-like chairs reserved for clients or cabinets. The furniture will be discarded only if such refurbishment or repair proves impossible. We donate some usable but depreciated furniture to charitable organisations.
Computers	In addition to the preparation of announcements and documents for our clients, graphic design is also one of our key businesses. In order to meet the various needs of our clients, we must keep abreast of the times and adopt the most cutting-edge computer equipment. Old computers of the design team are still effective for use in daily office work. To avoid wastage, we would donate such computers to non-profit-making organisations.
Toner	We store the used toner cartridges of our printers and arrange for suppliers to recycle the toner cartridges regularly, so as to reduce wastes.
Stationery	We also monitor the stationery consumption by our colleagues. We have an old-for-new practice for replacing such consumables as correction pens and highlighters, so as to reduce incomplete consumption of such items before their disposal.

Below are mainly the wastes generated by the Group:

Wastes	**Unit**	2017	**2018**
Scrap metal	Kg	6	**N/A**
Toner cartridge	Kg	5.54	**13.48**
Mooncake can	Kg	3	**N/A**
Cardboard	Kg	71	**N/A**
Paper	Kg	N/A	**33,724.53**

The amount of used toner cartridges increased during the year as more business activities are covered in the reporting scope. The Group will keep on implementing the above waste management measures to monitor the effectiveness.

Use of Resources

The Group advocates environmental protection in its ordinary business operations, and has implemented a variety of environmental protection measures in its office premises. We mitigate the negative impacts of office operations on the environment by making optimal use of office resources, including paper, toner cartridges, electricity and water, as well as by resource separation and recycling.

Resource Management	
Water	• Since the property management office takes care of water consumption, there is no problem on seeking appropriate water source. We remind our colleagues to avoid wastage by posting the "Save Water" sign.
	• We replace bottled potable water with water filter. The water outlet time and water volume of faucets in toilets has been shortened and reduced by the management office of the building to save water
Provisions of Recycling Bins	• We put recyclable items such as paper, plastics, aluminium, CDs and batteries into recycling bins provided by the building and separate such items into paper, plastics, glass, metal and so on
Electricity	• We control indoor air conditioner temperature
	• We use energy-saving light bulbs and electrical products with environmental-friendly label
	• We post reminder to remind the staff to turn off the switch before leaving. Furthermore, an automatic power-off switch is installed in the pantry to save energy and reduce risks
	• Some elevators are shut down during non-office hours to reduce power consumption

Energy consumption data are as follows:

Energy Consumption	Unit	2017	2018
Total Energy Consumption	kWh	342,905	**417,148**
Intensity of Energy Consumption	kWh/square meter	198	**177**

Energy consumption mainly sources from the external purchase of electricity. As more business activities are covered in the reporting scope, the overall energy consumption increased, while the energy consumed per square meter by business units decreased.

Environment and Natural Resources

Despite the fact that the Group has insignificant impacts on environment and seldom uses natural resources directly, we still strive to improve the waste management mechanism. In order to reduce the damage on the forest, our offices use Forest Stewardship Council (FSC)-certified paper and encourage double-sided printing of various types of documents. FSC tracks the entire process of wooden products from the forest to consumers through developing standards for well-managed forest and standards of chain of custody for wood processing, so as to control the legal and sustainable source of the wood.

Social Aspects

Employment and Labour Practices

Employment

To maintain its edge in a highly competitive industry, the Group regards a professional team as its most valuable asset. The Group has complied with the Employment Ordinance, the Sex Discrimination Ordinance (Chapter 480), the Disability Discrimination Ordinance (Chapter 487), the Family Status Discrimination Ordinance (Chapter 527) and the Race Discrimination Ordinance (Chapter 602). It has also stuck to the principles and strictly followed the regulations in respect of recruitment, promotion, dismissal, working hours, rest intervals, equal opportunities, diverse culture, anti-discrimination and so on. The Group has never employed minors or forced labours with a basic salary below the minimum wage. During the Reporting Period, there was no material illegal or non-compliance issue that had a significant impact on the Group.

The Group's administration and human resources departments have formulated comprehensive human resource policies, and expressly stated the same in its Staff Manual/Staff Information for colleagues to understand the rules of personnel. In addition to compliance with basic labour laws, the Group also formulates and implements human resource policies when necessary and provides benefits better than those required by laws to recruit, retain and develop a top-notch team.

The data in respect of the number of staff and turnover rate of the Group are as follows:

Number of staff	2017	2018
Total	176	**217**

Turnover Rate	2017	2018
By Gender of Staff		
Male	31%	**29%**
Female	31%	**22%**
By Age Group of Staff		
Below 30	68%	**40%**
30-39	9%	**31%**
40-49	24%	**11%**
50 or above	21%	**11%**
Overall Turnover Rate	31%	**26%**

Staff turnover continues to concentrate in the age group of below 30, while the overall turnover rate has shown a downward trend, which is mainly due to the decrease in turnover of staff aged 40 or above during the Reporting Period.

Remuneration

We provide our staff with competitive remunerations, including salary, commission, bonus and other allowances, as well as the retirement benefit scheme. The Group has set up a defined contribution plan in accordance with the Mandatory Provident Fund Schemes Ordinance, and has provided all the employees with medical insurance. The Group determines staff remuneration packages according to common market practice, staff duties and the Group's financial results.

The Group formulates salaries and salary review policies based on the internal relativity which is established in accordance with qualification benchmark system among each grade. Under the qualification benchmark system, the Group determines the salary starting point for individual entry rank with reference to the remuneration level of similar position in the market and after considering other factors related to the nature of the work.

Welfare

The Group's staff welfare is better than those required in the Employment Ordinance. Our employees are entitled to not only annual leaves, but also leaves for long-term service. During the Reporting Period, business units in the financial services segment have increased the coverage of the staff medical insurance. To facilitate the communication between the management and employees, the Group uses different types of communication channels, such as email, telephone, instant messaging software, conference and group lunch. During the Reporting Period, the Group started to implement a five-day week regime to increase staff's rest and spare time.

The Group engages our staff members in a variety of recreational events so as to promote staff morale. We are committed to enhancing the quality of life for our staff, their families and the community, and put the objective of work-life balance into practice while seeking to create a harmonious workplace and enhance the loyalty among our staff. Such events can also provide more opportunities for the management to reach out to our staff, and increase communication channels to deepen mutual understanding.

In early May of every year, we organise buffet gathering to thank our staff for their hard work during the annual report period. In July, we hold annual dinner to invite colleagues to attend. At the venue, we arrange karaoke for colleagues to have fun and make friendly contacts, and prepare some delicacies and fantastic prizes for them. In addition, the Group also holds Christmas party and Chinese New Year gathering meal, and delivers red envelope and moon cake from time to time. During the Reporting Period, business units in the financial services segment organised events such as team building activities, new comer training camp and staff's sports day for their staff.

Health and Safety

The Group complies with the relevant health and safety regulations in accordance with the Occupational Safety and Health Ordinance and formulates requirements in respect of the environment control and hygiene in workplace. During the Reporting Period, there was no material illegal or non-compliance issue that had a significant impact on the Group. Offices are the environment that our staff stay for a long time, in which poor indoor air quality can cause physical illnesses and poor health (such as headache, itchy eyes, breathing difficulties, skin allergies, fatigue or vomiting), which can even lead to high absence rate and low production efficiency in workshop. On the contrary, good indoor air quality can make them feel more comfortable and stay healthy.

The Group implemented a series of measures to improve indoor air quality: for example, regular air quality testing, provision of air cleaners, regular cleaning of ventilation systems, use of water-cooled air conditioning systems and enhancement of air circulation in offices. In order to reduce the employees' chance of suffering from respiratory infections, we will issue influenza notice when necessary and enhance preventive measures, such as preparation of hygiene masks and hand sanitisers for staff's usage at any time.

In addition, the Group also carries out carpet cleaning and pest control and disinfection treatment to ensure that colleagues can work in a neat environment with health promotion. Besides, new office chairs are also purchased for those who need to replace seats, so that colleagues can work in a comfortable environment while reducing the occurrence of accidents. As for workplace lighting, we arrange for a lamp check every week to ensure that our colleagues can work under comfortable light. Furthermore, shade curtains are also installed in windows to prevent sunlight from reflecting on colleagues' computers and causing harm to their eye health.

The Group also ensures that there are adequate and unlocked first-aid facilities in workplace and that all emergency exits remain unimpeded and unlocked. Besides, our staff receive training on fire safety knowledge to raise their fire precaution awareness. During the Reporting Period, business units in the financial services segment held safe production inspection, fire safety knowledge training and fire drills.

Development and Training

The Group encourages its staff to pursue progress and continuous learning. In addition to on-the-job trainings provided at different departments, the Group has a policy of sponsoring its staff to further their study so as to improve their expertise. We also organise team activities, such as orienteering and problem-solving activities, to enhance the sense of belonging and responsibility among the staff. Through such activities, our staff learn to accept and complement each other, establishing a team with mutual trust and inspiration. Staff can also understand more about their merits and demerits in terms of personal growth. There was no significant difference in the overall percentage of trainee number as compared with that of last year, and the average training hours of the staff increased. The detailed data of staff training are as follows:

Percentage of employee trained	2017	**2018**
By Gender		
Male	100%	**100%**
Female	99%	**100%**
By Job Rank		
Assistant general manager and above	91%	**100%**
Senior manager	100%	**100%**
Manager	100%	**100%**
Assistant manager	100%	**100%**
General staff	100%	**100%**
Operating staff	100%	**100%**
Overall	99%	**100%**

Average Training Hours		2017	2018
By Gender			
Male	Hour/person	12.22	**26.72**
Female	Hour/person	14.74	**26.86**
By Job Rank			
Assistant general manager and above	Hour/person	42.38	**60.84**
Senior manager	Hour/person	56.65	**55.25**
Manager	Hour/person	22.92	**33.12**
Assistant manager	Hour/person	83.73	**72.55**
General staff	Hour/person	7.26	**16.11**
Operating staff	Hour/person	1.29	**1.50**
Overall	Hour/person	13.50	**26.79**

Labour Standards

The Group adopts zero tolerance stance towards the employment of minors or forced labour, and has complied with relevant laws and regulations, including the Employment of Children Regulations under the Employment Ordinance. We would check the original identity document of the candidates and retain a copy for record before recruitment, which ensure the age and capacity of related individuals are legitimate to work. During the Reporting Period, the Group did not engage any child labour or forced labour.

Operating Practices

Supply Chain Management

The general business suppliers of the Group comprise of suppliers engaged in information technology and telecommunication, properties, laws and other commercial services, as well as office supplies. The Group believes that these suppliers will not constitute major social risks to our business, therefore, this section primarily refers to the supply chain management in respect of our financial printing services business. In conclusion, our purchase decisions are made according to the pricing, suitability and general reputation of suppliers.

Supplier Engagement Practices

The Group promotes fair and open competition, and the decisions on engagement of services and procurement of materials are made solely on the basis of prices, quality, previous service records and demands. Major suppliers of our financial printing services are printing houses and translation companies. During the Reporting Period, we had 17 suppliers, all from Hong Kong. In the selection of suppliers, the Group would simultaneously request quotes from three suppliers as far as possible, as price is one of the most important factors of consideration. In addition, quality also matters. For example, when selecting printing houses, we shall consider the suppliers' ability to deliver the printed products as scheduled, as well as the quality of those printed products (for example, whether there are missing pages, stains or printing mistakes) and the records of punctual delivery; when selecting translation companies, apart from price, we shall also consider factors such as the fluency of sentences in the translated drafts and the compliance with the requirements in terms of the time for revision of drafts. Purchase orders would be jointly signed by sales staff who are responsible for the selection and adoption of suppliers and the manager of finance department in order to ensure relevant works proceed according to normal procedures.

When selecting suppliers, the Company would also take into account environmental and social risk factors to ensure such suppliers' compliance with local laws and regulations. Furthermore, they also need to have successful business, as we demand for stable and long-term partners. We would not rely on a single supplier, therefore, we might have various suppliers at the same time for selection, in order to provide services for our clients.

Monitoring Methods

We adjust our assessment on suppliers based on demands of different clients. For example, for the books of clients, we would send specialised staff (such as staff in design department) to the printing houses for colour-checking and sample inspection. Generally, our internal printing department is responsible for monitoring printed products, and sometimes it may work with the marketing department for follow-up issues. In the course of printing, our printing department will arrange staff to the printing houses for quality checks.

We would send staff to the printing houses for sample or overall checks to ensure good quality. The contracts entered into between clients and the Company are mostly for a term of one year. Where the supplier made a mistake, we would request the supplier to replace the products for free. During the peak annual report season, we usually set printing targets in advance to estimate the number of suppliers required, ensuring there will be no shortage of suppliers and general price increment.

After a supplier is duly introduced, if any of its goods or services is found to be substandard as compared with the Company's requirements or even constitutes a violation, we will require the supplier to provide immediate solutions, such as immediate reprinting in case of missing pages.

Service Quality

The Group is committed to provide our target clients with premium services and offer them the best solutions at competitive prices, meeting their demands with excellent services beyond their expectation. In order to provide quality services to our clients, the Group has taken a series of measures in respect of all aspects, including quality control of services, complaints handling and protection of client data. The Group complies with relevant laws and regulations, including Consumer Protection Legislations, the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), the Consumer Council Ordinance (Chapter 216 of the Laws of Hong Kong) and the Securities and Futures Ordinance of Hong Kong. During the Reporting Period, there was no material illegal or non-compliance issue that had a significant impact on the Group.

Quality Control of Service and Complaints Handling

The Group's financial printing services meet the highest standards required by local, regional and international clients in terms of quality, accuracy, reliability and delivery speed. We have close cooperation with each client to ensure service quality. Our clients can give their views to our customer service officers or marketing officers through email and dedicated hotline. We also have an opinion collecting book in our meeting room for clients to write down their opinions, and our staff from marketing department would communicate with our clients through meetings and meal gatherings. Generally, we would deal with clients' urgent complaints or comments within 24 hours. Issues related to our products are normally handled by our staff from printing department and operation representatives. As for issues related to clients' feedbacks, customer service representatives would collect the opinions and raise them at regular meetings, so that each department could get to the bottom of the problems. We hold general meetings regularly, getting heads of each department together to share the problems occurred or may occur during the operation procedures and work out solutions for improvement, enabling an effective mutual cooperation among all departments.

When receiving clients' complaints or comments, our sales representatives and printing department would provide timely follow-ups. If the problems lie in the printed products, like omission, we will arrange reprinting immediately and arrange our staff to the printing house for spot check. The aforesaid procedures are mainly taken up by the printing department, marketing department and customer service representatives.

The business units of financial services of the Group strongly promote electronic trading services, such as the electronic application function for new issue shares and electric account opening forms, so as to enhance our service efficiency and quality. During the Reporting Period, relevant units did not receive any complaints.

Protection of Client Data

The Group's virtual database has a high level of safety and can be used to store and promptly transmit confidential information. The Group's business requires the processing of confidential information from time to time, such as legal documents, promotion booklets, annual reports and prospectuses. Over the years, the Group has been efficient and cautious in handling printing projects with sensitive information, which helped us build a good reputation in the business community.

Information confidentiality system, the code of conduct for staff and confidentiality agreement are also in place for the business units of our financial services to safeguard and store our clients' personal data. Besides, client data is duly stored in the confidential document cabinet, which can only be accessed by a few authorised officers for inspection. We have also simplified the online trading platform and introduced the dual certification service to enhance the online transaction security for clients and reduce the risks of hacker attacks.

Moreover, we strive to assist our clients to tackle complicated disclosure procedures imposed by the government, which helped us gain clients' trust and respect. We sign the Code of Sensitive Information Disclosure with our clients, supply chains and staff to ensure that all the documents and constitutions are kept confidential before publication and in compliance with disclosure procedures under relevant laws.

Staff	The Company requires a high standard of business ethics and good personal conduct on staff. Every new staff would be given a Staff Manual which illustrates the code of conduct and staff behavior.
Clients	We enter into confidentiality agreements and codes with our clients. Except the waived items listed in the undertaking letter, no confidential information would be disclosed to other cooperative manufacturers. The Group only uses the information for provision of services to clients and for no other purposes.
Suppliers	We have stringent management for our suppliers. In addition to timely delivery, the suppliers shall enter into confidentiality agreements before each delivery to ensure absolute confidentiality of the printing content. We maintain a long-term and good partnership with our printers and publish announcements in accordance with the legal disclosure procedures.

Anti-corruption

The Group maintains a high standard of business integrity throughout the operation and tolerates no corruption or bribery in any form. We effectively implement a comprehensive internal control system and stringent policies for anti-corruption and anti-fraud. The Group has complied with the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) and the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Chapter 615 of the Laws of Hong Kong). During the Reporting Period, there was no material illegal or non-compliance issue that had a significant impact on the Group.

The Staff Manual of Human Resources has specified that employees of the Company shall not offer bribes, grant or receive any bonus, commission or other similar illegal benefits which will affect business decisions for business interest. The employees shall choose to trade with those persons who are impartial and for the benefit of the Company, and shall not require any person or company to accept gifts, entertainment activities or bonus which do not comply with the normal social etiquette and ethical business practices, including cash or coupons. Each staff shall avoid all improprieties. If they are required to accept gifts, entertainment activities or other concessions beyond the normal etiquette, they shall report to their supervisors in advance and obtain the approval from their managers who are not involved in accepting such concessions, and there shall be an appropriate business reason for such approval.

In order to enhance the anti-corruption awareness of the employees, the Group will send the internal code of the Company via email to each new recruit. During the Reporting Period, the business units of financial services segment invited lawyers and Hong Kong Independent Commission Against Corruption to provide anti-corruption trainings for their employees.

COMMUNITY

Community Investment

Over the years, the Group has always been philanthropic and strived to be a good corporate citizen to help create a harmonious society. We have also encouraged our staff to take the initiative in participating in social service and care for the people in need. We will select the donees according to the operating philosophy and the activities of community organisations. The beneficiaries include The Community Chest, Tung Wah Group of Hospitals and Yan Oi Tong.

