



ANNUAL
REPORT
2018



**CHINA INNOVATION
INVESTMENT LIMITED**
中國創新投資有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1217)

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Xiang Xin (*Chairman of the Board and Chief Executive Officer*)
Mr. Chan Cheong Yee

Independent Non-executive Directors

Mr. Chan, Wing Kong Ringo (Appointed on 6 March 2018)
Mr. Lee Wing Hang
Ms. Zhou Zan
Mr. Wang Xin David (Resigned on 16 May 2018)

Alternate Director

Ms. Kung Ching, an alternate Director to Mr. Xiang Xin

COMPANY SECRETARY

Mr. Li Wancheng

AUTHORISED REPRESENTATIVES

Mr. Xiang Xin
Mr. Li Wancheng

EXECUTIVE COMMITTEE

Mr. Xiang Xin (*chairman of executive committee*)
Mr. Chan Cheong Yee

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Mr. Chan, Wing Kong Ringo (*chairman*)
(Appointed on 6 March 2018)
Mr. Lee Wing Hang
Ms. Zhou Zan
Mr. Wang Xin David (*chairman*) (Removed on 6 March 2018)

NOMINATION COMMITTEE

Mr. Xiang Xin (*chairman*)
Mr. Chan, Wing Kong Ringo (Appointed on 6 March 2018)
Ms. Zhou Zan
Mr. Wang Xin David (Removed on 6 March 2018)

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

26/F, No. 9 Des Voeux Road West Road
Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04,
33/F., Two Chinachem Exchange Square,
338 King's Road,
North Point, Hong Kong

INVESTMENT MANAGER

China Everbright Securities (HK) Limited

AUDITOR

ZHONGHUI ANDA CPA Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
UBS AG

CUSTODIANS

China Everbright Securities (HK) Limited
UBS Securities Hong Kong Limited
Kingston Securities Limited

STOCK CODE

1217

WEBSITE

www.1217.com.hk

CHAIRMAN'S STATEMENT

On behalf of the Board (the "Board") of directors (the "Directors") of China Innovation Investment Limited (the "Company"), I am pleased to present to you the audited results of the Company for the year ended 31 December 2018.

BUSINESS REVIEW

The Company is an investment company and the Company's shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 August 2002 pursuant to Chapter 21 of the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules").

Investing in unlisted companies

As at 31 December 2018, the Company held investments in five unlisted companies namely Topsun Creation Limited, Aesthetic Vision Limited, United Crown Future Company Limited, Blue Angel (H.K.) Limited and Grand Far Sky Limited and carrying amount of these investments were approximately HK\$72,167,000, HK\$85,109,000, HK\$75,325,000, nil and HK\$64,036,000 respectively.

Investing in listed companies

The Company also invest listed companies in Hong Kong on short terms. For the year ended 31 December 2018, the gross sales proceeds of securities is HK\$234,210,000 (2017: HK\$729,008,000).

PROSPECT

The Company is one of the few investment companies in Hong Kong focusing investment business. We invest in listed and non-listed companies with high quality to strive for medium-term gains from capital appreciation in the course of securitisation of corporate assets invested, and apply the same as our key operation strategy and income source.

Leveraging on our experience and well-connected network in the Mainland market over years, the Company recently invested in charge storage products, lighting products, energy-saving materials and media terminals respectively through its investment. With energy conservation as our development goal, our investments have achieved breakthroughs in realising the four industries of "New Energy", "New Light", "New Materials" and "New Media" in real projects.

For "New Energy", the Company invests in Topsun Creation Limited ("Topsun"), which adopts the power reserve patent technology as its own core to develop the strategy of "Production — Research — Preliminary Research" for the research and manufacturing of solar photovoltaic system.

For "New Light", the Company invests in Aesthetic Vision Limited ("Aesthetic"). Aesthetic's major product is LED lighting. It possesses of LED ergonomics technology with features including LED illuminant, appropriate light flux, free colour temperature, healthy spectrum and compliance to ergonomics.

For "New Materials", the Company invests in United Crown Future Company Limited ("United Overseas"). Being the pioneer in the new energy-saving wall industry in the People's Republic of China (the "PRC") market, United Overseas mainly specialises in research and development of energy-saving materials for walls.