The Group's management encourages the staff to take part in community service and motivate colleagues to join in various volunteer activities. Our colleagues are more than ready to participate and even form their own teams in joining volunteer activities whenever available. Our staff participate in The Community Chest Walk for Millions every year to support the fund-raising activities. We help for the needy through donations and participation in charitable activities such as The Community Chest Walk for Millions, The Community Chest Dress Casual Day, The Community Chest Love Teeth Day, Flag Day and The Community Chest Green Day, etc. In addition, we spare no effort to raise funds by forming a team to participate in charity run of Standard Chartered Marathon. Apart from the donations to charitable organisations, we have also made humble effort for education. We hope to cultivate the new generation to make contribution to our society by making donations to the Vocational Training Council for Outstanding Industrial Attachment Scholarship.

During the Reporting Period, the major donations were mainly to help the needy in society. We made donations through our support to the activities of The Community Chest, which would donate to other institutions. Rehabilitation and crime prevention services, community and other services, family and child welfare services and elderly services account for a major proportion. The details of community investment are as follows:

Community Investment	**Unit**	2017	**2018**
Total number of participants	Person	193	**167**
Total volunteer work hours	Hour	261	**219**
Total amount of donations	HK$	509,000	**113,000**

Index to Environmental, Social and Governance Report of Hong Kong Stock Exchange

Subject Areas/Aspects/Key Performance Indicators (KPIs)		**Section/Statement**	**Pages**
Subject Area A – *Environmental* **Aspect A1: Emissions**			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes	Emissions	43-46
KPI A1.1	The types of emissions and respective emissions data	Emissions	43-46
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions	44
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions	46

Subject Areas/Aspects/Key Performance Indicators (KPIs)		Section/Statement	Pages
KPIA1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions	46
KPI A1.5	Description of measures to mitigate emissions and results achieved	Emissions	43-46
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Emissions	43-46
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Use of Resources	46-47
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per meal)	Use of Resources	46-47
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	The property management office is responsible for the water consumption; no related data	–
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Use of Resources	46-47
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	N/A: The property management office is responsible for the water consumption	–
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	N/A: The Group has no packaging materials	–
Aspect A3: Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	Environment and Natural Resources	47
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Environment and Natural Resources	47

Subject Areas/Aspects/Key Performance Indicators (KPIs)		Section/Statement	Pages
Subject Area B – ***Social***			
Employment and Labour Practices			
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment	47-49
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Partially disclosed in employment	48
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment	48
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety	49-50
KPI B2.1	Number and rate of work-related fatalities.	No fatality	–
KPI B2.2	Lost days due to work injury.	No work injury	–
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety	49-50

Subject Areas/Aspects/Key Performance Indicators (KPIs)		Section/Statement	Pages
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	Development and Training	50
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training	50
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training	51
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards	51
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards	51
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	No non-compliance	51
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	51-52
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management	51
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management	51-52

Subject Areas/Aspects/Key Performance Indicators (KPIs)		Section/Statement	Pages
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress	Service Quality The Group has no product manufacturing, therefore, issues of health and safety, advertising and labeling relating to products has no significant impact on its business	51-53
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	N/A: The Group has no product	–
KPI B6.2	Number of products and service related complaints received and how they are dealt with	No related complaints received	–
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	N/A: It has no significant impact on the business of the Group	–
KPI B6.4	Description of quality assurance process and recall procedures	Service Quality	52
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Service Quality	51-53
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Anti-corruption	54
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases	No related case	–
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Anti-corruption	54

Subject Areas/Aspects/Key Performance Indicators (KPIs)		Section/Statement	Pages
Community			
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Community Investment	54-55
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Community Investment	54-55
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Community Investment	54-55

Report of the Directors

The Directors are pleased to present their annual report, along with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

Principal Activities

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of financial printing services, financial services and hotel advisory, hotel management and exhibition planning services in both Hong Kong and Mainland China.

Subsequent to the completion of the acquisition of Huajin Group on 13 September 2017, the Group carries out regulated activities, through its wholly-owned subsidiaries, Huajin Group and WAG, including Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and also holds a Money Lender's Licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

To maximise profits and returns for the Group and its shareholders, the Group will focus on enhancing the competitiveness of its current business and simultaneously continue exploring new business opportunities.

Business Review

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year and up to the date of this report, and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 26 to 32 of this report. In addition, discussions on the Group's environmental policies, relationships with its stakeholders, and compliance with relevant laws and regulations which have a significant impact on the Group are also included in the Management Discussion and Analysis, Corporate Governance Report, Corporate Social Responsibility and Environmental, Social and Governance Report of this report. The review forms part of this Report of the Directors.

Results And Dividend

The results of the Group for the year ended 31 December 2018 are set out in the Consolidated Statement of Comprehensive Income on page 93 of this report. The Board does not recommend payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

Closure Of Register Of Members

The register of members of the Company will be closed from Friday, 17 May 2019 to Wednesday, 22 May 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting to be held on Wednesday, 22 May 2019 ("AGM"), all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 16 May 2019.

Fixed Assets

Details of the movements in property, plant and equipment of the Group during the year are set out in note 14 in the financial statements.

Share Capital

Details of movements of the share capital of the Company during the year are set out in note 29 in the financial statements.

Distributable Reserves

The Company's distributable reserves were HK$32,760,000 as at 31 December 2018 (2017: HK$40,344,000). However, the Company shall not declare or pay a dividend, or make a distribution out of contributed surplus, if (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realisable value of the company's assets would thereby be less than its liabilities; and there must be no reduction of share capital as a result of the dividend or distribution.

Five Year Summary

A summary of the Group's results for each of the five years ended 31 December 2018 and the Group's assets and liabilities as at 31 December 2014, 2015, 2016, 2017 and 2018 is set out on page 18 of this report.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws (the "Bye-Laws"), or under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

Directors And Directors' Service Contracts

The Directors during the year and up to the date of this report were:

Executive Directors:

Li Guangning Chairman
Xie Wei Chief Executive Officer
Wu Jiang Chief Financial Officer *(resigned on 18 April 2018, the role of Chief Financial Officer remains)*
Guo Jin *(appointed on 18 April 2018)*

Non-executive Directors:

Zhang Kuihong
Shong Hugo
Qie Yan

Independent Non-executive Directors:

Chen Jieping
Sun Mingchun
Tse Yung Hoi

In accordance with bye-law 87 of the Bye-Laws, Mr. Xie Wei, Dr. Chen Jieping and Mr. Tse Yung Hoi will retire at the forthcoming AGM by rotation. In addition, Ms. Guo Jin, who has been appointed by the Board on 18 April 2018, will hold office until the forthcoming AGM pursuant to bye-law 86(2) of the Bye-Laws. All of the above Directors, being eligible, will offer themselves for re-election at the forthcoming AGM.

Mr. Wu Jiang had tendered his resignation as an executive Director and accordingly ceased as a member of the Remuneration Committee with effect from 18 April 2018 in order to devote more time to the role of the chief financial officer of the Company. Mr. Wu has confirmed that he has no disagreement with the Board and there are no matters that need to be brought to the attention of the shareholders of the Company in respect of his resignation as the executive Director. The Board would like to take this opportunity to express its gratitude to Mr. Wu for his contribution to the Company during his term of services as the executive Director.

Mr. Li Guangning, Chairman and executive Director, entered into his service contract with the Company in 2014. His appointment is for an initial term of three years commencing on 21 July 2014 and is renewed for a further period of three years with effect from 1 April 2017. During his three-year employment period, he has been entitled to a Director's fee of HK$120,000 per year effective from 1 April 2017 plus discretionary bonus, which is determined by his roles, experience and responsibilities in the Company.

Mr. Xie Wei, Chief Executive Officer and executive Director, entered into his service contract with the Company in 2014. His appointment is for an initial term of three years commencing on 21 July 2014 and is renewed for a further period of three years with effect from 1 April 2017. During his three-year employment period, he has been entitled to a Director's fee of HK$120,000 per year effective from 1 April 2017 plus discretionary bonus, which is determined by his roles, experience and responsibilities in the Company.

Ms. Guo Jin, executive Director, entered into her service contract with the Company for an initial term of three years commencing from 18 April 2018 subject to retirement by rotation and the re-election provisions pursuant to the Bye-Laws. During her three-year employment period, she has been entitled to an annual Director's fee of HK$120,000 effective from 18 April 2018 plus discretionary bonus, which is determined by her roles, experience and responsibilities in the Company.

Ms. Zhang Kuihong, non-executive Director, entered into her letter of appointment with the Company in 2015. Her appointment is for an initial term of three years commencing on 9 December 2015 and is renewed for a further period of three years with effect from 9 December 2018, subject to termination at any time by either party giving to the other 3 months' notice in writing. Ms. Zhang would not receive any remuneration from the Company.

Mr. Shong Hugo, non-executive Director, entered into a letter of appointment with the Company for an initial term of three years commencing from 15 September 2017, subject to retirement by rotation and the re-election provisions pursuant to the Bye-Laws. Mr. Shong would not receive any remuneration from the Company.

Mr. Qie Yan, non-executive Director, entered into a letter of appointment with the Company for an initial term of three years commencing from 15 September 2017, subject to retirement by rotation and the re-election provisions pursuant to the Bye-Laws. Mr. Qie would not receive any remuneration from the Company.

Three independent non-executive Directors, namely, Dr. Chen Jieping, Dr. Sun Mingchun and Mr. Tse Yung Hoi, entered into their letters of appointment with the Company for an initial term of three years commencing on 21 July 2014 and are renewed for a further period of three years with effect on 21 July 2017, subject to termination at any time by either party giving to the other 2 months' notice in writing. Pursuant to the terms of the letters of appointment, each of the independent non-executive Directors is entitled to a Director's fee of HK$100,000 per year which is determined with reference to their duties and responsibilities within the Company.

Apart from the above, none of the Directors had a service contract with the Group which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

The remuneration of the executive Directors and the Directors' fees of the independent non-executive Directors are mutually agreed between the Board and each of the executive Directors and independent non-executive Directors with reference to the prevailing market conditions and determined by the Board based on the anticipated time, efforts and expertise to be exercised by each of them on the Company's affairs. Such emoluments are subject to review by the Board from time to time, pursuant to the power conferred on it in the annual general meeting of the Company.

Confirmation Of Independence From Independent Non-Executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

Biographical Details Of Directors

Biographical details of the Directors are set out on pages 35 to 38 of this report.

Directors' And Chief Executive's Interests And Short Positions In Securities

As at 31 December 2018, none of the Directors or the chief executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have been taken under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules.

Interest Of Substantial Shareholders

As far as was known to the Directors, as at 31 December 2018, the interests or short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Long position in ordinary shares of HK$0.00025 each of the Company

Name of Substantial Shareholders	Capacity/Nature of interest	Number of shares held	Approximate percentage of interested shares to the issued share capital of the Company (%)
Zhuhai Huafa (Note 1)	Interest in controlled corporations	3,710,750,000	36.88
Ho Chi Sing (Note 2)	Interest in controlled corporations	860,920,000	8.56
IDG Light Solutions Limited (Note 2)	Beneficial owner	860,920,000	8.56

Notes:

1. Zhuhai Huafa holds 100% of the issued share capital of Hong Kong Huafa Investment Holdings Limited ("Huafa HK"), which in turn holds 100% of the issued share capital of Huajin Investment Company Limited ("Huajin"). Since Huajin holds 3,710,750,000 shares of the Company, Zhuhai Huafa is deemed to be interested in 3,710,750,000 shares of the Company by virtue of its shareholding in Huajin.

2. Mr. Ho Chi Sing directly holds 100% of the issued share capital of IDG Light Solutions Limited (incorporated in the British Virgin Islands), which holds 860,920,000 shares of the Company.

   Therefore, Mr. Ho Chi Sing is deemed to be interested in a total of 860,920,000 shares of the Company by virtue of his shareholding in IDG Light Solutions Limited.

Save as disclosed above, as at 31 December 2018, no person had any interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or otherwise notified to the Company and the Stock Exchange.

Share Options

Pursuant to the resolution passed by the shareholders of the Company on 25 June 2008, the Company approved and conditionally adopted a share option scheme (the "Share Option Scheme") whereby selected classes of the participants may be granted options to subscribe for shares at the discretion of the Board. No options were granted under the Share Option Scheme for the year ended 31 December 2018.

Directors' Rights To Acquire Securities

Apart from the Share Option Scheme as mentioned above, at no time during the year was the Company, or any of its holding company, fellow subsidiaries and subsidiaries, a party to any arrangement enabling the Directors or their respective spouses or children (natural or adopted) under the age of 18 years, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Equity-linked Agreements

Save for the Share Option Scheme as mentioned above, the Group has not entered into any equity-linked agreements during the year ended 31 December 2018.

Permitted Indemnity Provision

Pursuant to the Bye-Laws, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his/her duty, or supposed duty, in his/her respective offices or trusts.

There is appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

Major Customers And Subcontractors

The percentage of sales and cost of services provided for the year attributable to the Group's major customers and subcontractors were as follows:

Sales	
– the largest customer	6%
– five largest customers	21%
Cost provided	
– the largest subcontractor	12%
– five largest subcontractors	26%

Huafa HK is one of the five largest customers of the Group and Mr. Li Guangning, Mr. Xie Wei and Mr. Wu Jiang are acting as its directors during the year. Saved as disclosed in this report, during the year, none of the Directors, their close associates, or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in any of the five largest customers and subcontractors of the Group.

Directors' Interests In Competing Businesses

As at the date of this report, and pursuant to the Listing Rules, none of the Directors is considered to have interests in any business which causes, or may cause, significant competition with the business of the Group.

Connected Transactions and Continuing Connected Transactions

In addition to the related party transactions disclosed in note 33 to the audited consolidated financial statements, details of connected transactions and continuing connected transactions of the Group as defined under the Listing Rules, details of which are required to be disclosed in accordance with the requirements of Appendix 16 and Chapter 14A of the Listing Rules, are summarised below:

Connected Transactions

The following transactions between certain connected parties (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with Chapter 14A of the Listing Rules.

As disclosed in the announcement of the Company dated 31 August 2018, on 31 August 2018, Miracle View Group Limited (the "Vendor"), a direct wholly-owned subsidiary of the Company, and Silver Melrose Limited entered into a sale and purchase agreement, pursuant to which the Vendor agreed to sell, and Silver Melrose Limited agreed to purchase, 40% of the entire issued share capital of Rising Win Ltd, an indirect wholly-owned subsidiary of the Company at a consideration of HK$12 million. As Silver Melrose Limited is wholly-owned by a director of the Vendor and Rising Win Ltd, Silver Melrose Limited is a connected person of the Company at the subsidiary level pursuant to Rule 14A.06 of the Listing Rules. For details, please refer to the aforementioned announcement.

As disclosed in the announcement of the Company dated 27 November 2018, on 27 November 2018, Zhuhai Hengqin New Area Huajin International Convention Services Company Limited* (珠海橫琴新區華金國際會展服務有限公司) (the "Consultant Company"), an indirect wholly-owned subsidiary of the Company and (i) Zhuhai Aohua Enterprise Management Consulting Company Limited* (珠海奧華企業管理諮詢有限公司), (ii) Zhuhai Huayao Trade Development Company Limited* (珠海華耀商貿發展有限公司) and (iii) Zhuhai Haofeng Trading Company Limited* (珠海市浩豐貿易有限公司) (collectively as the "Organisers") entered into an event planning agreement (the "Event Planning Agreement"), pursuant to which the Organisers agreed to retain and the Consultant Company agreed to provide the event planning and management services for an aggregate consideration of RMB5,500,000. As each of the Organisers is a subsidiary of Zhuhai Huafa Industrial Co. Ltd. ("Huafa Industrial"), a connected person of the Company as it is accounted for and consolidated in the audited consolidated accounts of Zhuhai Huafa and is treated as an indirect subsidiary of Zhuhai Huafa. Zhuhai Huafa is an indirect controlling shareholder of the Company interested in approximately 36.88% of the total issued share capital of the Company, therefore the Organisers are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the Event Planning Agreement constitutes a connected transaction of the Company and since all applicable percentage ratios in respect of the Event Planning Agreement are less than 25% and the aggregate service fees are less than HKD10,000,000, the entering into of the Event Planning Agreement was subject to the reporting and announcements requirements but was exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules. For details, please refer to the aforementioned announcement.

* *for identification purpose only*

As disclosed in the announcement of the Company dated 2 December 2018, on 30 November 2018, Zhuhai Hengqin New Area Huajin International Hotel Management Company Limited* (珠海橫琴新區華金國際酒店管理有限公司), an indirect wholly-owned subsidiary of the Company (the "Management Company") and Zhuhai Huafa International Hotel Management Company Limited* (珠海華發國際酒店管理有限公司) ("Huafa Hotel"), an indirect subsidiary of Zhuhai Huafa, entered into a trial management agreement (the "Trial Management Agreement"), pursuant to which Huafa Hotel agreed to retain and the Management Company agreed to provide, on a trial basis, the management services (the "Management Services") for a trial term of three months at an aggregate maximum service fee of RMB6,000,000. As Huafa Hotel is an indirect subsidiary of Zhuhai Huafa, an indirect controlling shareholder of the Company interested in approximately 36.88% of the total issued share capital of the Company, Huafa Hotel is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the Trial Management Agreement constitutes a connected transaction of the Company and since all applicable percentage ratios in respect of the Trial Management Agreement are less than 25% and the aggregate service fees is less than HKD10,000,000, the entering into of the Trial Management Agreement was subject to the reporting and announcements requirements but was exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules. For details, please refer to the aforementioned announcement.

As disclosed in the announcement of the Company dated 11 December 2018, on 11 December 2018, Huajin International Greater Bay Area High-end Services Holdings Company Limited (the "Advisory Company"), a direct wholly-owned subsidiary of the Company entered into an advisory agreement (the "Advisory Agreement") with Shanghai Huapeng Real Estate Development Company Limited* (上海鏵鵬置業發展有限公司) ("Shanghai Huapeng"), a subsidiary of Huafa Industrial for the provision of certain advisory and market analysis services in relation to the hospitality industry of Wujiang area, Suzhou city, Jiangsu province, for a service fee of RMB800,000 (equivalent to HKD906,000). Prior to entering into the Advisory Agreement, the Advisory Company has entered into an advisory agreement and three research agreements ("Previous Agreements") with different subsidiaries of Huafa Industrial in December 2018, pursuant to which the Advisory Company agreed to provide certain advisory services and certain research and feasibility study services in the PRC in relation to the hospitality service and/or convention centre construction, market research, business development and acquisition to those service recipients, and assist in asset stock taking, preparation of the acquisition document and completion of acquisition of a target providing hospitality service. Upon the Advisory Company entering into the Advisory Agreement, the service fees receivable by the Advisory Company when aggregated with the service fees under the Previous Agreements, will be approximately RMB3,100,000. Each of the service recipients under the Previous Agreements and Shanghai Huapeng is a subsidiary of Huafa Industrial, a company the accounts of which is accounted for and consolidated in the audited consolidated accounts of Zhuhai Huafa and is treated as a subsidiary of Zhuhai Huafa. As Zhuhai Huafa is an indirect controlling shareholder of the Company interested in approximately 36.88% of the total issued share capital of the Company, each of the service recipients under the Previous Agreements and Shanghai Huapeng is a connected person of the Company pursuant to Chapter 14A of the Listing Rules and all transactions contemplated by each of the Previous Agreements and the Advisory Agreement constitute connected transactions of the Company and since all applicable percentage ratios in respect of the Previous Agreements and the Advisory Agreement in aggregate are less than 25% and the aggregate service fees are less than HKD10,000,000, the entering into of the Advisory Agreement was subject to the reporting and announcements requirements but was exempt from the circular (including independent financial advice) and shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules. For details, please refer to the aforementioned announcement.

During the year under review, the Company has complied with the relevant disclosure requirements in respect of the connected transactions of the Group in accordance with Chapter 14A of the Listing Rules.

* *for identification purpose only*

Continuing Connected Transactions

As disclosed in the announcement of the Company dated 10 July 2018, on 10 July 2018 the Company and Huafa HK entered into an office sharing agreement (the "Office Sharing Agreement") pursuant to which Huafa HK has agreed to grant the Company the non-exclusive right to use an office space in consideration of the fees payable by the Company. Huafa HK is an indirect controlling shareholder of the Company interested in approximately 36.88% of the total issued share capital of the Company. Therefore Huafa HK is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the Office Sharing Agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules and since all the applicable percentage ratios (other than the profit ratio) in respect of the proposed annual caps under the Office Sharing Agreement are more than 0.1% but less than 5%, the transactions contemplated under the Office Sharing Agreement are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements, and are only subject to the annual review, reporting and announcement requirements. For details, please refer to the aforementioned announcement.

The annual cap in respect of the Office Sharing Agreement for the year under review was HKD2,500,000 and the actual sharing fees paid by the Company pursuant to the Office Sharing Agreement for the year ended 31 December 2018 did not exceed the annual cap.

As disclosed in the announcement of the Company dated 10 July 2018, on 10 July 2018 the Company and Zhuhai Huafa entered into a financial services master agreement (the "Financial Services Master Agreement"), pursuant to which the Company has agreed to procure the Group to provide financial services (the "Financial Services") to members of the Zhuhai Huafa, its subsidiaries and its associates ("Zhuhai Huafa Group"). Zhuhai Huafa is an indirect controlling shareholder of the Company interested in approximately 36.88% of the total issued share capital of the Company. Therefore Zhuhai Huafa and members of the Zhuhai Huafa Group are connected persons of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the Financial Services Master Agreement and the Financial Services to be provided contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (other than the profit ratio) in respect of the proposed annual caps under the Financial Services Master Agreement whether stand alone or aggregated with the amount received and receivable by the Company pursuant to the consultancy agreement, the financial adviser agreement and the fee agreement as disclosed in the Company's announcement dated 26 December 2017 exceeds 25%, the Financial Services Master Agreement and the Financial Services to be provided contemplated thereunder are subject to the annual review, reporting, announcement, circular (including independent financial advice) and independent shareholders' approval requirements. The related party transactions as disclosed under 2018 Consultancy income I, 2018 Consultancy income II, 2018 Consultancy income III, 2018 Consultancy income IV, 2018 Consultancy income V, 2018 Financial advisory income I, 2018 Financial advisory income II, 2018 Financial advisory income III and 2018 Financial advisory income IV of note 33 to the consolidated financial statements constitute continuing connected transactions under the Financial Services Master Agreement. The price and the terms of the above transactions have been determined in accordance with the pricing policies and guideline set out in the relevant announcement dated 10 July 2018 and the relevant circular dated 14 August 2018. The Financial Services Master Agreement and the transactions contemplated thereunder have been approved by the independent shareholders of the Company on 31 August 2018.

The annual cap in respect of the service fees of each of the category I, category II and category III financial services pursuant to the Financial Services Master Agreement for the year under review as disclosed in the announcement was HKD11,000,000, HKD19,000,000 and HKD10,000,000, respectively. The actual service fees paid by the Group for each of the category I, category II and category III financial services for the year ended 31 December 2018 did not exceed the annual cap.

* *for identification purpose only*

During the year under review, the Company has complied with the relevant disclosure requirements in respect of the continuing connected transactions of the Group in accordance with Chapter 14A of the Listing Rules. The aforesaid continuing connected transactions as contemplated under the Office Sharing Agreement and the Financial Services Master Agreement have been reviewed by independent non-executive Directors. The independent non-executive Directors confirmed that the aforesaid connected transaction were entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor, PricewaterhouseCoopers, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A. 56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Directors' Interests In Transactions, Arrangements Or Contracts

Save as disclosed in this report, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, or any of its holding company, fellow subsidiaries, subsidiaries and controlling shareholder or any of its subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Purchase, Sale Or Redemption Of The Company's Listed Securities

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year under review.

Sufficiency Of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

Corporate Governance

During the year under review, the Company, in the opinion of the Directors, has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 of the Listing Rules.

Model Code For Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries, all Directors have confirmed that they have complied with the Model Code during the year under review and up to the date of this report.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

Remuneration Policy

The remuneration policy of the Group for its employees and Directors is based on their performance, duties and responsibilities, comparable market rates and the performance of the Group. Remuneration packages typically comprise salary, housing allowances, contribution to pension schemes and bonuses relating to the profit of the relevant company. The Remuneration Committee regularly reviews and makes recommendations to the Board on the specific remuneration and compensation of the Directors and senior management of the Group.

Donations

During the year ended 31 December 2018, the Group made charitable donations amounting to approximately HK$113,000 (2017: HK$509,000).

Audit Committee

The Group established an Audit Committee consisting of three independent non-executive Directors, namely, Dr. Chen Jieping, Dr. Sun Mingchun and Mr. Tse Yung Hoi. Dr. Chen Jieping is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and effectiveness of the risk management and internal control systems of the Group. The Audit Committee has reviewed the Group's final results for the year ended 31 December 2018.

Auditor

The consolidated financial statements for the year ended 31 December 2018 have been audited by PricewaterhouseCoopers, who will retire at the forthcoming AGM and being eligible, offer themselves for re-appointment.

On behalf of the Board

Li Guangning
Chairman

Hong Kong, 27 March 2019

Corporate Governance Report

Corporate Governance Practices

The Board of the Group has committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders, to enhance corporate value and accountability, to formulate its business strategies and policies, and to enhance its transparency and accountability.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code contained in Appendix 14 of the Listing Rules. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

The Company has applied the code provisions as set out in the CG Code contained in Appendix 14 of the Listing Rules.

In the opinion of the Directors, throughout the year under review, the Company has complied with all the code provisions as set out in the CG Code.

Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year under review.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by senior management or other staff who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Board Of Directors

The Board currently comprises nine members, consisting of three executive Directors, three non-executive Directors and three independent non-executive Directors. The executive Directors, non-executive Directors and independent non-executive Directors during the year were as follows:

Executive Directors:

Mr. Li Guangning *(Chairman of the Board)*
Mr. Xie Wei *(Chief Executive Officer and member of the Remuneration Committee)*
Mr. Wu Jiang *(Chief Financial Officer and member of the Remuneration Committee, resigned with effect from 18 April 2018, the role of Chief Financial Officer remains)*
Ms. Guo Jin *(member of the Remuneration Committee, appointed with effect from 18 April 2018)*

Non-executive Directors:

Ms. Zhang Kuihong
Mr. Shong Hugo
Mr. Qie Yan

Independent Non-executive Directors:

Dr. Chen Jieping *(Chairman of the Audit Committee and member of the Nomination Committee and Remuneration Committee)*

Dr. Sun Mingchun *(Chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee)*

Mr. Tse Yung Hoi *(Chairman of the Nomination Committee and member of the Audit Committee and Remuneration Committee)*

The biographical information of the Directors are set out in the section headed "Biographical details of Directors and Senior Management" on pages 35 to 38 of this report.

None of the members of the Board is related to one another.

Chairman and chief executive officer

The positions of the Chairman and the Chief Executive Officer are held by Mr. Li Guangning and Mr. Xie Wei respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

Independent non-executive directors

During the year ended 31 December 2018, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

Non-executive directors and directors' re-election

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 of the CG code states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

According to the Bye-Laws, one-third of the directors are currently required (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) to retire from office by rotation at each annual general meeting of the Company, provided that every director is subject to retirement at least once every three years. The retiring directors are eligible to offer themselves for re-election.

Details of the Directors' Service Contracts are set out in the section headed "Directors and Directors' Service Contracts" in the Report of the Directors on pages 63 to 64 of this report.

The Nomination Committee recommended that Mr. Xie Wei, Dr. Chen Jieping and Mr. Tse Yung Hoi, who will retire by rotation at the forthcoming AGM, be eligible to offer themselves for re-election.

In accordance with the Bye-Laws, all Directors are subject to retirement by rotation at least once every three years. Any Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Directors appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. As Ms. Guo Jin was appointed to the Board as an executive Director on 18 April 2018, according to bye-law 86(2) of the Bye-Laws, Ms. Guo Jin shall retire and shall then be eligible for re-election at the forthcoming AGM.

Responsibilities, accountabilities and contributions of the board and management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous professional development of directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2018, the following Directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials on the following topics to develop and refresh their knowledge and skills:

Directors	Topic Notes
Executive Directors	
Mr. Li Guangning	1, 2, 4
Mr. Xie Wei	1, 2, 4
Mr. Wu Jiang (resigned on 18 April 2018)	1, 2, 4
Ms. Guo Jin (appointed on 18 April 2018)	1, 2, 4
Non-executive Directors	
Ms. Zhang Kuihong	1, 2, 4
Mr. Shong Hugo	1, 2, 4
Mr. Qie Yan	1, 2, 4
Independent Non-executive Directors	
Dr. Chen Jieping	1, 2, 3, 4
Dr. Sun Mingchun	1, 2, 3, 4
Mr. Tse Yung Hoi	1, 2, 3, 4

Notes:

1. Corporate governance
2. Regulatory updates
3. Finance and accounting
4. Industry updates

In addition, relevant reading materials including legal and regulatory update seminar handouts have been provided to the Directors for their reference and studying.

Board Committees

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference and are of no less exacting terms than those set out in the CG Code. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 168 of this report.

Audit committee

The Audit Committee currently comprises three members, namely Dr. Chen Jieping (chairman), Dr. Sun Mingchun and Mr. Tse Yung Hoi (including one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise), all are independent non-executive Directors. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures, risk management and internal control systems, audit plan and relationship with external auditor, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held two meetings to review interim and annual financial results and reports in respect of the year ended 31 December 2018 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditor and arrangements for employees to raise concerns about possible improprieties. The attendance records of the Audit Committee are set out under "Attendance Records of Directors and Committee Members" of this report.

The Audit Committee also met with the external auditor twice a year and at least once a year the Audit Committee shall meet with the external auditor without the presence of the executive Directors.

Remuneration committee

The Remuneration Committee currently comprises five members, namely, Dr. Sun Mingchun (chairman), Dr. Chen Jieping and Mr. Tse Yung Hoi (independent non-executive Directors), Mr. Xie Wei and Ms. Guo Jin (executive Directors).

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors, non-executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held two meetings to determine, review and make recommendations to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters. The attendance records of the Remuneration Committee are set out under "Attendance Records of Directors and Committee Members" of this report.

Details of the remuneration of the senior management by band for the year ended 31 December 2018 are set out in note 9(b) in the Notes to the Consolidated Financial Statements on page 137 of this Report.

Nomination committee

The Nomination Committee currently comprises three members, namely, Mr. Tse Yung Hoi (chairman), Dr. Chen Jieping and Dr. Sun Mingchun, all are independent non-executive Directors.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for consideration and approval.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee held two meetings to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the retiring Directors standing for election at the annual general meeting of the Company. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board has been maintained. The attendance records of the Nomination Committee are set out under "Attendance Records of Directors and Committee Members" of this report.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional qualifications, skills, knowledge and industry and regional experience and length of service.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

As at the date of this report, the Board's composition can be summarised by the following main diversity perspectives:

Board Members

	Number of Directors
Gender	
Female	2
Male	7
Ethnicity	
Chinese	8
American	1
Age	
31-40	1
41-50	5
51-65	3
Length of Service	
1-3 years	9

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;

- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional qualification, skills, knowledge and industry and regional experience and length of service;

- Requirements of independent non-executive directors on the Board and independence of the proposed independent non-executive directors in accordance with the Listing Rules; and

- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new directors and re-election of directors at general meetings. During the year ended 31 December 2018, the Board approved the resignation of Mr. Wu Jiang and appointment of Ms. Guo Jin as executive Director of the Company with effect from 18 April 2018 after taking into consideration of the recommendation from the Nomination Committee.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate governance functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Records Of Directors And Committee Members

The attendance records of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 December 2018 are set out in the table below:

	Attendance/Number of Meetings					
Name of Director	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**	**Annual General Meeting**	**Special General Meeting**
Li Guangning	9/9	–	–	–	1/1	1/1
Xie Wei	9/9	–	2/2	–	1/1	1/1
Wu Jiang (resigned on 18 April 2018)	2/2	–	2/2	–	1/1	–
Guo Jin (appointed on 18 April 2018)	7/7	–	–	–	–	1/1
Zhang Kuihong	9/9	–	–	–	1/1	1/1
Qie Yan	9/9	–	–	–	0/1	0/1
Shong Hugo	9/9	–	–	–	0/1	0/1
Chen Jieping	9/9	2/2	2/2	2/2	1/1	1/1
Sun Mingchun	9/9	2/2	2/2	2/2	1/1	1/1
Tse Yung Hoi	9/9	2/2	2/2	2/2	1/1	1/1

Apart from regular Board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of other Directors during the year.

Directors' Responsibilities In Respect Of The Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2018.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 86 to 92.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditor.

Auditor's Remuneration

An analysis of the remuneration paid or payable to the external auditor of the Company, PricewaterhouseCoopers, in respect of audit services and non-audit services for the year ended 31 December 2018 is set out below:

Service Category	Fees Paid/ Payable
Audit Services	1,999,000
Non-audit Services	
– Tax related services	40,000
– Consultancy services	180,000
	2,219,000

Risk Management And Internal Controls

The Board and the Audit Committee

The Board acknowledges its responsibility for maintaining sound and effective risk management and internal control systems and reviewing their effectiveness. The Board regularly monitors and updates the Group's risk profile and exposure, and evaluates the effectiveness of the risk management and internal control systems at least annually. During the year, a review of the effectiveness of the risk management and internal control systems was conducted. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

Risk Management and Internal Control Systems

The Group's risk management and internal control systems are designed to manage and mitigate risks, rather than eliminate risks, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Group has employed a bottom-up approach for identification, assessment and mitigation of risk at business unit level and across functional areas.

Main Features of Risk Management and Internal Control Systems

The key elements of the Group's risk management and internal control systems to ensure their effectiveness include the establishment of a Risk Register to track and document identified risks, the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the on-going testing of internal control procedures.

An on-going risk assessment approach is adopted by the Group for identifying and assessing the key inherent risks that affect the achievement of its objectives. A risk matrix is adopted to determine risk rating (L=low risk, M=medium risk, H=high risk) after evaluation of the risk by the likelihood and the impact of the risk event. The risk ratings reflect the level of management attention and risk treatment effort required.

Process Used to Identify, Evaluate and Manage Significant Risks

During the process of risk assessment, each of the risk owner of departments and major subsidiaries is required to capture and identify the key inherent risks that affect the achievement of its objectives. Each inherent risk is evaluated according to the risk matrix. After taking into consideration the risk responses, such as control measures in place to mitigate the risk, the residual risk of each inherent risk is evaluated again. The Risk Register with the risk responses and residual risks is reported to the Audit Committee. The Audit Committee, acting on behalf of the Board, evaluates the effectiveness of the systems. The highest category of residual risks is subject to the Board's oversight.

Procedures and Internal Controls for Handling and Dissemination of Inside Information

Regarding the procedures and internal controls for the handling and dissemination of inside information, the Group is aware of its obligations under the SFO, the Listing Rules and the overriding principle. The Group conducts its affairs with close regard to the applicable laws and regulations prevailing in Hong Kong. The Group regulates the handling and dissemination of inside information to ensure inside information remains confidential until the disclosure of such information is appropriately approved and the dissemination of such information is efficiently and consistently made. Meanwhile, the Group has also implemented procedures to guard against possible mishandling of inside information within the Group, including but not limited to, pre-clearance on dealing in the securities of the Company by designated members of the management and notification of regular blackout period and securities dealing restrictions to Directors and relevant employees.

Process Used to Review the Effectiveness of the Risk Management & Internal Control Systems and to Resolve Material Internal Control Defects

In view of the Company's business and scale of operations, and in order to adopt the most cost-effective method of conducting periodic reviews of the Company's internal controls, the Board has outsourced the internal audit function to an independent consulting firm (the "Internal Auditor"). The Internal Auditor has conducted a review of the effectiveness of the Company's risk management and internal control systems according to the scope of review agreed and approved by the Audit Committee.

The Internal Auditor reported directly to the Audit Committee and the Audit Committee is satisfied that there has been no major deficiency noted in the areas of the Company's risk management and internal control systems being reviewed after implementation of recommendations of the internal control defects reported by the Internal Auditor. The management has also confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems. Accordingly, the Board as supported by the Audit Committee, as well as the management report and the internal audit findings, reviewed and considered the risk management and internal control systems to be effective.