CHAIRMAN'S STATEMENT

For "New Media", the Company invests in Blue Angel (H.K.) Limited ("Blue Angel HK"), which mainly engages in producing and assembly of energy-saving media terminals products with the use of "New Energy", "New Light", "New Material" technologies, so as to develop a completed industry chain of four new technologies and provide a one-stop production setting with synergy effect.

For the sake of enhancing four new industries, the Company invests in Grand Far Sky Limited ("Grand Far Sky"). Grand Far Sky has engaged in providing completed management of fund and funds platform for four new technologies.

Being dedicated to outline a completed industry chain of four energy conservation, the Company is actively seeking more investment opportunities in order to build a greener low-carbon living.

Looking forward, the Company will continue to explore the investment opportunities to achieve medium-term capital appreciation.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation and heartfelt thanks to those who have given their utmost supports and contributions to the Company during the year.

Xiang Xin

Chairman and Chief Executive Officer

Hong Kong, 29 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

The Company is an investment company and the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 August 2002 pursuant to Chapter 21 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

1. On 12 January 2018, the Company entered into framework agreement ("Framework Agreements") with Power Energy Solutions, Inc. ("Power Energy") in relation to investment in part of equity interests of Power Energy.

Pursuant to the Framework Agreement, the Company intends to acquire or subscribe part of the equity interests of Power Energy by way of cash payment, issuance of convertible bonds or combine these two payment methods. Specific transaction consideration and terms will be determined based on the Company's due diligence findings and the independent third party's valuation for the Power Energy.

2. The Company entered into the Investment Management Agreement and Supplemental Agreements ("Investment Management Agreements") on 20 May 2003, 23 October 2007, 28 February 2012, 19 December 2013 and 15 May 2015 with respect to the appointment of China Everbright Securities (HK) Limited ("China Everbright") as investment Manager of the Company.

On 10 May 2018 the Company and China Everbright entered into the fifth supplemental agreement of the Investment Management Agreements, pursuant to which the Investment Management Agreements is extended for three years from 20 May 2018 to 19 May 2021.

3. On 11 March 2016, the Company engaged a solicitor in the British Virgin Islands to issue a statutory demand to China Culture Media International Holdings Limited ("China Culture") giving 21 days' notice. If China Culture did not make repayment upon expiry of the 21-day notification period, the Company would file a petition in the British Virgin Islands to wind up China Culture.

on 5 April 2016, as China Culture did not make repayment despite the expiry of the 21-day notice period, the Company applied to the British Virgin Islands Court on 5 April 2016 (British Virgin Islands time) for the liquidation of China Culture.

On 9 May 2016, as notified by the solicitor in the British Virgin Islands engaged by the Company, a liquidation order was filed by the British Virgin Islands Court against China Culture.

Since China Culture was placed in liquidation on 9 May 2016, the liquidators of China Culture have taken actions to recover assets, including but not limited to, the participation in the Scheme of Arrangement between Asia Television Limited and its scheme creditors.

After China Culture and its wholly-owned subsidiary Supreme Tycoon Limited ("ST Company") were placed in liquidation by the Company on 9 May 2016 and 6 September 2016 respectively, the joint and several liquidators of China Culture (the "Liquidators") commenced legal proceedings in the Commercial Division of the High Court of the Virgin Islands, Eastern Caribbean Supreme Court against Star Platinum Enterprises Limited, which is an indirect wholly-owned subsidiary of Hong Kong listed company Asia Television Holdings Limited (formerly known as CoProsperity Holdings Limited, Stock Code: 707), based on unjust enrichment and/or breach of the relevant provisions under the Virgin Islands Insolvency Act 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

On around 1 November 2018, the Company received from the Liquidators the sum of HK\$23,434,404.67, representing the final dividends distributed in the liquidation of China Culture and ST Company and partial reimbursement of costs incurred by the Company.

As at the date of 2 November 2018, the Company has recovered the full amount of the Ernest Money together with interest accrued at the rate of 8% per annum up to and including 4 June 2018 and part of the costs incurred by the Company in the liquidation of China Culture and ST Company.

INVESTMENT PORTFOLIOS

As at 31 December 2018, the Company holds certain listed investment and structured products and derivatives which are disclosed in note 15 to the financial statement.