Company Secretary

Ms. Li Yanmei ("Ms. Li") has been appointed as the Company's company secretary. For the year ended 31 December 2018, Ms. Li has undertaken not less than 15 hours of relevant professional trainings to update the skills and knowledge in compliance with Rule 3.29 of the Listing Rules.

Shareholders' Rights

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Hong Kong Exchanges and Clearing Limited after each general meeting.

Shareholders' rights

i. Procedure for shareholders to convene a special general meeting:

Shareholder(s) holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such a requisition. This meeting shall be held within two months after the deposit of the requisition. If, within 21 days of the deposit, the Board fails to proceed to convene such a meeting, the requisitionist(s) himself (themselves) may do so in accordance with Section 74(3) of the Companies Act 1981 of Bermuda.

ii. Procedure for shareholders to propose a person for election as a director at a general meeting:

If a shareholder wishes to propose a person (the "Candidate") for election as a director at a general meeting, he/she shall deposit a written notice (the "Notice") at the Company's head office in Hong Kong at Room 3605, 36/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong. The Notice (a) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules and his/her contact details; and (b) must be signed by the shareholder concerned, including the information/documents to verify the identity of the shareholder and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal data. The period for lodgement of the Notice shall commence no earlier than the date after the dispatch of the notice of the general meeting and end no later than seven days prior to the date of such a general meeting. To ensure the Company's shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a director, without adjourning the general meeting, shareholders are urged to submit and lodge the Notice as soon as practicable, say at least 15 business days prior to the date of the general meeting appointed for the election.

Putting forward enquiries to the board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Room 3605, 36/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong (For the attention of the Board)
Fax:	(852) 3465 5333
Email:	inquiry@ione.com.hk

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Shareholders may call the Company at (852) 3465 5300 for any assistance.

Communication With Shareholders And Investors/Investor Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

During the year ended 31 December 2018, an annual general meeting and a special general meeting were held on 9 April 2018 and 31 August 2018 respectively. The notices of annual general meeting and special general meeting were sent to shareholders at least 20 and 10 clear business days before the annual general meeting and special general meeting respectively.

To promote effective communication, the Company maintains a website at www.huajinci.com where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted.

During the year under review, the Company has not made any changes to its Memorandum of Association and Bye-Laws. An up-to-date version of the Company's Memorandum of Association and Bye-Laws is also available on the websites of the Company and Hong Kong Exchanges and Clearing Limited.

Policy relating to Shareholders

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval. Such details have been disclosed in the annual report of the Company.

Financial Section Contents

Independent Auditor's Report

羅兵咸永道

To the Shareholders of HJ Capital (International) Holdings Company Limited
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of HJ Capital (International) Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 93 to 167, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue and cost of sales recognition for provision of financial printing and translation services

- Recoverability of contract assets and trade receivables

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter

Revenue and cost of sales recognition for provision of financial printing and translation services

Refer to Note 4 (a) (critical accounting estimates and assumptions) and Note 5 (revenue and segment information) to the consolidated financial statements.

Total revenue and cost of sales recognised for provision of financial printing and translation services for the year ended 31 December 2018 amounted to HK$129,546,000 and HK$95,711,000, respectively.

In relation to the provision of financial printing and translation services, the Group recognise revenue over time by measuring the progress towards complete satisfaction of the performance obligation ("Progress"). The Progress is determined based on direct measurements of the value transferred to the customers, by reference to services performed to date as a percentage of total services estimated to be performed for each project. The total services estimated to be performed is mainly based on the historical experience of similar projects.

In order to determine the appropriate amount of cost of sales, the Group also needs to apply the Progress and estimate the total service costs of each project which mainly include direct labour costs.

We focused on this area because the computation of the Progress and estimation of total service costs for each project require significant management estimation.

We assessed the reasonableness of the methodology that management used in determining the Progress and estimated total service costs based on our knowledge of the Company's business and the industry practice. On a sample basis, our procedures mainly focused on the following:

1. Tested the Group's processes and systems in recording of the services performed and examined the actual costs incurred.

2. Tested the reasonableness of the total services estimated to be performed and estimated total service costs to complete the project by tracing to the contracts signed with respective customers and assessed the reasonableness of the data used in the estimation with reference to historical records of similar projects.

3. For the changes in the total services estimated to be performed and related service costs, we reviewed minutes of management's meetings to understand the reasons of changes subsequent to initial estimations, assessed the reasonableness of the changes and impacts to the Progress estimation by comparing to our knowledge and independent calculation.

4. Checked the mathematical accuracy of the computation of the Progress.

Based on the above, we found that the judgement and estimates applied by management were supported by the evidence we obtained.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of contract assets and trade receivables	
Refer to Note 4 (b) (critical accounting estimates and assumptions), Note 20 (contract assets), and Note 21 (trade receivables and margin loans receivable) to the consolidated financial statements. As at 31 December 2018, contract assets and trade receivables in relation to provision of financial printing and translation services recognised by the Group amounted to HK$4,097,000 and HK$43,212,000, respectively. The related provisions for expected credit losses for contract assets and trade receivables in relation to provision of financial printing and translation services recognised by the Group amounted to HK$nil and HK$8,244,000, respectively. Management judgement is involved in assessing the forward looking expected credit loss. Management estimated the level of expected losses, by assessing future cash flow for contract assets and trade receivables including a probability weighted amount determined by evaluating a range of possible outcomes based on historical credit loss experience by customers and applying to the contract assets and trade receivables held at the date of consolidated statement of financial position. The impact of economic factors both current and future is considered in assessing the likelihood of recovery from customer, where applicable. We focus on the area due to the significant management judgement and estimation involved in assessing the expected credit losses.	We circularised independent confirmations to debtors on a sample basis to verify the balances as at 31 December 2018 and reconciled the confirmed amounts with those recorded by the Group. We tested the ageing reports for contract assets and trade receivables in relation to provision of financial printing and translation services prepared by management. We reviewed the Group's overall policies and procedures in relation to expected credit loss framework for estimating impairment provisions and assessed the appropriateness of the credit loss provisioning methodology applied by management. We challenged the information used to determine the expected credit loss by considering cash collection performance against historical trends and level of credit loss charges over time. We checked the subsequent settlements made by the debtors to relevant bank records on a sample basis, and if applicable, obtaining the agreed settlement plans with debtors and comparing the actual receipts against the settlement plans up to the report date. Based on the results of our procedures, we found the management's judgement and estimates were supported by the available evidence obtained.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

(Continued)

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

(Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Au, Chi Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	**2018 HK$'000**	2017 HK$'000
Revenue	5	**247,278**	191,271
Cost of sales	7	**(134,517)**	(103,983)
Gross profit		**112,761**	87,288
Other income and other gains, net	6	**9,966**	8,086
Selling and distribution expenses	7	**(13,540)**	(9,799)
Administrative expenses	7	**(102,115)**	(82,781)
Operating profit		**7,072**	2,794
Finance expenses, net	10	**(2,520)**	(1,635)
Share of results of associates	15	**(512)**	(3)
Profit before income tax		**4,040**	1,156
Income tax expense	11	**(1,786)**	(812)
Profit for the year		**2,254**	344
Profit attributable to:			
Owners of the Company		**36**	344
Non-controlling interests		**2,218**	–
		2,254	344
Profit for the year		**2,254**	344
Item that will not be reclassified subsequently to profit or loss			
Change in value on financial asset at fair value through other comprehensive income		**(208)**	–
Item that may be reclassified to profit or loss			
Changes in value on available-for-sale investments		**–**	10
Exchange differences on translation of foreign operations		**90**	–
Total comprehensive income for the year		**2,136**	354
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		**(82)**	354
Non-controlling interests		**2,218**	–
		2,136	354
Earnings per share attributable to owners of the Company for the year (HK cent)			
– Basic and diluted	12	**0.0004**	0.0036

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	14	**3,572**	5,232
Intangible assets	16	**11,628**	11,628
Deferred tax assets	28	**2,168**	–
Interests in associates	15	**39,485**	39,997
Financial asset at fair value through profit or loss	19	**14,064**	–
Available-for-sale investments	18	**–**	24,481
Deposits and other receivable	22	**7,417**	9,288
		78,334	90,626
Current assets			
Contract assets	20	**4,097**	–
Amounts due from customers on services contracts	20	**–**	5,663
Trade receivables and margin loans receivable	21	**74,564**	63,564
Other receivables, deposits and prepayments	22	**12,928**	14,318
Amount due from a related party	33	**–**	3,660
Income tax recoverable		**–**	2,829
Client trust bank balances	23	**18,431**	17,391
Restricted bank balances	24	**15,000**	–
Cash and cash equivalents	24	**129,937**	99,846
		254,957	207,271
Total assets		**333,291**	297,897

	Note	2018 HK$'000	2017 HK$'000
Equity			
Share capital	29	**2,515**	2,515
Reserves		**191,661**	192,277
Equity attributable to owners of the Company		**194,176**	194,792
Non-controlling interests		**14,752**	–
Total equity		**208,928**	194,792
Non-current liabilities			
Deferred tax liabilities	28	**103**	163
		103	163
Current liabilities			
Trade payables	25	**31,498**	34,852
Contract liabilities	20	**13,607**	–
Other payables and accruals	26	**19,773**	31,580
Amount due to a related party	33	**–**	401
Bank borrowings	27	**55,000**	–
Loan from a related party	33	**–**	35,500
Income tax payable		**4,382**	609
		124,260	102,942
Total liabilities		**124,363**	103,105
Total equity and liabilities		**333,291**	297,897

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 93 to 167 were approved by the Board of directors on 27 March 2019 and were signed on its behalf.

XIE Wei
Director

LI Guangning
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Capital and reserves attributable to owners of the Company										
	Share Capital HK$'000	**Share premium** HK$'000	**Special reserve** (Note a) HK$'000	**Available for-sale investments revaluation reserve** HK$'000	**Financial asset at fair value through other comprehensive income revaluation reserve** HK$'000	**Other reserve** HK$'000	**Exchange reserve** HK$'000	**Retained earnings** HK$'000	**Sub-total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 31 December 2017	2,515	169,105	4,451	872	–	–	–	17,849	194,792	–	194,792
Adjustment on adoption of HKFRS 9 (Note 2.2)	–	–	–	(872)	(490)	–	–	1,362	–	–	–
Restated balance at 1 January 2018	2,515	169,105	4,451	–	(490)	–	–	19,211	194,792	–	194,792
Comprehensive income											
Profit for the year	–	–	–	–	–	–	–	36	36	2,218	2,254
Other comprehensive income/ (loss)											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	90	–	90	–	90
Change in value on financial asset at fair value through other comprehensive income	–	–	–	–	(208)	–	–	–	(208)	–	(208)
Disposal of financial asset at fair value through other comprehensive income	–	–	–	–	698	–	–	(698)	–	–	–
	–	–	–	–	490	–	90	(698)	(118)	–	(118)
Total comprehensive income/ (loss)	–	–	–	–	490	–	90	(662)	(82)	2,218	2,136
Transaction with non-controlling interests											
Change in ownership interests in subsidiaries without change of control (Note 34)	–	–	–	–	–	(534)	–	–	(534)	12,534	12,000
At 31 December 2018	**2,515**	**169,105**	**4,451**	**–**	**–**	**(534)**	**90**	**18,549**	**194,176**	**14,752**	**208,928**

	Share capital HK$'000	Share premium HK$'000	Special reserve (Note a) HK$'000	Available-for-sale investments revaluation reserve HK$'000	Merger reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2017	2,300	39,914	4,451	862	76,468	17,505	141,500
Business combination under common control	–	–	–	–	(76,468)	–	(76,468)
Comprehensive income							
Profit for the year	–	–	–	–	–	344	344
Other comprehensive income							
Change in value on available-for-sale investment	–	–	–	10	–	–	10
Total comprehensive income	–	–	–	10	–	344	354
Issuance of new shares (Note 29)	215	129,191	–	–	–	–	129,406
At 31 December 2017	2,515	169,105	4,451	872	–	17,849	194,792

Note a:

Special reserve represents the difference between the aggregate amount of the share capital and share premium of the subsidiaries acquired and the nominal value of the shares issued by the Company for the acquisition pursuant to the group reorganisation (the "Reorganisation") which was to rationalise the structure of the Group in preparation for the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	**2018 HK$'000**	2017 HK$'000
Cash flows from operating activities			
Cash generated from/(used in) operations	31	**93**	(37,940)
Income tax refund/(paid)		**2,588**	(1,959)
Net cash generated from/(used) in operating activities		**2,681**	(39,899)
Cash flows from investing activities			
Interest received		**603**	198
Dividend received		**–**	450
Proceeds from disposal of property, plant and equipment		**9**	–
Purchase of property, plant and equipment		**(1,560)**	(517)
Purchase of available-for-sale investments		**–**	(16,708)
Proceed from disposal of financial asset at fair value through other comprehensive income		**15,010**	–
Acquisition of a subsidiary, net of cash acquired		**–**	(4,653)
Proceeds from disposal of asset and liabilities held for sale		**–**	178
Incorporation of new associates		**–**	(40,000)
Acquisition of entities under common control		**–**	(76,468)
Net cash generated from/(used in) investing activities		**14,062**	(137,520)
Cash flows from financing activities			
Interest paid		**(3,217)**	(2,426)
Proceeds from loan of a related party		**–**	11,732
Repayment to loan from a related party		**(35,500)**	–
Proceeds from bank borrowings		**117,000**	127,347
Repayments of bank borrowings		**(62,000)**	(127,347)
Proceeds from disposal of certain equity interests in subsidiaries to non-controlling interest	34	**12,000**	–
Increase in restricted bank balances		**(15,000)**	–
Net proceeds from issuance of new shares		**–**	129,406
Net cash generated from financing activities		**13,283**	138,712
Increase/(decrease) in cash and cash equivalents		**30,026**	(38,707)
Cash and cash equivalents at beginning of the year		**99,846**	138,553
Effect of foreign exchange rate changes, net		**65**	–
Cash and cash equivalents at end of the year	24	**129,937**	99,846

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1 General information of the Group

HJ Capital (International) Holdings Company Limited (the "Company") is a limited liability company incorporated in Bermuda. Its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at Room 3605, 36/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong.

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in the provision of financial printing services, financial services and hotel advisory, hotel management and exhibition services planning both in Hong Kong and Mainland China.

The Company has its listing on The Stock Exchange of Hong Kong Limited.

These financial statements are presented in Hong Kong dollars (HK$) unless otherwise stated.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost convention, except for financial asset at fair value through profit or loss ("FVTPL") and financial asset at fair value through other comprehensive income ("FVOCI"), which are carried at fair value.

(c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

Standards	Subject of amendment
Amendments to HKFRS 1 and HKAS 28	Annual Improvements 2014-2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(c) New and amended standards adopted by the Group (Continued)

The impact of the adoption of HKFRS 9, "Financial Instruments" and HKFRS 15, "Revenue from Contracts with Customers" are disclosed in Note 2.2.

Apart from aforementioned HKFRS 9 and HKFRS 15, there are no other new standards or amendments to standards that are effective for the first time for this reporting period that could be expected to have a material impact on the Group.

(d) New standards, amendments to existing standards and interpretations not yet adopted

Certain new accounting standards, amendments to existing standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group:

Standards	Subject of amendment	Effective for annual periods beginning on or after
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual Improvements 2015-2017 Cycle	1 January 2019
Amendments to HKAS 19	Employee Benefits: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Long-term Interests In an Associate or Joint Venture	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group's assessment of the impact of these new standards, amendments to existing standards and interpretations is set out below.

HKFRS 16, "Leases"

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(d) New standards, amendments to existing standards and interpretations not yet adopted (Continued)

HKFRS 16, "Leases" (Continued)

Impact

The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of HK$59,547,000 (Note 32). Of these lease commitments, the Group estimates those related to payments for short-term and low values lease which will be recognised on straight-line basis as expense in profit or loss are insignificant. For the remaining lease commitments, the Group expects to recognise right-of-use assets on 1 January 2019, lease liabilities (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018) and deferred taxation.

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9, "Financial Instruments" and HKFRS 15, "Revenue from Contracts with Customers" on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

The Group elected to adopt HKFRS 9 and HKFRS 15 without restating comparatives. The reclassifications and the adjustments arising from the new impairment and revenue recognition rules are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the opening consolidated statement of financial position on 1 January 2018.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	31 December 2017 As originally presented HK$'000	Effect of adoption of HKFRS 9 HK$'000	Effect of adoption of HKFRS 15 HK$'000	1 January 2018 Restated HK$'000
Non-current assets				
Available-for-sale investments	24,481	(24,481)	–	–
Financial asset at fair value through profit or loss	–	9,000	–	9,000
Financial asset at fair value through other comprehensive income	–	15,481	–	15,481
Current assets				
Amounts due from customers on services contracts	5,663	–	(5,663)	–
Contract assets	–	–	2,114	2,114
Current liabilities				
Other payables and accruals	31,580	–	(12,277)	19,303
Contract liabilities	–	–	8,728	8,728

(a) HKFRS 9 "Financial Instruments" – Impact of adoption

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 adoption of HKFRS 9 "Financial Instruments" from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Notes 2.10. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

(a) HKFRS 9 "Financial Instruments" – Impact of adoption (Continued)

The total impact on the Group's retained earnings due to classification and measurement of financial instruments as at 1 January 2018 is as follows:

At 1 January 2018	Notes	HK$'000
Opening retained earnings – HKAS 39		17,849
Reclassify equity investment from available-for-sale investment ("AFS") to FVTPL	(i)	1,362
Reclassify debt investment from AFS to FVOCI	(i)	–
Adjustment to retained earnings from adoption of HKFRS 9		1,362
Opening retained earnings – HKFRS 9		19,211

(i) *Classification and measurements*

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial instruments held by the Group into the appropriate HKFRS 9 categories.