As at 31 December 2018, the Company holds the following unlisted investments which are also disclosed in note 14 to the financial statement:

- (i) Topsun Creation Limited ("Topsun") is incorporated in Hong Kong and principally engaged in investment holding. Topsun directly held 100% interest in a company incorporated in the PRC, which the principal activity was in relation to new energies as its major products. The Company holds 2,710 "B" non-voting shares in Topsun, representing 67.75% interest in the issued share capital of Topsun. No dividend was received during the year.
- (ii) Aesthetic Vision Limited ("Aesthetic") is incorporated in Hong Kong and principally engaged in investment holding. The principal assets of Aesthetic include its wholly-owned subsidiary incorporated in the PRC. Aesthetic possesses LED ergonomics technology with features including LED illuminant, appropriate light flux, free colour temperature, healthy spectrum and compliance to ergonomics. The Company holds 8,500 "B" non-voting shares in Aesthetic, representing 85% interest in the issued share capital of Aesthetic. No dividend was received during the year.
- (iii) United Crown Future Company Limited ("United Overseas") is incorporated in British Virgin Islands and principally engaged in investment holding. The principal asset of United Overseas holds 100% interest in a company incorporated in the PRC, of which is principally engaged in conducting research and development of energy-saving materials for walls. The Company holds 1,621 "B" non-voting shares in United Overseas, representing 52.68% interest in the issued share capital of United Overseas. No dividend was received during the year.
- (iv) Blue Angel (H.K.) Limited ("Blue Angel HK") is incorporated in Hong Kong and principally engaged in investment holding. The Company holds 48,500 "B" non-voting shares in Blue Angel HK, representing 62.99% interest in the issued share capital of Blue Angel HK. No dividend was received during the year.
- (v) Grand Far Sky Limited ("Grand Far Sky") is incorporated in Hong Kong and principally engaged in investment holding, which specifically provide completed management of fund and funds platform. Grand Far Sky holds a 100% interest in a subsidiary incorporated in the PRC, of which the principle activity is funding platform and asset management. The Company holds 5,400 "B" non-voting shares in Grand Far Sky, which represented 56.84% interest in the issued share capital of Grand Far Sky. No dividend was received during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL POSITION

As at 31 December 2018, the Company had cash and bank balances of approximately HK\$187,294,000. All the cash and bank balances were mainly denominated in Hong Kong dollars.

For the year under review, the Company financed its operations with its own available funding and did not have any banking facilities. In this regard, the Company had a net cash position and its gearing ratio is zero (net debt to shareholders' funds) as at 31 December 2018. Taking into consideration the existing financial resources to the Company, it is anticipated that the Company should have adequate financial resources to meet its ongoing operating and development requirements.

FOREIGN CURRENCY FLUCTUATION

During the year, the Company conducted its business transactions principally in Renminbi and Hong Kong dollars. The Directors considered that the Company had no significant exposure to foreign exchange fluctuations and believed it was not necessary to hedge against any exchange risk. Nevertheless, management will continue to monitor the foreign exchange exposure position and will take any future prudent measure it deems appropriate.

CHARGE ON COMPANY ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2018, the Company has not pledged its assets and the Company did not have significant contingent liabilities.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2018.

EMPLOYEE INFORMATION

As at 31 December 2018, the Company had 11 (2017: 11) staffs and the total remuneration paid to staff (including Directors' remuneration) was approximately of HK\$2,790,000 (2017: of approximately HK\$1,116,000), of which approximately HK\$924,000 (2017: NIL) share-based payments expenses were incurred as a result of grant of share options during the year under review. The total amount comprised salaries, wages and allowance, medical and insurance coverage, pension scheme contributions, discretionary bonus and share-based payments. The Company ensured that its employees were remunerated according to the prevailing manpower market condition, and individual performance with its remuneration policies reviewed on a regular basis.

CORPORATE GOVERNANCE REPORT

The Board is committed to establish and maintain high standards of corporate governance so as to enhance corporate transparency and protect the interests of the Company's shareholders. The Company devotes to best practice on corporate governance, and to comply with the extent practicable, with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules.

During the year ended 31 December 2018, the Company has complied with the code provisions in the Code, save for deviation from Codes A.2.1 and A.4.1.

- The roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual.
- The non-executive Directors of the Company are not appointed for a specific term, but are subject to retirement by rotation in accordance with the Company's Articles of Association and shall be eligible for re-election.