The impact of the reclassification on consolidated statement of financial position is as follows:

At 1 January 2018	Available-for-sale investments HK$'000	Financial asset at fair value through profit or loss HK$'000	Financial assets at fair value through other comprehensive income HK$'000
Opening balance – HKAS 39	24,481	–	–
Reclassify equity investment from AFS to FVTPL	(9,000)	9,000	–
Reclassify debt investment from AFS to FVOCI	(15,481)	–	15,481
Opening balance – HKFRS 9	–	9,000	15,481

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

(a) HKFRS 9 "Financial Instruments" – Impact of adoption (Continued)

(i) Classification and measurements (Continued)

The impact of these changes on the Group's equity is as follows:

At 1 January 2018	**Available-for-sale investments revaluation reserve** HK$'000	**Financial asset at fair value through other comprehensive income revaluation reserve** HK$'000	**Effects on retained earnings** HK$'000
Opening balance – HKAS 39	872	–	–
Reclassify equity investment from AFS to FVTPL	(1,362)	–	1,362
Reclassify debt investment from AFS to FVOCI	490	(490)	–
Opening balance – HKFRS 9	–	(490)	1,362

(a) Equity investment previously classified as available-for-sale investment and reclassification from available-for-sale investment to financial asset at fair value through profit or loss

The Group's unlisted equity investment was reclassified from AFS to FVTPL (HK$9,000,000 as at 1 January 2018). It does not meet the HKFRS 9 criteria for classification at amortised cost or at FVOCI. Related accumulated fair value gains of HK$1,362,000 were transferred from the AFS revaluation reserve to retained earnings on 1 January 2018.

(b) Debt investment previously classified as available-for-sale investment and reclassification from available-for-sale investment to financial asset at fair value through other comprehensive income

Listed subordinated notes held by the Group were classified from AFS to FVOCI as the Group's business model is achieved by collecting contractual cash flows and selling of these notes. The contractual cash flows of these notes are solely principal and interest. As a result, the listed subordinated notes with a fair value of HK$15,481,000 were reclassified from AFS to FVOCI and the accumulated fair value change of HK$490,000 were reclassified from AFS revaluation reserve to FVOCI revaluation reserve on 1 January 2018.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

(a) HKFRS 9 "Financial Instruments" – Impact of adoption (Continued)

(i) Classification and measurements (Continued)

(c) Reclassifications of financial instruments on adoption of HKFRS 9

On the date of initial application, 1 January 2018, the financial instruments of the Group were as follows, with any reclassification noted:

	Measurement category		Carrying amount		
	Original (HKAS 39)	New (HKFRS 9)	Original HK$'000	New HK$'000	Difference* HK$'000
Non-current financial assets					
Unlisted equity investment	AFS	FVTPL	9,000	9,000	–
Listed subordinated note	AFS	FVOCI	15,481	15,481	–
Deposits and other receivable	Amortised cost	Amortised cost	9,288	9,288	–
Current financial assets					
Trade receivables and margin loans receivable	Amortised cost	Amortised cost	63,564	63,564	–
Other receivables and deposits excluding prepayments	Amortised cost	Amortised cost	3,065	3,065	–
Amount due from a related party	Amortised cost	Amortised cost	3,660	3,660	–
Client trust bank balances	Amortised cost	Amortised cost	17,391	17,391	–
Cash and cash equivalents	Amortised cost	Amortised cost	99,846	99,846	–
Current financial liabilities					
Trade payables	Amortised cost	Amortised cost	34,852	34,852	–
Other payables and accruals	Amortised cost	Amortised cost	31,580	31,580	–
Amount due to a related party	Amortised cost	Amortised cost	401	401	–
Loan from a related party	Amortised cost	Amortised cost	35,500	35,500	–

* The differences noted in this column are the result of applying the new expected credit loss model. The reclassifications of the financial instruments on adoption of HKFRS 9 did not result in any changes to measurements.

(ii) Impairment of financial assets and contract assets

Besides of contract assets, the Group has two main financial assets as at 1 January 2018 that are subject to HKFRS 9's new expected credit loss model:

- trade receivables; and
- other financial assets measured at amortised costs (including cash and cash equivalents, restricted bank balances, client trust bank balances, other receivables, margin loans receivable and amount due from a related party).

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

(a) HKFRS 9 "Financial Instruments" – Impact of adoption (Continued)

(ii) Impairment of financial assets and contract assets (Continued)

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology is as follows:

(a) Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The Group has assessed the expected credit loss model applied to the trade receivables and contract assets as at 1 January 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect. The adoption of expected credit loss model under HKFRS 9 did not have material impact on allowance for impairment of trade receivables and contract assets calculated under HKAS 39.

(b) Other financial assets measured at amortised cost

Other financial assets at amortised cost mainly include other receivables, margin loans receivable and amount due from a related party. The Group has applied the expected credit loss model to other receivables, margin loans receivable and amount due from a related party as at 1 January 2018 and the change in impairment methodologies did not have any material impact on the Group's consolidated financial statements and the opening loss allowance is not restated in this respect. While cash and cash equivalents, restricted bank balances and client trust bank balances are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(b) HKFRS 15 "Revenue from Contracts with Customers" – Impact of adoption

HKFRS 15 replaces the provisions of HKAS 18, which resulted in changes in accounting policies that relate to revenue recognition, contract costs and presentation of contract liabilities.

There is reclassification of other advance receipts from customers previously classified as "other payables and accruals" of approximately HK$12,277,000 to contract liabilities as at 1 January 2018.

There is also a reclassification of amounts due from customers on services contracts of HK$5,663,000 to contract assets as at 1 January 2018.

Contract assets and contract liabilities amounting to HK$3,549,000 were offset for same contracts as at 1 January 2018 after reclassification disclosed above.

Except for above, there is no impact on the retained earnings due to adoption of HKFRS 15 on 1 January 2018.

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

(b) HKFRS 15 "Revenue from Contracts with Customers" – Impact of adoption (Continued)

If HKAS 18 had continued to apply to 2018 instead of HKFRS 15, except for a reclassification from "contract liabilities" to "other payables and accruals" and a reclassification from "contract assets" to "amounts due from customers on services contracts", there would be no impact to the consolidated financial statements as at and for the year ended 31 December 2018.

2.3 Principles of consolidation and equity accounting

(a) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

(i) fair values of the assets transferred,

(ii) liabilities incurred to the former owners of the acquired business,

(iii) equity interests issued by the Group,

(iv) fair value of any asset or liability resulting from a contingent consideration arrangement, and

(v) fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

(i) consideration transferred,

(ii) amount of any non-controlling interest in the acquired entity, and

(iii) acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

2 Summary of significant accounting policies (Continued)

2.3 Principles of consolidation and equity accounting (Continued)

(a) Business combinations (Continued)

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(b) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(c) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognised at cost.

(d) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

2 Summary of significant accounting policies (Continued)

2.3 Principles of consolidation and equity accounting (Continued)

(d) Equity accounting (Continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

(e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 Summary of significant accounting policies (Continued)

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Executive Directors that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "Other income and other gains, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets such as equities classified as financial assets at fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2 Summary of significant accounting policies (Continued)

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Leasehold improvements	Over the unexpired periods of the leases and their expected useful lives of 2 to 5 years, whichever is shorter
Office equipment	2 to 5 years
Furniture and fixtures	2 to 5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.8 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.3(a). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs"), for the purpose of impairment testing. The allocation is made to those CGUs or group of CGUs that are expected to benefit from the business combination in which the goodwill arose. The CGUs or groups of CGUs are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2 Summary of significant accounting policies (Continued)

2.8 Intangible assets (Continued)

(b) Trading rights

The acquisition costs for trading rights at The Hong Kong Stock Exchange Limited and Hong Kong Futures Exchange Limited ("trading rights") are recognised as intangible assets in the consolidated statement of financial position. They have indefinite useful lives and are tested annually for impairment and carried at cost less accumulated impairment losses.

2.9 Impairment of non-financial assets, investments in subsidiaries and associates

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

The Group assesses at the end of each reporting period whether there is any objective evidence that its interests in the associate are impaired. Such objective evidence includes whether there has been any significant adverse changes in the technological, market, economic or legal environment in which the associate operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in an associate is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount exceeds the higher of the investment's fair value less costs to sell and value in use. Any reversal of such impairment loss (excluding goodwill) in subsequent periods is reversed through profit or loss.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries in the period the dividend is declared or if the carrying amount of the relevant investment in the Company's statement of financial position exceeds its carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 Summary of significant accounting policies (Continued)

2.10 Investments and other financial assets

(a) Classification

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

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

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

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

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

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debts instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

2 Summary of significant accounting policies (Continued)

2.10 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Debts instruments (Continued)

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains, net in the period in which it arises.

Equity Instruments

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

Changes in the fair value of financial assets at fair value through profit or loss are recognised in "other income and other gains, net" in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

For margin loans receivables, other receivables and amount due from a related party, a summary of the assumptions underpinning the Group's expected credit loss model is as follows:

- Stage 1, if it was not credit-impaired upon origination, and there has not been a significant increase in its credit risk. Stage 1 expected credit losses are measured as the credit loss that is expected to result from a default occurring within the next 12 months;

- Stage 2, if it was not credit-impaired upon origination but has since experienced a significant increase in credit risk. Stage 2 expected credit losses are measured as the credit loss that is expected over the expected remaining life of the financial asset.

- Stage 3, if it has been credit-impaired with objective evidence of default. Stage 3 expected credit losses are also measured as the credit loss that is expected over the expected remaining life of the financial asset.

2 Summary of significant accounting policies (Continued)

2.10 Investments and other financial assets (Continued)

(e) Accounting policies until 31 December 2017

Accounting policies applied until 31 December 2017 The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017, the Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

2 Summary of significant accounting policies (Continued)

2.10 Investments and other financial assets (Continued)

(e) Accounting policies until 31 December 2017 (Continued)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in the fair values of monetary and non-monetary securities classified as available-for-sale financial assets are recognised in other comprehensive income.

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

(iv) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

- Assets carried at amortised cost

  For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit of loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

  If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2 Summary of significant accounting policies (Continued)

2.10 Investments and other financial assets (Continued)

(e) Accounting policies until 31 December 2017 (Continued)

(iv) Impairment of financial assets (Continued)

- Assets classified as available-for-sale

  If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

  Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

  If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 21 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2 Summary of significant accounting policies (Continued)

2.13 Margin loans receivable

Margin loans receivable are amounts due from margin clients for margin financing services rendered in the ordinary course of business. These amounts are bearing interest at commercial rates, secured by the underlying pledged listed securities and are repayable on demand.

2.14 Contract assets and contract liabilities

A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. A contract asset becomes a receivable when the entity's right to consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due. The impairment of contract assets is measured, presented and disclosed on the basis set out in Note 2.2(a). A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration.

2.15 Client trust bank balances

The Group has classified in the consolidated statement of financial position the clients' deposits as client trust bank balances in the current assets section and recognised a corresponding trade payable to the respective clients under the current liabilities section.

2.16 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of pledged deposits.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade and other payables

Trade and other payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers and the payable arising from the client trust bank balances as mentioned in Note 2.15. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies (Continued)

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated statement of comprehensive income as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.20 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2 Summary of significant accounting policies (Continued)

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 Summary of significant accounting policies (Continued)

2.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.23 Revenue recognition

(i) The Group provides various services including financial printing and translation services, securities underwriting services, securities and futures brokerage services, financial consultancy and advisory services, hotel management and advisory services, event planning, management and organisation services. Revenue from providing services is recognised over the period in which the services are rendered because the customer receives and uses the benefits simultaneously.

The Group normally can complete the provision of services within 12 months in a fiscal year. For financial printing and translation services, which may last over 12 months, progress towards complete satisfaction of the performance obligation ("Progress") is determined based on direct measurements of the value transferred to the customers, by reference to services performed to date as a percentage of total services estimated to be performed for each project.

Estimates of revenues, cost of sales or extent of Progress are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs of sales are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

2 Summary of significant accounting policies (Continued)

2.23 Revenue recognition (Continued)

(ii) Interest income is recognised on a time basis on the principal outstanding at the applicable interest rate.

(iii) Dividend income is recognised when the rights to receive payment is established.

2.24 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(b) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(c) Post-employment obligations

The Group operates a defined contribution pension plan and pays contributions to publicly administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 Summary of significant accounting policies (Continued)

2.24 Employee benefits (Continued)

(d) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.25 Operating leases (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the leases.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial Risk Management

3.1 Financial risk factors

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

The Group's risk management is predominantly controlled by a central treasury department ("Group treasury") under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk, and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar ("USD").

As HK$ is pegged to USD, the Group considers that the foreign exchange risk arising from transactions in USD is not significant.

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

The Group's significant interest bearing assets are margin loans receivable, cash at bank and bank deposits, where the interest rate is low in the current environment. Loan from a related party obtained at fixed rate and listed subordinated notes of Chong Hing Bank Limited with fixed coupon rate expose the Group to fair value interest rate risk. During the year ended 31 December 2018, the Group's loan from a related party and listed subordinated notes of Chong Hing Bank Limited were denominated in HK$ and USD, respectively.

As at 31 December 2018, if interest rates on margin loans receivable and cash at bank and bank deposits, had been 50 basis points (2017: 50 basis points) higher/lower with all other variables held constant, profit before income tax for the year would have been approximately HK$927,000 higher/lower (2017: profit before income tax would have been HK$659,000 higher/lower).

The Group's interest rate risk also arises from short-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During the year ended 31 December 2018, the Group's short-term borrowings at variable rate were denominated in the HK$.

At 31 December 2018, if interest rates on Hong Kong dollar-denominated borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$230,000 (2017: Nil) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(iii) Price risk

The financial assets at fair value through profit or loss represents 3% equity interest in Johnson Cleaning Service Company Limited ("Johnson Cleaning") which is not traded in an active market. The financial assets at fair value through other comprehensive income represents listed subordinated notes of Chong Hing Bank Limited which is publicly traded and quoted in Hong Kong. During the year ended 31 December 2018, the listed subordinated notes were disposed of.

If the price of the financial assets had been 10% higher/lower, the post-tax profit for the year would have been HK$1,406,000 (2017: the available-for-sale investment revaluation reserve would increase/decrease by HK$2,448,000) higher/lower.

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk arises from bank balances, deposits, client trust bank balances, margin loans receivable, trade and other receivables, contract assets and amount due from a related party, as well as credit exposures from outstanding receivables.

(1) Risk Management

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk at the reporting date is the carrying value of each class and category of financial assets mentioned above. The carrying amount of these balances in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets.

Majority of the Group's bank balances and deposits are placed in those banks and financial institutions which are independently rated with high credit ratings. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

As at year end, the collaterals furnished by the margin clients for security of their loans and advances from the Group are listed securities which are listed in Hong Kong.

(2) Impairment of financial assets

Trade receivables and contract assets

Trade receivables and contract assets of the Group are subject to the expected credit loss model. The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based in the nature of customer accounts, shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(2) Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On the basis, expected loss rate of contract assets is assessed to be close to zero, as at 31 December 2018 and 31 December 2017. In respect of trade receivables, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of HKFRS 9) was determined as follows:

31 December 2018	Current HK$'000	1-90 days past due HK$'000	91-180 days past due HK$'000	Over 180 days past due HK$'000	Total HK$'000
Gross carrying amount – Trade receivables (HK$'000)	27,930	17,825	8,338	9,236	63,329
Loss allowance (HK$'000)	(7)	(27)	(175)	(8,035)	(8,244)

1 January 2018	Current HK$'000	1-90 days past due HK$'000	91-180 days past due HK$'000	Over 180 days past due HK$'000	Total HK$'000
Gross carrying amount – Trade receivables (HK$'000)	18,018	9,233	2,838	14,716	44,805
Loss allowance (HK$'000)	(14)	(55)	(77)	(13,244)	(13,390)

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(2) Impairment of financial assets (Continued)

Margin loans receivable

For margin loans receivable, please refer to summary of assessment model with details in Note 2.10 (d) and Note 21(c)(d).

Other financial assets at amortised costs

Other financial assets at amortised cost include the amount due from a related party and other receivables excluding prepayments. The credit quality of other financial assets at amortised cost has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. The directors are of the opinion that the risk of default by these counterparties is not significant and does not expect any losses from non-performance by the counterparties. Therefore, expected credit loss rate of the other financial assets at amortised cost is assessed to be close to zero and no provision was made as at 31 December 2018 and 2017 and 1 January 2018.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The Group continues to maintain a healthy net cash position by keeping credit lines available and to maintain flexibility in future funding.

The Group's primary cash requirements are payments for trade and other payables and operating expenses. The Group mainly finances its working capital requirements through internal resources.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances and adequate credit facilities to meet its liquidity requirements in the short and long-term.

As at 31 December 2018, all of the Group's financial liabilities were due within 12 months and equal their carrying amounts as the impact of discounting is not significant. All of the financial liabilities equal their carrying amounts as the impact of discounting is not significant.

3 Financial Risk Management (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt includes bank borrowings and loan from a related party less cash and cash equivalents and restricted bank balances. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

	2018 **HK$'000**	2017 HK$'000
Bank borrowings (Note 27)	**55,000**	–
Loan from a related party (Note 33)	**–**	35,500
Less: cash and cash equivalents (Note 24)	**(129,937)**	(99,846)
Less: restricted bank balances (Note 24)	**(15,000)**	–
Net debt	**(89,937)**	(64,346)
Total equity	**208,928**	194,792
Total capital	**118,991**	130,446

Management considers the Group's capital risk is minimal as the cash and cash equivalents and restricted bank balances exceeds bank borrowings and the loan from a related party as at 31 December 2018 and 2017.

3 Financial Risk Management (Continued)

3.3 Fair value estimation

The Group's financial instruments carried at fair value, by valuation method. The difference levels have been defined as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The following table presents the Group's financial assets that are measured at fair value at 31 December 2018 and 31 December 2017, respectively.

As at 31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Unlisted equity investment	**–**	**–**	**14,064**	**14,064**

As at 31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Listed subordinated notes	15,481	–	–	15,481
Unlisted equity investment	–	–	9,000	9,000
	15,481	–	9,000	24,481

There were no transfer of financial assets in the fair value hierarchy classifications for the years ended 31 December 2018 and 31 December 2017.

4 Critical accounting estimates and assumptions

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Revenue and cost of sales recognition

The Group recognised revenue from provision of financial printing and translation services over time by reference to the Progress at the reporting date. The Progress is determined based on direct measurements of the value transferred to the customers, by reference to services performed to date as a percentage of total services estimated to be performed for each project. The Group is also required to estimate the total service costs of each project to determine the appropriate amount of cost of sales. Service costs are recognised as expenses by reference to the Progress at the end of the reporting period. The computation of the Progress and estimation of total service costs for each project require the use of judgement and estimates.

(b) Impairment of contract assets and trade receivables

The Group makes allowances on contract assets and trade receivables based on assumptions about risk of default and expected loss rates. The allowance for contract assets and trade receivables reflects lifetime expected credit losses i.e. possible default events over the expected life of the contract assets and trade receivables, weighted by the probability of that default occurring. Judgement has been applied in determining the level of expected credit losses, taking into account the future cash flow for contract assets and trade receivables including a probability weighted amount determined by evaluating a range of possible outcomes based on the historical credit losses experience by customers, economic factors as well as forward looking estimates in assessing the likelihood of recovery from customer at the end of each reporting period. While the allowance is considered appropriate, changes in estimation basis or in economic conditions could lead to a change in the level of allowance recorded and consequently on the charge or credit to profit or loss.

(c) Fair value of financial assets at fair value through profit or loss

The Group carries its fair value of financial assets at fair value through profit or loss with changes in the fair value recognised in profit or loss. The Group obtains independent valuation at least annually for the investment that is not traded in an active market. At the end of each reporting period, the management updates their assessment of the fair value of financial assets at fair value through profit or loss, taking into account the most recent independent valuation.

(d) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Key assumptions used in the value-in-use calculations are disclosed in Note 16.

5 Revenue and segment information

The chief operating decision-maker has been identified as the executive directors of the Company (the "Executive Directors"). The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group's operating businesses are structured and managed separately according to the nature of the operations. Each of the Group's reportable segments represents a strategic business unit that is subject to risks and returns that are different from other reportable operating segments.

The Group is principally engaged in the following:

- Financial printing services and investments holding – provision of financial printing, translation services and investments holding;

- Financial services – securities underwriting, securities and futures brokerage, consultancy and advisory services; and

- Hotel advisory, hotel management and exhibition services planning – provision of hotel advisory services, hotel management services and event planning and organisation.

The Executive Directors consider all assets and revenue relating to the operations are primarily located in Hong Kong and Mainland China.

Segment assets mainly exclude interests in associates, financial asset at fair value through profit or loss, cash and cash equivalents, restricted bank balances, income tax recoverable, deferred tax assets and other assets that are managed on a central basis.

Segment liabilities mainly exclude loan from a related party, income tax payable, deferred tax liabilities, bank borrowings and other liabilities that are managed on a central basis.

During the year ended 31 December 2018, revenues of approximately HK$66,360,000 (2017: HK$50,816,000) are derived from Zhuhai Huafa Group Company Limited ("Zhuhai Huafa", the single largest shareholder of the Company) and its subsidiaries.

The Executive Directors assess the performance of the operating segments based on their underlying profit, which is measured by profit before income tax, excluding income and expenses that are managed on a central basis.

5 Revenue and segment information (Continued)

	Financial printing services and investments holding		Financial services		Hotel advisory, hotel management and exhibition services planning		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**129,546**	111,060	**94,162**	80,211	**23,570**	–	**247,278**	191,271
Segment results	**(5,144)**	(17,875)	**(1,784)**	28,060	**18,605**	–	**11,677**	10,185
Unallocated income							**357**	1,770
Unallocated expenses							**(7,482)**	(10,796)
Share of results of associates							**(512)**	(3)
Income tax expense							**(1,786)**	(812)
Profit for the year							**2,254**	344
Segment assets	**52,330**	43,028	**91,366**	86,577	**1,432**	–	**145,128**	129,605
Unallocated assets							**188,163**	168,292
Total assets							**333,291**	297,897
Segment liabilities	**33,283**	28,966	**27,613**	35,896	**2,755**	–	**63,651**	64,862
Unallocated liabilities							**60,712**	38,243
Total liabilities							**124,363**	103,105
Other segment information:								
Additions to non-current assets	**207**	242	**1,353**	275	**–**	–	**1,560**	517
Cost of sales	**(95,711)**	(84,104)	**(37,704)**	(19,879)	**(1,102)**	–	**(134,517)**	(103,983)
Depreciation	**(1,077)**	(1,515)	**(2,134)**	(2,668)	**–**	–	**(3,211)**	(4,183)
Reversal of impairment/ (impairment) for trade receivables and margin loans receivable	**492**	(4,978)	**(21,090)**	–	**–**	–	**(20,598)**	(4,978)
Fair value gains on financial asset at fair value through profit or loss	–	–	**5,064**	–	**–**	–	**5,064**	–

Note: There were no sales between three operating segments.

5 Revenue and segment information (Continued)

The Group's revenue by geographical location is determined by the location of services rendered and the geographical location of non-current assets is determined by where the assets are located and are detailed below:

	Revenue from external customers		Non-current assets (Note)	
	2018	**2017**	**2018**	**2017**
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	223,708	191,271	22,617	26,148
Mainland China	23,570	–	–	–
	247,278	191,271	22,617	26,148

Note: Non-current assets exclude interests in associates, financial asset at fair value through profit or loss, available-for-sale investments and deferred income tax assets.

6 Other income and other gains, net

	2018	2017
	HK$'000	HK$'000
Dividend income	**–**	450
Foreign exchange gains, net	**17**	826
Recharge of administrative expenses to a related party (Note 33(b))	**3,990**	3,660
Fair value gains on financial asset at fair value through profit or loss (Note 19)	**5,064**	–
Others	**895**	3,150
	9,966	8,086

7 Expenses by nature

Expenses included in cost of sales, selling and distribution expenses and administrative expenses are analysed as follows:

	2018 HK$'000	2017 HK$'000
Services costs	**43,864**	37,264
Employee benefit expenses, including directors' emoluments (Note 8)	**103,509**	86,570
Operating lease rentals for rented office premises and equipment	**29,695**	28,476
Depreciation of property, plant and equipment (Note 14)	**3,211**	4,183
Auditor's remuneration		
– Audit services	**1,999**	1,999
– Non-audit services	**220**	103
Impairment for trade receivables and margin loans receivable, net	**20,598**	4,978
Others	**47,076**	32,990
Total cost of sales, selling and distribution expenses and administrative expenses	**250,172**	196,563

8 Employee benefit expenses

	2018 HK$'000	2017 HK$'000
Salaries, commissions, bonuses and other allowances	**101,200**	84,356
Pension costs – defined contribution plan	**2,309**	2,214
	103,509	86,570

9 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The emoluments of every director and the chief executive of the Company during the years ended 31 December 2018 and 2017 which were included in the employee benefit expenses as disclosed in Note 8 are as follows:

For the year ended 31 December 2018:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Allowances and benefits in kind HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertakings HK$'000	Total HK$'000
Executive directors							
Li Guangning	120	–	–	–	–	–	120
Xie Wei	120	–	–	–	–	–	120
Wu Jiang (Note a)	36	–	–	–	–	–	36
Guo Jin (Note b)	84	–	–	–	–	–	84
Non-executive directors							
Zhang Kui Hong	–	–	–	–	–	–	–
Shong Hugo (Note d)	–	–	–	–	–	–	–
Qie Yan (Note d)	–	–	–	–	–	–	–
Independent non-executive directors							
Chen Jieping	100	–	–	–	–	–	100
Sun Mingchun	100	–	–	–	–	–	100
Tse Yung Hoi	100	–	–	–	–	–	100
Total	660	–	–	–	–	–	660

9 Benefits and interests of directors (Continued)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 December 2017:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Allowances and benefits in kind HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertakings HK$'000	Total HK$'000
Executive directors							
Li Guangning	120	–	–	–	–	–	120
Xie Wei	120	–	–	–	–	–	120
Zhong Ming (Note c)	63	–	–	–	–	–	63
Wu Jiang (Note a)	57	–	–	–	–	–	57
Non-executive directors							
Zhang Kui Hong	–	–	–	–	–	–	–
Shong Hugo (Note d)	–	–	–	–	–	–	–
Qie Yan (Note d)	–	–	–	–	–	–	–
Independent non-executive directors							
Chen Jieping	100	–	–	–	–	–	100
Sun Mingchun	100	–	–	–	–	–	100
Tse Yung Hoi	100	–	–	–	–	–	100
Total	660	–	–	–	–	–	660

Note a: Wu Jiang was appointed on 21 July 2017 and resigned on 18 April 2018.
Note b: Guo Jin was appointed on 18 April 2018.
Note c: Zhong Ming resigned on 12 July 2017.
Note d: The non-executive directors were appointed on 15 September 2017.

9 Benefits and interests of directors (Continued)

(a) Directors' and chief executive's emoluments (Continued)

	Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertakings HK$'000	Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertakings HK$'000	Total HK$'000
For the year ended 31 December 2018	660	–	660
For the year ended 31 December 2017	660	–	660

(b) Five highest-paid employees

Out of the five employees with the highest emoluments in the Group, none of them (2017: none) was director of the Company whose emolument is included in Note 9 (a) above. The emoluments of the five (2017: five) individuals were as follows:

	2018 HK$'000	2017 HK$'000
Salaries, commissions and other allowances	**26,973**	28,695
Retirement benefits scheme contributions	**90**	90
	27,063	28,785

The emoluments fell within the following bands:

	No. of employees 2018	2017
HK$2,000,001 - HK$3,000,000	**1**	2
HK$3,000,001 - HK$4,000,000	**1**	1
HK$5,000,001 - HK$6,000,000	**2**	–
HK$7,000,001 - HK$8,000,000	**–**	1
HK$8,000,001 - HK$9,000,000	**1**	–
HK$11,000,001 - HK$12,000,000	**–**	1

9 Benefits and interests of directors (Continued)

(c) Directors' retirement benefits

None of the directors received or will receive any retirement benefits from a defined benefit pension plan during the year (2017: HK$nil).

(d) Directors' retirement benefit

None of the directors received any retirement benefits during the year (2017: HK$nil).

(e) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year (2017: HK$nil).

(f) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2018, the Company did not pay consideration to any third parties for making available directors' services (2017: HK$nil).

(g) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2018, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors (2017: HK$nil).

(h) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2017: HK$nil).

10 Finance expenses, net

	2018 HK$'000	2017 HK$'000
Interest expense:		
– Bank borrowings	**(1,975)**	(524)
– Loan from a related party	**(883)**	(1,571)
– Bank overdraft	**(2)**	(1)
	(2,860)	(2,096)
Interest income:		
– Bank deposits	**153**	198
– Listed subordinated notes	**187**	263
	340	461
Finance expenses, net	**(2,520)**	(1,635)

11 Income tax expense

Hong Kong profits tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profit during the year.

PRC corporate income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2018 and 2017 based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the Group entities located in the PRC is 25%.

The amount of income tax expense in the consolidated statement of comprehensive income represents:

	2018 HK$'000	2017 HK$'000
Current tax	**4,014**	589
Deferred tax (Note 28)	**(2,228)**	223
Income tax expense	**1,786**	812

11 Income tax expense (Continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to results of the consolidated companies as follows:

	2018 HK$'000	2017 HK$'000
Profit before income tax expense	**4,040**	1,156
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	**1,648**	191
Income not subject to tax	**(919)**	(271)
Expenses not deductible for tax purpose	**2,260**	2,311
Tax loss of which no deferred tax assets were recognised	**2,729**	2,914
Utilisation of previously unrecognised tax losses	**(3,932)**	(4,333)
Income tax expense	**1,786**	812

12 Earnings per share

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately HK$36,000 (2017: approximately HK$344,000) and the weighted average number of ordinary shares in issue during the year of 10,060,920,000 (Note 29) (2017: 9,504,270,000).

	2018 HK$'000	2017 HK$'000
Profit attributable to owners of the Company	**36**	344
Shares		
Weighted average number of ordinary shares in issue ('000)	**10,060,920**	9,504,270

	2018 HK cent	2017 HK cent
Basic and diluted earnings per share	**0.0004**	0.0036

Diluted earnings per share equals to basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2018 and 2017, respectively.

13 Dividends

No dividend has been paid or declared by the Company for the years ended 31 December 2018 and 2017.

14 Property, plant and equipment

	Leasehold improvements HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2017					
Opening net book amount	3,309	2,958	1,264	1,370	8,901
Additions	7	491	19	–	517
Depreciation (Note 7)	(2,079)	(925)	(763)	(416)	(4,183)
Disposals	–	(3)	–	–	(3)
Closing net book amount	1,237	2,521	520	954	5,232
At 31 December 2017					
Cost	13,343	11,707	5,234	2,082	32,366
Accumulated depreciation	(12,106)	(9,186)	(4,714)	(1,128)	(27,134)
Net book amount	1,237	2,521	520	954	5,232
Year ended 31 December 2018					
Opening net book amount	1,237	2,521	520	954	5,232
Additions	493	1,055	12	–	1,560
Depreciation (Note 7)	(1,386)	(1,025)	(384)	(416)	(3,211)
Disposals	–	(9)	–	–	(9)
Closing net book amount	344	2,542	148	538	3,572
At 31 December 2018					
Cost	13,836	12,392	5,246	2,082	33,556
Accumulated depreciation	(13,492)	(9,850)	(5,098)	(1,544)	(29,984)
Net book amount	344	2,542	148	538	3,572

Depreciation expenses of approximately HK$661,000 (2017: HK$1,099,000) and HK$2,550,000 (2017: HK$3,084,000) has been charged to cost of sales and administrative expenses, respectively.

15 Interests in associates

	2018 HK$'000	2017 HK$'000
At 1 January	**39,997**	–
Incorporation of new associates	**–**	40,000
Share of losses	**(512)**	(3)
At 31 December	**39,485**	39,997

The particulars of the associates are:

Name	Place of incorporation	Principal activities and place of operation	Effective interest held 2018	Effective interest held 2017	Measurement method
Dreamy City Limited	British Virgin Islands ("BVI")	Investment holding in Hong Kong	**30%**	30%	Equity accounting
Cheer Chain Limited	Hong Kong	Engage in the development of children's online educational content and related products in the PRC and Hong Kong	**30%**	30%	Equity accounting
廣州益貝兒信息科技有限公司#	PRC	Engage in software and information technology in PRC	**30%**	–	Equity accounting

廣州益貝兒信息科技有限公司 was incorporated on 24 January 2018 and was wholly owned by Cheer Chain Limited.

There are no contingent liabilities relating to the Group's interests in the associates.

16 Intangible assets

	2018	2017
	HK$'000	HK$'000
Goodwill (Note)	**10,628**	10,628
Trading rights	**1,000**	1,000
At 31 December	**11,628**	11,628

Note:

Goodwill arose from the acquisition of WAG Worldsec Corporate Finance Limited ("WAG") in 2016.

The recoverable amount of a CGU is determined based on a value-in-use calculation. The calculation uses pre-tax cash flow projection based on five-year financial budget approved by management using the estimated growth rate of 5% (2017: 5%). Cash flows beyond the five-year period are extrapolated assuming a terminal growth rate of 3% (2017: 3%) and no material change in the existing scope of business, business environment and market conditions. The discount rate applied to the cash flow projections is 15% (2017: 15%) and management believes it reflects specific risks relating to the segment. Management believes that any reasonably possible change in any of the key assumptions would not result in an impairment provision of goodwill.

17 Principal subsidiaries

Details of the principal subsidiaries as at 31 December 2018 are as follows:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued and paid up capital	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares directly held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Miracle View Group Ltd	BVI, limited liability company	Investment holding in Hong Kong	US$3,158,077	100%	100%	–
iOne Financial Press Limited	Hong Kong, limited liability company	Provision of financial printing services in Hong Kong	HK$10,000,000	–	60%	40%
WAG Worldsec Corporate Finance Limited	Hong Kong, limited liability company	Provision of financial advisory service in Hong Kong	HK$17,000,000	100%	100%	–
Huajin Financial (International) Holdings Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$126,467,000	100%	100%	–
Huajin Securities (International) Limited	Hong Kong, limited liability company	Provision of securities dealing and advisory service in Hong Kong	HK$150,000,000	–	100%	–
Huajin Futures (International) Limited	Hong Kong, limited liability company	Future contracts dealing in Hong Kong	HK$25,000,000	–	100%	–
Huajin Finance (International) Limited	Hong Kong, limited liability company	Provision of money lending service in Hong Kong	HK$5,000,000	–	100%	–
Huajin Research (International) Limited	Hong Kong, limited liability company	Provision of securities advisory in Hong Kong	HK$500,000	–	100%	–
Huajin International Greater Bay Area High-end Services Holdings Company Limited	Hong Kong, limited liability company	Provision of hotel and exhibition advisory services in PRC	HK$1,230,000	100%	100%	–
珠海市橫琴新區華金國際酒店管理有限公司	PRC, limited liability company	Provision of hotel management service in PRC	RMB500,000	–	100%	–
珠海市橫琴新區華金國際會展服務有限公司	PRC, limited liability company	Provision of exhibition planning and organization in PRC	RMB500,000	–	100%	–

18 Financial assets at fair value through other comprehensive income/Available-for-sale investments

Available-for sale investments include the following:

	2018 **HK$'000**	2017 HK$'000
Listed subordinated notes – in Hong Kong	**–**	15,481
Unlisted equity investment in Hong Kong	**–**	9,000
At 31 December	**–**	24,481

Movement in the available-for-sale investments is as follows:

	2017 HK$'000
At 1 January	8,500
Addition	15,708
Interest receivable from listed subordinated notes	263
Fair value adjustment recognised in other comprehensive income	10
At 31 December	24,481

Movement in the financial assets at fair value at other comprehensive income is as follows:

	2018 **HK$'000**
At 1 January	**–**
Reclassified from available-for-sale investments upon adoption of HKFRS 9	**15,481**
Fair value loss recognised in other comprehensive income	**(208)**
Disposal	**(15,273)**
At 31 December	**–**

Note:

During the year ended 31 December 2017, the Group acquired a 3.876% tier 2 listed subordinated notes in the principal amount of US$2,000,000 at a total consideration of US$2,013,861 (equivalent to HK$15,708,000) issued by Chong Hing Bank Limited with maturity date on 26 July 2027.

The balance as at 31 December 2017 was denominated in USD and the fair value of listed subordinated notes traded in Hong Kong is based on quoted market price.