During the year 2018, Mr. Xiang Xin is the Chairman of the Board and the Chief Executive Officer of the Company. This deviates from code provision A.2.1 of the Code which requires that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual.

After evaluation of the current situation of the Company and taking into account of the experience and past performance of Mr. Xiang, the Board is of the opinion that it is appropriate and in the best interests of the Company at the present stage for Mr. Xiang to hold both positions as the Chairman and the Chief Executive Officer of the Company as it helps to maintain the continuity of the policies and the stability of the operations of the Company.

None of the existing non-executive Directors are appointed for a specific term. This constitutes a deviation from code provision A.4.1 of the Code. However, all Directors (including independent non-executive Directors) are subject to retirement by rotation in accordance with the Company's Articles of Association. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

DIRECTORS' SECURITIES TRANSACTIONS

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

The Company also has established written guidelines on no less exacting terms than the Model Code for securities transactions by employees who are likely to be in possession of any unpublished inside information of the Company.

BOARD OF DIRECTORS

As at 31 December 2018, the Board consists of two executive Directors and three independent non-executive Directors. One of the independent non-executive Directors has the appropriate professional and accounting qualifications required by Rule 3.10(2) of the Listing Rules.

The non-executive Directors of the Company are not appointed for a specific term. All Directors (including independent non-executive Directors) are subject to retirement by rotation in accordance with the Company's Articles of Association and shall be eligible for re-election. Any Director appointed as an addition to the Board or to fill a casual vacancy on the Board shall hold office until the next general meeting after their appointment and shall be eligible for re-election.

CORPORATE GOVERNANCE REPORT

The Board is responsible for the leadership and control of the Company and oversees the Company's businesses, strategic decisions and performance. Approval of the Board is required for the strategy of the Company, major acquisition and disposal, major capital investment, dividend policy, appointment and retirement of Directors, remuneration policy and other major operational and financial matters.

The Directors may have access to the advice and services of the company secretary of the Company with the view to ensure that the board procedures, and all applicable rules and regulations, are followed.

In addition, the Directors may, upon reasonable request, seek independent professional advice in appropriate circumstance at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

The attendance of individual members at board meetings held during the year ended 31 December 2018 are set out as below:

Name of Directors	Board meetings Attendance
<i>Executive Directors:</i>	
Mr. Xiang Xin	5/5
Mr. Chan Cheong Yee	5/5
<i>Independent non-executive Directors:</i>	
Mr. Wang Xin David (Resigned on 16 May 2018)	0/3
Mrs. Zhou Zan	5/5
Mr. Lee Wing Hang	4/5
Mr. Chan, Wing Kong Ringo (Appointed on 6 March 2018)	4/4
<i>Alternate Directors:</i>	
Ms. Kung Ching	

The biographical details of the Directors are set out on pages 16 to 17 of this annual report.

To the best knowledge of the Company, none of the Directors above has any financial, business and family or other material/relevant relationship with any of the other Directors.

All independent non-executive Directors are financially independent from the Company. The Company confirmed with all independent non-executive Directors as to their independence with reference to the factors as set out in Rule 3.13 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Company has a Board Diversity Policy whereby it recognizes and embraces the benefits of a diversity of Board members. It endeavors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The following tables further illustrate the diversity of the Board members as of the date of this annual report:

Name of Director	Gender		Age Group		Hong Kong	Area China		Singapore
	Male	Female	40 to 49	50 to 59		Mainland		
Mr. Xiang Xin	✓			✓	✓			
Mr. Chan Cheong Yee	✓			✓	✓			
Mr. Chan, Wing Kong Ringo	✓			✓	✓			
Mr. Lee Wing Hang	✓			✓	✓			
Ms. Zhou Zan		✓	✓				✓	
Mr. Wang Xin David	✓			✓				✓
Ms. Kung Ching		✓	✓		✓			

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Xiang Xin is the Chairman of the Board and the Chief Executive Officer of the Company.

The chairman's and the chief executive officer's responsibility is to manage the Board and the Company's day-to-day business, respectively.

Management is responsible for the day-to-day operations of the Company under the leadership of the chief executive officer.

CORPORATE GOVERNANCE REPORT

The chief executive officer, working with other executive Directors, is responsible for managing the business of the Company, including implementation of the strategies and decisions approved by the Board and assuming full responsibility to the Board for operation of the Company.