19 Financial asset at fair value through profit or loss

Movement in the financial assets at fair value through profit or loss is as follows:

	2018 HK$'000
As at 1 January 2018	**–**
Reclassified from available-for-sale investments upon adoption of HKFRS 9	**9,000**
Fair value gains credited to profit or loss (Note 6)	**5,064**
At 31 December 2018	**14,064**

Note:

(a) The balance represented fair value of the Group's 3% equity interest in Johnson Cleaning and was denominated in HKD.

(b) Valuation of financial assets at fair value through profit or loss

The fair value of the unlisted equity investment that is not traded in an active market is determined by an independent qualified valuer, Avista Valuation Advisory Limited.

The valuation of financial assets at fair value through profit or loss determined using discounted cash flow projections and are within level 3 of fair value hierarchy. The significant unobservable inputs are revenue growth rate and the rate of return on the investment. The lower the rate of return, the higher the fair value of the investment. The higher the revenue growth rate, the higher the fair value of the investment.

20 Contract assets (2017: Amounts due from customers on services contracts) and contract liabilities

	2018 HK$'000	2017 HK$'000
Contract assets relating to financial printing and translation services	**4,097**	–
Amounts due from customers on services contracts	**–**	5,663
Less: loss allowance	**–**	–
	4,097	5,663
Contract liabilities relating to financial printing and translation services	**13,607**	–

21 Trade receivables and margin loans receivable

	2018 **HK$'000**	2017 HK$'000
Trade receivables in relation to provision of financial printing and translation services (Note (a))	**43,212**	37,526
Trade receivables in relation to provision of underwriting, consultancy and advisory services (Note (a))	**4,630**	4,560
Trade receivables from related companies (Note (a))	**11,512**	–
Due from stockbrokers and clearing houses (Note(b))	**3,938**	1,836
Due from stockbroking clients (Note (b))	**37**	883
	63,329	44,805
Less: loss allowance	**(8,244)**	(13,390)
	55,085	31,415
Margin loans receivable (Note (c))	**40,569**	32,149
Less: loss allowance (Note (d))	**(21,090)**	–
	19,479	32,149
Trade receivables and margin loans receivable, net	**74,564**	63,564

(a) As at 31 December 2018, the ageing analysis of trade receivables excluding amounts due from stockbrokers, clearing houses and stockbroking clients based on invoice date was as follows::

	2018 **HK$'000**	2017 HK$'000
Up to 90 days	**33,026**	22,326
91-180 days	**11,198**	6,194
Over 181 days	**15,130**	13,566
	59,354	42,086

(b) The settlement terms of trade receivables attributable to the securities trading and stockbroking business are two days after the trade date, and those of trade receivables attributable to the futures broking business are one day after the trade date. No ageing analysis is disclosed for amounts due from stockbrokers, clearing houses and stockbroking clients as in the opinion of directors, it does not give additional value in view of nature of these businesses. For the remaining business of the Group, trade receivables are on general credit terms of 90 days.

(c) Margin loans to third parties are bearing interest at commercial rates, secured by the underlying pledged securities and are repayable on demand. No ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis is not meaningful in view of the nature of the business of securities margin financing.

21 Trade receivables and margin loans receivable (Continued)

(d) As at 31 December 2018, the Group has a margin loan receivable due from a third party amounting to HK$26,774,000, which was secured by a listed security that was suspended for trading since second half of 2018. During the year ended 31 December 2018, the Group has made an impairment loss of HK$21,090,000 due to decrease in value of underlying pledged security.

(e) As at 31 December 2018 and 2017, the carrying amounts of trade receivables and margin loans receivable approximated their fair values.

Trade receivables and margin loans receivable were denominated in the following currencies:

	2018 **HK$'000**	2017 HK$'000
HK dollar	**72,152**	60,834
RMB	**1,939**	–
USD	**473**	2,730
	74,564	63,564

The maximum exposure to credit risk as at the end of reporting period is the carrying values of the trade receivables and margin loans receivable.

22 Other receivables, deposits and prepayments

	2018 **HK$'000**	2017 HK$'000
Other receivables, deposits and prepayments	**20,345**	23,606
Less: non-current portion	**(7,417)**	(9,288)
	12,928	14,318

The balance mainly represents rental deposits and other miscellaneous prepayments.

As at 31 December 2018 and 2017, the carrying amounts of other receivables, deposits and prepayments approximated their fair values and were denominated in HK$.

23 Client trust bank balances

Client trust bank balances were denominated in the following currencies:

	2018 **HK$'000**	2017 HK$'000
HK dollar	**18,424**	17,283
RMB	**7**	62
USD	**–**	46
	18,431	17,391

The Group maintains trust and segregated accounts with authorised financial institutions to hold clients' deposits arising from normal business transactions. The Group has classified in the consolidated statement of financial position the clients' deposits as client trust bank balances in the current assets section and recognised the corresponding trade payables to the respective clients in the current liabilities section, on the grounds that the Group is liable for any misappropriation of the respective clients' deposits as stipulated under the Hong Kong Securities and Futures Ordinance ("SFO"). The Group is not allowed to use the clients' monies to settle its own obligations under the SFO. As such, these monies are not included in cash and cash equivalents of the Group for cash flow purposes in the consolidated statement of cash flows.

24 Cash and bank balances

	2018 **HK$'000**	2017 HK$'000
Cash and cash equivalents	**129,937**	99,846
Restricted bank balances (Note)	**15,000**	–
Cash and bank balances	**144,937**	99,846

Note: As at 31 December 2018, HK$15,000,000 (2017:Nil) are pledged for certain bank borrowings.

Cash and bank balances were denominated in the following currencies:

	2018 **HK$'000**	2017 HK$'000
HK dollar	**91,718**	83,392
RMB	**28,613**	5,294
USD	**24,606**	11,160
	144,937	99,846

The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amount of cash and bank balances approximate their fair value.

25 Trade payables

	2018 HK$'000	2017 HK$'000
Due to stockbrokers and dealers (Note (a))	**1,423**	62
Due to stockbroking clients (Note (b))	**17,891**	28,573
Trade payables (Note (c))	**12,184**	6,217
	31,498	34,852

Note

(a) The settlement terms of amounts due to stockbrokers and dealers are 2 days after the trade date. No ageing analysis is disclosed for amounts due to stockbrokers and dealers as in the opinion of directors, it does not give additional value in view of the nature of these businesses.

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

The amounts due to stockbroking clients are placed in trust and segregated accounts with authorised institutions. No ageing analysis is disclosed for amounts due to stockbroking clients as in the opinion of directors, it does not give additional value in view of the nature of these businesses.

(c) The average credit period from the Group's trade creditors is 30 to 60 days (2017: 30 to 60), and the amounts are non-interest bearing.

The ageing analysis of other trade payables based on the invoice date was as follows:

	2018 HK$'000	2017 HK$'000
Up to 90 days	**9,826**	5,265
91-180 days	**1,215**	128
Over 181 days	**1,143**	824
	12,184	6,217

(d) Trade payables were denominated in the following currencies and approximated their fair values due to short term maturities.

	2018 HK$'000	2017 HK$'000
HK dollar	**30,329**	34,852
RMB	**1,169**	–
	31,498	34,852

26 Other payables and accruals

	2018 **HK$'000**	2017 HK$'000
Other payables and accruals (Note)	**19,773**	19,303
Deposit received from customers	**–**	12,277
	19,773	31,580

Note: The balance mainly represents provision of bonus and commission.

The carrying amounts of other payables and accruals were mainly denominated in HK$ and approximated their fair values due to short term maturities.

27 Bank borrowings

	2018 **HK$'000**	2017 HK$'000
Current		
Bank loans	**55,000**	–

As at 31 December 2018, the Group's bank borrowings were repayable as follows:

	2018 **HK$'000**	2017 HK$'000
Within one year	**55,000**	–

As at 31 December 2018, the bank borrowings were secured by restricted bank balances of HK$15,000,000 (note 24) and cross corporate guarantee executed by the Company and its subsidiary, Huajin Financial (International) Holdings Limited.

Bank borrowings bear effective interest rate from 4.30% to 4.93% per annum (2017: Nil).

The carrying amounts of the Group's bank borrowings were denominated in HK$ and the fair value of bank borrowings approximates their carrying amounts.

28 Deferred tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2018 HK$'000	2017 HK$'000
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**(2,168)**	–
Deferred tax liabilities:		
– Deferred tax liability to be settled after more than 12 months	**59**	104
– Deferred tax liability to be settled within 12 months	**44**	59
	103	163
Deferred tax (assets)/liabilities (net)	**(2,065)**	163

The movements in deferred tax during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets:

	Decelerated tax depreciation HK$'000	**Unused tax losses** HK$'000	**Total** HK$'000
At 1 January 2017	(60)	–	(60)
Charged to profit or loss	60	–	60
At 31 December 2017	–	–	–
Credited to profit or loss	(888)	(1,280)	(2,168)
At 31 December 2018	**(888)**	**(1,280)**	**(2,168)**

28 Deferred tax (Continued)

Deferred income tax liabilities:

	Accelerated tax depreciation HK$'000
At 1 January 2017	–
Charged to profit or loss	163
At 31 December 2017	163
Credited to profit or loss	(60)
At 31 December 2018	**103**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$9,274,000 (2017: HK$8,071,000) in respect of losses amounting to HK$56,204,000 (2017: HK$48,913,000) that can be carried forward against future taxable income.

29 Share capital

	2018 **HK$'000**	2017 HK$'000
Authorised:		
12,000,000,000 ordinary shares of HK$0.00025 each	**3,000**	3,000
Issued and fully paid:		
10,060,920,000 ordinary shares of HK$0.00025 each	**2,515**	2,515

A summary of movements in the Company's issued share capital is as follows:

	Number of shares ('000)	**Share capital** HK$'000
At 1 January 2017	9,200,000	2,300
Issue of shares on 25 August 2017 (Note)	860,920	215
At 31 December 2017 and 31 December 2018	10,060,920	2,515

Note:

On 25 August 2017, 860,920,000 new shares were issued at the subscription price of HK$0.151 each. The gross proceeds received by the Company were HK$129,999,000, among which HK$215,000 was credited to share capital account and the balance of HK$129,191,000 (net of professional fee of HK$593,000) was credited to share premium account.

30 Share option scheme

Pursuant to the written resolutions passed by the shareholders of the Company on 25 June 2008, the Company adopted a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contributions to the Group. Under the Share Option Scheme, the directors of the Company may, at their absolute discretion, offer eligible participants, being, employees or executives or officers of the Company or any of its subsidiaries (including executive and non-executive directors of the Company or any of its subsidiaries) and suppliers, consultants and advisers who will provide or have provided services to the Group, options to subscribe for shares in the Company representing up to maximum 10% of the shares in issue as at the date of commencement of listing of shares of the Company on the Stock Exchange (i.e. 23,000,000 shares, representing approximately 0.25% of the issued share capital of the Company as the date of this report) and subject to renewal with shareholders' approval. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the Company's issued share capital, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding the higher of 0.1% of the Company's shares in issue and with a value in excess of HK$5,000,000 must be approved by the Company's shareholders.

Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the board of directors but in any event not exceeding 10 years. The exercise price is determined by the directors of the Company and will be not less than the highest of the closing price of the Company's shares on the date of grant, the average closing prices of the Company's shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

No option has been granted by the Company under the Share Option Scheme since its adoption and up to 31 December 2018.

31 Note to the consolidated statement of cash flows

Reconciliation of profit before income tax to cash used in operations

	2018 HK$'000	2017 HK$'000
Cash flows from operating activities		
Profit before income tax	**4,040**	1,156
Adjustments for:		
Share of results of associates	**512**	3
Interest expense	**2,860**	2,096
Interest income	**(340)**	(461)
Dividend income	**–**	(450)
Depreciation of property, plant and equipment	**3,211**	4,183
Fair value gains on financial asset at fair value through profit or loss	**(5,064)**	–
Loss on disposals of property, plant and equipment	**–**	3
Operating profit before working capital changes	**5,219**	6,530
Change in working capital:		
Amounts due from customers on services contracts	**–**	(641)
Contract assets	**(1,983)**	–
Trade receivables and margin loans receivable	**(10,992)**	(26,006)
Other receivables, deposits and prepayments	**3,261**	(6,118)
Client trust bank balances	**(1,040)**	(6,433)
Balances with related parties	**3,660**	(25,799)
Trade payables	**(3,348)**	17,429
Contract liabilities	**13,607**	–
Other payables and accruals	**(8,291)**	3,098
Cash generated from/(used in) operations	**93**	(37,940)

31 Note to the consolidated statement of cash flows (Continued)

Liabilities from financing activities

	Loan from a related party due within 1 year HK$'000	Bank borrowings HK$'000	Total HK$'000
At 1 January 2017	23,768	–	23,768
Cash flows	11,732	–	11,732
At 31 December 2017	35,500	–	35,500
Cash flows	(35,500)	55,000	19,500
At 31 December 2018	**–**	**55,000**	**55,000**

32 Operating leases

As lessee

The Group leases a number of office premises and office equipment under operating leases. The leases generally run for an initial period of two to five years. None of the leases includes contingent rentals.

At the end of reporting period, the Group was committed to make the following future minimum lease payments in respect of rented office premises and equipment under non-cancellable operating leases, which fall due as follows:

	2018 HK$'000	2017 HK$'000
Not later than one year	**33,013**	24,712
Later than one year and not later than five years	**26,534**	16,816
	59,547	41,528

33 Related party transactions

In addition to those disclosed in Note 5 and Note 21, the following transactions were entered into terms and prices mutually agreed between the relevant parties.

(a) Rendering of services

	2018 HK$'000	2017 HK$'000
Consultancy and financial advisory services income received from Zhuhai Huafa and its subsidiaries		
– 2018 Consultancy income I (Note i)	**8,765**	–
– 2018 Consultancy income II (Note ii)	**2,200**	–
– 2018 Consultancy income III (Note iii)	**4,000**	–
– 2018 Consultancy income IV (Note iv)	**14,995**	–
– 2018 Consultancy income V (Note v)	**2,200**	–
– 2018 Financial advisory income I	**300**	–
– 2018 Financial advisory income II (Note vi)	**2,300**	–
– 2018 Financial advisory income III (Note vii)	**2,600**	–
– 2018 Financial advisory income IV (Note viii)	**2,600**	–
– 2017 Consultancy income I	**–**	30,374
– 2017 Consultancy income II	**–**	15,000
– 2017 Consultancy income III	**–**	2,730
– 2017 Financial advisory income	**–**	2,350
	39,960	50,454
Printing and translation services income received from Zhuhai Huafa's subsidiaries	**2,830**	362
Hotel and exhibition advisory services, hotel management services and event planning and management services income received from Zhuhai Huafa's subsidiaries		
– 2018 Advisory income I (Note ix)	**1,699**	–
– 2018 Advisory income II (Note x)	**2,265**	–
– 2018 Advisory income III (Note xi)	**4,020**	–
– 2018 Advisory income IV	**906**	–
– 2018 Advisory income V	**906**	–
– 2018 Hotel management income (Note xii)	**3,410**	–
– 2018 Hotel training income (Note xiii)	**1,282**	–
– 2018 Event planning, managing and organising income (Note xiv)	**9,082**	–
	23,570	–

33 Related party transactions (Continued)

(b) Other related party transactions

	2018 HK$'000	2017 HK$'000
Recharge of administrative expenses to Huafa HK (Note xv)	**3,990**	3,660
Recharge of administrative expenses from Huafa HK	**(1,196)**	–
Recharge of exhibition cost from Zhuhai Huafa's subsidiary	**(340)**	–
Interest expense paid to a related party	**(893)**	(1,571)

(c) Year end balances

In addition to those disclosed in Note 5 and Note 21, particulars of the amounts due from/(to) related parties and loan from a related party are as follows:

	2018 HK$'000	2017 HK$'000
Amounts due from/(to) related parties (Note xvi)		
– Amount due from Huafa HK	**–**	3,660
– Amount due to Huafa HK	**–**	(401)
Balances included in trade receivables		
– Zhuhai Huafa's subsidiaries	**11,512**	–
Balance included in trade payables		
– Zhuhai Huafa's subsidiary	**(340)**	–
Loan from a related party		
– Huafa HK	**–**	(35,500)

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during the year are as follows:

	2018 HK$'000	2017 HK$'000
Short-term benefits	**21,645**	19,565
Post-employment benefits	**72**	72
	21,717	19,637

The remuneration of directors and key management is determined having regard to the performance of individuals and market trends.

33 Related party transactions (Continued)

Note

(i) Huajin Financial (International) Holdings Limited ("Huajin Financial"), a wholly-owned subsidiary of the Group entered into a consultancy agreement ("2018 Consultancy Agreement I") with Hong Kong Huafa Investment Holdings Limited ("Huafa HK") in relation to Huafa Group 2018 I Company Limited ("Huafa 2018")'s issuance of USD denominated bonds in August 2018. Huafa 2018 was a wholly-owned subsidiary of Huafa HK. Huafa 2018 successfully issued US$500,000,000, 5.40 per cent bonds due in year 2021 ("Huafa 2018 Bonds") in August 2018. The Huafa 2018 Bonds are listed on The Stock Exchange of Hong Kong Limited.

The amount of consultancy income of US$1,131,000 (equivalent to approximately HK$8,765,000) related to the consultancy service provided by Huajin Financial ("2018 Consultancy Service I"). Pursuant to the 2018 Consultancy Agreement I between Huajin Financial and Huafa HK, 2018 Consultancy Service I included but not limited to:

- assisting Huafa HK to formulate the pricing policy of the Huafa 2018 Bonds;
- assisting Huafa HK to complete due diligence;
- arranging roadshow and time schedule; and
- assisting in preparation of application documents and obtaining approval from relevant government authorities for bond offering.

Pursuant to the 2018 Consultancy Agreement I, the service fees for 2018 Consultancy Service I of US$1,131,000 was determined with reference to a number of factors, including:

- Difference between (1) the average of annual interest rate of bonds with same or similar credit rating issued by comparable companies in a period close to issuance date of the Huafa 2018 Bonds; and (2) the annual interest rate of the Huafa 2018 Bonds;
- Principal amount of the Huafa 2018 Bonds; and
- Maturity period of the Huafa 2018 Bonds.

Huafa HK settled the service fees of US$1,131,000 in December 2018.