EXECUTIVE COMMITTEE

An executive committee (the "Executive Committee") was established by the Board on 3 August 2007 and delegated with powers from the Board to deal with all matters relating to the daily operations of the Company. The Executive Committee comprises all executive Directors of the Company.

Full minutes of Executive Committee meetings are kept by a duly appointed company secretary. Draft and final versions of minutes of the Executive Committee meetings are sent to all members of the committee for their comments and records, in both cases within a reasonable time after the meeting.

The Executive Committee held periodical meetings during the financial year to review, discuss and evaluate the business performance and operational matters of the Company. The attendance of each member at the meeting(s) during the year is set out as follows:

Name of Directors	Attendance
Mr. Xiang Xin (<i>chairman</i>)	2/2
Mr. Chan Cheong Yee	2/2

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") in 2006. All of the members of the Remuneration Committee are the independent non-executive Directors of the Company. The attendance of each member at the meeting(s) during the year is set out as follows:

Name of Directors	Attendance
Mr. Wang Xin David (<i>chairman</i>) (Removed on 6 March 2018)	0/0
Mrs. Zhou Zan	0/0
Mr. Lee Wing Hang	0/0
Mr. Chan, Wing Kong Ringo (<i>chairman</i>) (Appointed on 6 March 2018)	0/0

Full minutes of Remuneration Committee meetings are kept by a duly appointed company secretary. Draft and final versions of minutes of the Remuneration Committee meetings are sent to all members of the Remuneration Committee for their comments and records, in both cases within a reasonable time after the meeting.

The Remuneration Committee determines the policy for the remuneration of executive Directors, assesses performance of executive Directors and approves the terms of executive Directors' service contracts.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

A nomination committee (the "Nomination Committee") was established by the Board in August 2007 in accordance with the terms of reference set out by the Board. The Nomination Committee comprises three Directors of the Company. The attendance of each member at the meetings during the year is set out as follows:

Name of Directors	Attendance
Mr. Xiang Xin (<i>chairman</i>)	1/1
Mr. Wang Xin David (Removed on 6 March 2018)	0/1
Mrs. Zhou Zan	1/1
Mr. Chan, Wing Kong Ringo (<i>chairman</i>) (Appointed on 6 March 2018)	0/0

Full minutes of Nomination Committee meetings are kept by a duly appointed company secretary. Draft and final versions of minutes of the Nomination Committee meetings are sent to all members of the committee for their comments and records, in both cases within a reasonable time after the meeting.

In considering the new appointment of Directors, the Nomination Committee will make reference to certain criteria such as integrity, independent mindedness, experience, skill and the ability to commit time and effort to carry out his duties and responsibility effectively.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 28 August 2002 in accordance with the terms of reference set out by the Board. The Audit Committee comprises all independent non-executive Directors of the Company. The attendance of each member at the meetings during the year is set out as follows:

Name of Directors	Attendance
Mr. Wang Xin David (<i>chairman</i>) (Removed on 6 March 2018)	0/0
Mrs. Zhou Zan	2/2
Mr. Lee Wing Hang	2/2
Mr. Chan, Wing Kong Ringo (<i>chairman</i>) (Appointed on 6 March 2018)	2/2

Full minutes of Audit Committee meetings are kept by a duly appointed company secretary. Draft and final versions of minutes of the Audit Committee meetings are sent to all members of the Audit Committee for their comments and records, in both cases within a reasonable time after the meeting.

The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's, interim and annual reports.

INTERNAL CONTROL

The Company conducted an annual review for the need of setting up an internal audit department. Given the Company's simple operating structure, it was decided that the Board would be directly responsible for the internal control system of the Company and for reviewing its effectiveness.

CORPORATE GOVERNANCE REPORT

Procedures have been designed to safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance of applicable laws, rules or regulations. However, such a system is designed to manage the Company's risk within an acceptable risk profile, rather than to eliminate the risk of failure, to achieve the business objectives of the Company. Accordingly, it can provide only reasonable assurance but not absolute assurance against material misstatement of management and financial information and records or against financial losses or frauds.

The Board has conducted a review of the effectiveness of the Company's internal control system, and is of the view that the system of internal controls in place for the year under review and up to the date of issuance of annual report and financial statements is sound and is sufficient to safeguard the interests of shareholders, employees, and the Company's assets.

The Audit Committee of the Company agreed with the Board that the adequacy and effectiveness of the Company's internal control systems is sufficient.

FINANCIAL REPORTING

The Directors are responsible for the preparation and the true and fair presentation of the financial statements which give a true and fair view of the state of affairs and of the results and cash flow of the Company for each financial year. In preparing the financial statements for the year ended 31 December 2018, the Directors have:

- based on a going concern basis;
- approved the adoption of the applicable Hong Kong Financial Reporting Standards;
- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that were prudent, fair and reasonable;
- ensured that the financial statements are prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance, the Listing Rules and the applicable accounting standards.

EXTERNAL AUDITOR

The Audit Committee is mandated to monitor the independence of the external auditor to ensure true objectivity in the consolidated financial statements. Members of the Committee are of the view that the Company's auditor, ZHONGHUI ANDA CPA Limited is independent and recommended to the Board to re-appoint it as the Company's external auditor at the forthcoming annual general meeting.

The responsibilities of the external auditor with respect to financial reporting are set out in the section of "Independent Auditor's Report" on pages 31 to 73.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

During the year under review, the remuneration paid and payable to the Company's auditor, ZHONGHUI ANDA CPA Limited and other professional parties are set out as follow:

Audit fee for the year	HK\$230,000
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ACCOUNTABILITY

The Directors acknowledge their responsibility for preparing the accounts of the Company. As at the year, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

DIRECTORS' TRAININGS

Newly appointed Directors receive briefings and orientation on legal responsibilities as a Director and the role of the Board. The Company Secretary also provides latest information of the business development, market changes and updates in the Listing Rules and relevant legal and regulatory requirements to the Directors in a timely manner in order to make an informed decision and discharge their duties and responsibilities.

The Company has also arranged for Directors to attend training sessions and forums which place emphasis on the roles, functions and duties of a listed company director, as well as the development of regulatory updates and issues.

All the current Directors have, during the financial year under review, pursued continuous professional development, such attending seminars and/or conferences and/or forums, and/or reading journals, updates, articles and/or materials, etc.

COMPANY SECRETARY

The Company Secretary, Mr. Li Wancheng, is a seasoned employee of the Company and is familiar with the Company's state of affairs. He reports to the Chairman and the Board of Directors directly. The main responsibility of the Company Secretary is supervision of the Company's compliances with laws and regulations, for instances, the Listing Rules, the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong), the Companies Ordinance (Cap 622 of the laws of Hong Kong) and the Codes on Takeovers and Mergers and Share Buy-back.

All Directors have access to the advices and services of the Company Secretary to ensure that Board procedures, and all applicable laws, rules and regulations, are obligated.

The Company Secretary confirmed that he had taken no less than 15 hours of relevant professional training during the financial year.

CORPORATE GOVERNANCE REPORT

RISK GOVERNANCE STRUCTURE

The Board has overall responsibilities for the Company's risk management and internal control systems to safeguard the interests of the Company and its Shareholders as a whole. To this end, the Board oversees and approves the Company's risk management and internal control strategies and policies, which are aimed at evaluating and determining the nature and extent of the risks that are compatible with the Company's strategic objectives and risk appetite, with the main purpose of providing of reasonable assurance against material misstatement or loss rather than absolute elimination of the risk of failure to achieve business objectives.

Reporting to the Board, the Audit Committee is delegated with the authority and responsibility for ongoing monitoring and evaluation of the effectiveness of the relevant systems.

SHAREHOLDERS' RIGHTS

The Company maintains an on-going dialogue with its shareholders through various channels including announcements and annual and interim reports published on its website at www.1217.com.hk and the Company's general meetings. All shareholders are encouraged to attend general meetings and they may put to the Board any enquiries about the Company through its website at www.1217.com.hk or in writing sent to the principal office of the Company at 26/F, No. 9, Des Voeux Road West, Sheung Wan, Hong Kong.

The directors, company secretary or other appropriate members of senior management respond to enquiries from shareholders promptly. The Chairman, chairman of board committees (or their respective delegates) and external auditor attend the annual general meeting and are available to answer questions raised by shareholders. Shareholders may also access the Company's corporate website for the Company's information.

Under code provision A.6.7, independent non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders.

RELATIONSHIP AMONG MEMBERS OF THE BOARD

There is no relationship among members of the Board in respect of financial, business, family or other material/relevant relationship.