(ii) Huajin Financial entered into a consultancy agreement ("2018 Consultancy Agreement II") with Huafa HK in November 2018 and pursuant to the 2018 Consultancy Agreement II, Huajin Financial would provide Huafa HK consultancy services ("2018 Consultancy Service II"), which included but not limited to:

- communicating with the representatives of two credit agencies for the credit rating discussion; and
- preparing of an advisory report covering credit rating assessment model as well as the Zhuhai Huafa's possible credit ratings to be obtained from two credit agencies.

According to the 2018 Consultancy Agreement II, the service fees for 2018 Consultancy Service II amounted to HK$2,200,000, which was agreed by both parties.

Huafa HK settled the service fees of HK$2,200,000 in December 2018.

33 Related party transactions (Continued)

Note: (Continued)

(iii) In November and December 2018, Huajin Financial entered into consultancy agreements ("2018 Consultancy Agreements III") with Zhuhai Huafa and its nine subsidiaries respectively. Pursuant to the 2018 Consultancy Agreements III, Huajin Financial would provide consultancy services ("2018 Consultancy Services III"), which included but not limited to, industry overview, industry analysis and market forecast, possible investment opportunities, industry regulation and business risks in fourteen different industries and one target investment district.

According to the 2018 Consultancy Agreements III, aggregate fees for the 2018 Consultancy Services III amounted to HK$4,000,000, which was agreed at terms agreed by the parties.

The service fees of HK$4,000,000 was settled in December 2018, January 2019 and March 2019, respectively.

(iv) In November 2018, Huajin Financial entered into a consultancy agreement ("2018 Consultancy Agreement IV") with Guang Yu Global Investment Management Limited ("Guang Yu"), a subsidiary of Zhuhai Huafa, in relation to advisory services on four investment projects. Pursuant to the 2018 Consultancy Agreement IV, consultancy services ("2018 Consultancy Service IV") included but not limited to the preparation of four reports covering analysis of target industries, impacts of the foreign investment regulation, feasibility study, compliance of the fund establishment, fund structure and risk assessments.

According to the 2018 Consultancy Agreement IV and the supplemental agreement signed in December 2018, the fees and the performance bonus for the 2018 Consultancy Service IV amounted to US$1,500,000 (equivalent to approximately HK$11,595,000) and HK$3,400,000 respectively, which were agreed at terms mutually agreed by both parties.

Guang Yu settled all the service fees and the performance bonus totalling HK$14,995,000 in December 2018.

(v) In November 2018, Huajin Financial entered into a consultancy agreement ("2018 Consultancy Agreement V") with Huafa HK, in relation to provision of consultancy service ("2018 Consultancy Service V") in assisting Huafa HK to obtain HK$1,800,000,000 syndicated loan. Pursuant to the 2018 Consultancy Agreement V, the service scope included:

- providing advice on the structure, terms and credit enhancement in relation to syndicated loan; and
- assisting in finalisation of relevant documents, including preparing written reports covering matters relating to future trends in interest rates, exchange rates, the structure of hedging products and the existing hedging products on the market.

According to the 2018 Consultancy Agreement V, the fees for the 2018 Consultancy Service V amounted to HK$2,200,000, which was agreed at terms mutually agreed by both parties.

Huafa HK settled the service fees of HK$2,200,000 in December 2018.

33 Related party transactions (Continued)

Note: (Continued)

(vi) In December 2018, WAG Worldsec Corporate Finance Limited ("WAG"), a wholly-owned subsidiary of the Group, entered into a financial advisory agreement ("2018 Financial Advisory Agreement II") with a PRC subsidiary of Huafa HK ("Huafa PRC Subsidiary I"), in relation to provision of advisory services regarding Huafa PRC Subsidiary I's assets and operation optimization ("2018 Financial Advisory Service II").

Pursuant to the 2018 Financial Advisory Agreement II, 2018 Financial Advisory Service II included but not limited to:

- conducting preliminary due diligence work towards the assets and operation of Huafa PRC Subsidiary I;
- liaising and coordinating with professional parties for the due diligence work;
- giving guidance to Huafa PRC Subsidiary I to handle requests from professional parties;
- advising on the process arrangement and timeline in relation to the project; and
- rendering services in compliance with rules and regulations upon reasonable request

According to the 2018 Financial Advisory Agreement II, the fees for 2018 Financial Advisory Service II amounted to HK$2,300,000, which was agreed at terms mutually agreed by both parties.

The service fees of HK$2,300,000 was settled in January 2019.

(vii) In December 2018, WAG entered into a financial advisory agreement ("2018 Financial Advisory Agreement III") with a PRC subsidiary of Huafa HK, in relation to provision of advisory services on its oversea capital market securitization plan ("2018 Financial Advisory Service III").

Pursuant to the 2018 Financial Advisory Agreement III, 2018 Financial Advisory Service III included but not limited to:

- conducting preliminary due diligence work, feasibility study and analysis;
- coordinating with other professional parties for performing research, assessing the feasibility of securitization and providing proposal and advice;
- providing recommendation in relation to the general listing requirements and compliance;
- advising on the process arrangement and timeline in relation to the project; and
- rendering services in compliance with rules and regulations upon reasonable request

According to the 2018 Financial Advisory Agreement III, the fees for the 2018 Financial Advisory Service III amounted to HK$2,600,000, which was agreed at terms mutually agreed by both parties.

The service fees of HK$2,600,000 was settled in January 2019.

33 Related party transactions (Continued)

Note: (Continued)

(viii) In December 2018, WAG entered into a financial advisory agreement ("2018 Financial Advisory Agreement IV") with a subsidiary of Zhuhai Huafa ("Huafa PRC Subsidiary II"), in relation to provision of advisory services on assets and business reorganisation of a wholly-owned subsidiary of Huafa PRC Subsidiary II for the purpose of oversea capital market securitization ("2018 Financial Advisory Service IV").

Pursuant to the 2018 Financial Advisory Agreement IV, 2018 Financial Advisory Service IV included but not limited to:

- conducting preliminary due diligence work, feasibility study and analysis;
- liaising and coordinating with professional parties for the due diligence work;
- coordinating with other professional parties for performing research, assessing the feasibility of assets securitization and providing proposal and advice;
- providing recommendation in relation to the general listing requirements and compliance;
- advising on the process arrangement and timeline in relation to the project; and
- rendering services in compliance with rules and regulations upon reasonable request

According to the 2018 Financial Advisory Agreement IV, the fees for the 2018 Financial Advisory Service IV amounted to HK$2,600,000, which was agreed at terms mutually agreed by both parties.

The service fees of HK$2,600,000 was settled in February 2019.

(ix) On 12 December 2018 and 17 December 2018, Huajin International Greater Bay Area High-end Services Holding Company Limited ("GBA Holding"), a subsidiary of the Company, entered into advisory agreements ("2018 Advisory Agreements I") with two subsidiaries of Zhuhai Huafa respectively, in relation to provision of advisory services for two proposed hotels at specific target locations ("2018 Advisory Services I"). Pursuant to the 2018 Advisory Agreements I, 2018 Advisory Services I included but not limited to:

- providing support for selecting international hotel management companies and hotel brands, contract negotiation with the hotel management companies;
- introducing and assisting in selection of qualified consultant for hotel design, providing design agreement template; or
- advising on budget of hotel construction cost

According to the 2018 Advisory Agreements I, aggregate fees for the 2018 Advisory Services I amounted to RMB1,500,000 (equivalent to approximately HK$1,699,000), which was mutually agreed by all parties.

The service fees of HK$1,699,000 was settled in December 2018.

33 Related party transactions (Continued)

Note: (Continued)

(x) On 17 December 2018, GBA Holding entered into advisory agreements ("2018 Advisory Agreements II") with two subsidiaries of Zhuhai Huafa respectively, in relation to provision of advisory services for two proposed high-rise hotels at specific target locations ("2018 Advisory Services II"). Pursuant to the 2018 Advisory Agreements II, 2018 Advisory Services II included but not limited to:

- providing support for selecting international hotel management companies and hotel brands, contract negotiation with the hotel management companies;
- introducing and assisting in selection of qualified consultant for hotel design, providing design agreement template; and
- advising on budget of hotel construction cost

According to the 2018 Advisory Agreements II, aggregate fees for the 2018 Advisory Services II amounted to RMB2,000,000 (equivalent to approximately HK$2,265,000), which was mutually agreed at terms agreed by all parties.

The service fees of HK$2,265,000 was settled in December 2018.

(xi) GBA Holding entered into advisory agreements ("2018 Advisory Agreements III") with eight subsidiaries of Zhuhai Huafa in November and December 2018 respectively in relation to provision of certain advisory services and certain research and feasibility study services regarding hospitality service and/or convention centre construction, market research, business development in 12 cities in the PRC ("2018 General Advisory Services") with scope included but not limited to:

- providing support for selecting international hotel management companies and hotel brands, contract negotiation with the hotel management companies;
- introducing and assisting in selection of qualified consultant for hotel design, providing design agreement template;
- advising on budget of hotel construction cost; or
- performing market research

According to the 2018 Advisory Agreements III, aggregate service fee for the 2018 General Advisory Services III amounted to RMB3,550,000 (equivalent to approximately HK$4,020,000), which was agreed at terms mutually agreed by all parties.

The service fees of HK$4,020,000 was settled in December 2018.

33 Related party transactions (Continued)

Note: (Continued)

(xii) In November 2018, Zhuhai Hengqin New Area Huajin International Hotel Management Company Limited ("Huajin Hotel"), a subsidiary of the Group, entered into a trial management agreement ("2018 Trial Hotel Management Agreement") with Zhuhai Huafa International Hotel Management Company Limited ("Huafa Hotel"), a subsidiary of Zhuhai Huafa.

Pursuant to the 2018 Trial Hotel Management Agreement, Huajin Hotel agreed to provide the management services ("2018 Hotel Management Service") on a trial term of three months for three hotels (collectively referred to as the "Hotels") located in Zhuhai City. The 2018 Hotel Management Service included but not limited to

- monitoring the operation and management of the Hotels
- financial and performance benchmark analysis
- market positioning and marketing strategy evaluation and advice
- human resources evaluation and management
- facilities and equipment evaluation and advice
- information system evaluation and advice
- hotel revenue management and monitor

During the year ended 31 December 2018, total fees for 2018 Hotel Management Service amounted to RMB3,192,000 (equivalent to approximately HK$3,410,000). According to terms of the 2018 Trial Hotel Management Agreement, the amount of the service fees was determined by 5% of the aggregate revenue of the Hotels in November and December 2018.

The service fees of HK$3,410,000 was settled in December 2018 and January 2019.

(xiii) In December 2018, Huajin Hotel entered into agreements ("2018 Hotel Training Agreements") with five subsidiaries of Zhuhai Huafa ("Five Subsidiaries") respectively in relation to provision of hotel related matters trainings ("2018 Hotel Training Services").

According to the 2018 Hotel Training Agreements, the aggregate fees for the 2018 Hotel Training Services amounted to RMB1,200,000 (equivalent to approximately HK$1,282,000), which was agreed at terms mutually agreed by contracted parties.

The service fees of HK$1,282,000 was settled in December 2018.

33 Related party transactions (Continued)

Note: (Continued)

(xiv) In November 2018, Zhuhai Hengqun New Area Huajin International Convention Services Company Limited ("Huajin Convention"), a subsidiary of the Group, entered into the event planning agreements ("2018 Event Planning Agreements") with three subsidiaries of Zhuhai Huafa, respectively and entered into the event organising agreements ("2018 Event Organising Agreements") with three subsidiaries of Zhuhai Huafa, respectively.

Pursuant to the 2018 Event Planning Agreements, Huajin Convention would provide services in relation to creative design of roadshow materials, planning, organisation and execution of the promotional activities for certain PRC real estate projects owned by subsidiaries of Zhuhai Huafa, to be held in Hong Kong and Zhuhai ("2018 Event Planning and Management Service").

According to the 2018 Event Planning Agreements, the aggregate fees for 2018 Event Planning and Management Service amounted to RMB5,500,000 (equivalent to approximately HK$5,876,000), which was agreed at terms mutually agreed by contracted parties.

Pursuant to the 2018 Event Organising Agreements, Huajin Convention would provide services in relation to planning and organising certain events in appreciation of Zhuhai Huafa's customer support.

According to 2018 Event Organising Agreements, the aggregate service fees amounted to RMB3,000,000 (equivalent to approximately HK$3,206,000), which was agreed at terms mutually agreed by contracted parties.

The total service fees of HK$9,082,000 was settled in December 2018.

(xv) In January 2018, Huajin Financial and Huafa HK entered into the an agreement, pursuant to which Huafa HK would share certain administrative costs as Huafa HK would use certain of Huajin Financial's office space and office equipment. The administrative costs shared by Huafa HK for the year ended 31 December 2018 was approximately HK$3,990,000. This was agreed at terms mutually agreed by both parties, the basis of which was determined by reference to:

- Estimated administrative costs incurred by Huajin Financial in 2018;
- Estimated office area jointly-shared by Huafa HK; and
- Estimated percentage of usage of shared facilities by Huafa HK.

Huafa HK settled the shared costs in the amount of HK$3,990,000 in June 2018 and December 2018.

(xvi) Amounts due from/(to) related parties were unsecured, interest-free and repayable on demand. The carrying amounts of amounts due from/(to) related parties approximated their fair values and were denominated in HK$.

34 Partial disposal of a subsidiary

During the year ended 31 December 2018, the Group disposed of its 40% equity interest in Rising Win Limited to a company controlled by a director of Rising Win Limited for a total consideration of HK$12,000,000. After the disposal, the Group retained its control in Rising Win Limited as at 31 December 2018.

Rising Win Limited is an investment holding company and its subsidiaries are principally engaged in the provision of financial printing services in Hong Kong.

The difference between consideration received and relevant share of Rising Win Limited's net assets disposal of amounting to HK$534,000 was charged to other reserve.

35 Statement of financial position and reserve movement of the Company

(a) Statement of financial position of the Company as at 31 December 2018 and 31 December 2017

	2018 HK$'000	2017 HK$'000
Non-current assets		
Property, plant and equipment	**122**	–
Investments in subsidiaries	**178,972**	238,722
Financial asset at fair value through profit or loss	**14,064**	–
Available-for-sale investments	**–**	24,481
	193,158	263,203
Current assets		
Other receivables, deposits and prepayments	**1,394**	1,156
Amount due from a fellow subsidiary	**2,681**	–
Cash and cash equivalents	**2,378**	5,841
	6,453	6,997
Total assets	**199,611**	270,200
EQUITY		
Share capital	**2,515**	2,515
Reserves (Note b)	**145,898**	210,163
Total equity	**148,413**	212,678
Current liabilities		
Other payables and accruals	**1,182**	1,569
Amount due to a related party	**–**	401
Amounts due to subsidiaries	**16**	20,052
Bank borrowings	**50,000**	–
Loan from a related party	**–**	35,500
	51,198	57,522
Total liabilities	**51,198**	57,522
Total equity and liabilities	**199,611**	270,200

35 Statement of financial position and reserve movement of the Company (Continued)

(b) Reserves movement of the Company

	Share premium HK$'000	Contributed surplus (Note a) HK$'000	Available-for-sale investment revaluation reserve HK$'000	Financial asset at fair value through other comprehensive income revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2017	39,756	65,305	862	–	(14,831)	91,092
Loss for the year	–	–	–	–	(10,130)	(10,130)
Other comprehensive income	–	–	10	–	–	10
Total comprehensive income/(loss)	–	–	10	–	(10,130)	(10,120)
Issuance of new shares	129,191	–	–	–	–	129,191
At 31 December 2017	168,947	65,305	872	–	(24,961)	210,163
Adjustment on adoption of HKFRS 9 (note 2.2)	–	–	(872)	(490)	1,362	–
Restated balance at 1 January 2018	168,947	65,305	–	(490)	(23,599)	210,163
Comprehensive loss						
Loss for the year	–	–	–	–	(64,057)	(64,057)
Other comprehensive income/(loss)						
Changes in value on financial asset at fair value through other comprehensive income	–	–	–	(208)	–	(208)
Disposal of financial asset at fair value through other comprehensive income	–	–	–	698	(698)	–
Total comprehensive income/(loss)	–	–	–	490	(64,755)	(64,265)
At 31 December 2018	168,947	65,305	–	–	(88,354)	145,898

Note a:

Contributed surplus of the Company represents the difference between the consolidated net assets of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition at the time of the Reorganisation.

Corporate Information

Board of directors

Executive directors

Mr. Li Guangning (Chairman)
Mr. Xie Wei
(Chief Executive Officer)
Ms. Guo Jin
(appointed with effect from
18 April 2018)
Mr. Wu Jiang
(Chief Financial Officer, resigned with effect from 18 April 2018, the role of Chief Financial Officer remains)

Non-executive directors

Ms. Zhang Kuihong
Mr. Shong Hugo
Mr. Qie Yan

Independent non-executive directors

Dr. Chen Jieping
Dr. Sun Mingchun
Mr. Tse Yung Hoi

Audit committee

Dr. Chen Jieping (Chairman)
Dr. Sun Mingchun
Mr. Tse Yung Hoi

Remuneration committee

Dr. Sun Mingchun (Chairman)
Dr. Chen Jieping
Mr. Tse Yung Hoi
Mr. Xie Wei
Mr. Wu Jiang
(Resigned with effect from
18 April 2018)
Ms. Guo Jin
(Appointed with effect from
18 April 2018)

Nomination committee

Mr. Tse Yung Hoi (Chairman)
Dr. Chen Jieping
Dr. Sun Mingchun

Solicitor

Bird & Bird

Auditor

PricewaterhouseCoopers

Company secretary

Ms. Li Yanmei

Head office and principal place of business in Hong Kong

Room 3605, 36/F
Cheung Kong Center
2 Queen's Road Central
Central, Hong Kong

Registered office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Bermuda principal share registrar and transfer office

MUFG Fund Services (Bermuda)
Limited

Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited

Principal bankers

Hang Seng Bank Limited
Dah Sing Bank Limited

Bermuda resident representative

Conyers Corporate Services
(Bermuda) Limited

Authorised representatives

Mr. Xie Wei
Ms. Li Yanmei

Place of listing

The Stock Exchange of Hong Kong
Limited

Stock code

982

Website address

www.huajinci.com

HJ Capital (International) Holdings
Company Limited

Stock Code: 982

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www.hjfi.com.hk