INVESTOR RELATIONS

The Company maintains a website at www.1217.com.hk where information and updates on the Company's business developments and operations, list of Directors and their role and function, constitutional documents, terms of reference of the Board and its committees, shareholders' rights and communication policy, corporate governance practices, announcements, circulars and reports released to the Stock Exchange and other information are posted. Information on the Company's website will be updated from time to time.

There was no significant change in the Company's constitutional documents during the Year.

ENVIRONMENTAL ISSUES

The Company is committed to the sustainable development of the environment and our society. The Company has endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental policies to ensure its projects meet the required standards and ethics in respect of environmental protection.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Xiang Xin (“Mr. Xiang”), aged 55, was chairman of the Board (“Chairman”) and the chief executive officer (“Chief Executive Officer”) of the Company. Mr. Xiang once worked in a number of large organisations in the PRC and engaged in technology project management and corporate strategy research for a long time. Mr. Xiang also possesses many years of experience in project investment and information technology businesses. Mr. Xiang holds a bachelor’s degree in science and a master’s degree in engineering from Nanjing University of Science & Technology. Mr. Xiang is a chairman of China Technology Education Trust Association. Mr. Xiang is currently a chairman of the board, chief executive officer and an executive director of China Trends Holdings Limited (stock code: 8171), a company listed on GEM of the Stock Exchange. Mr. Xiang joined the Company on 14 January 2003.

Mr. Chan Cheong Yee (“Mr. Chan”), aged 55, holds a bachelor degree of science majoring in finance and he is a registered and licensed person under the Securities and Futures Ordinance to carry on regulated activities in dealing in securities, advising on securities, dealing in futures contracts and undertaking asset management. Mr. Chan is currently the sales director and the responsible officer of China Everbright Securities (HK) Limited and has been in the financial and investment field for over 30 years. Mr. Chan is directly involved in identifying investment opportunities, conducting due diligence, performing valuation, monitoring performance of investment portfolios and providing investment and divestment recommendations. Mr. Chan is an executive director of China Investment and Finance Group Limited, executive director of China Investment Development Limited, executive director of Capital VC Limited, executive director of China New Economy Fund Limited and an executive director of National investments Fund Limited, which are listed on the main board respectively, and also the executive director of China Trends Holding Limited, which are listed on GEM board respectively. Mr. Chan joined the Company in June 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wang Xin David (“Mr. Wang”), aged 56, is the founder and the president of Sun & Sun group of companies, a Singapore-based investment and consultancy group. Mr. Wang graduated with a bachelor’s degree in Mechanical Engineering in 1982 and a master’s degree in Business Administration in 1985. Mr. Wang has joined the Company in October 2002 and resigned on 16 May 2018.

Mr. Chan, Wing Kong Ringo (“Mr. Chan”), aged 54, holds the degree of Master of Arts in Telecommunications from Michigan State University and the degree of Master of Business Administration from the University of San Francisco and has over 20 years professional experience in international media management, broadcast operations, digital media development, content development, distribution and brand marketing with in-depth knowledge of the media industry and digital technology development in Greater China, Asia and USA. Mr. Chan has assumed various executive positions overseeing business development, distribution, network operations, brand licensing and marketing of multi-channels TV, mobile and interactive services in Greater China and Asia Pacific region. Mr. Chan previously served as Senior Vice President, Asia Pacific at Turner International Asia Pacific Limited, a Time Warner company. He oversaw the strategic development and operations of all the news and entertainment brands including CNN, CNN.com, CNN mobile across television, online and mobile platforms. Mr. Chan also served on the Time Warner’s Executives Council of China and was responsible for managing the relationship with government, business partners on behalf of the company. Mr. Chan joined the Company on 6 March 2018.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. Lee Wing Hang (“Mr. Lee”), aged 50, is the founder of LWH & Co., Certified Public Accountants (Practising). Mr. Lee holds a bachelor degree in accountancy from Australia. Mr. Lee has over 20 years of experience in corporate finance, accounting, auditing and taxation sectors. Mr. Lee is a member of Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. Lee joined the Company in December 2006.

Ms. Zhou Zan (“Ms. Zhou”), aged 48, is currently a lawyer of Grandall Law Firm (Shen Zhen), a law firm in the PRC. Ms. Zhou graduated from the Faculty of Law of Xiamen University in 1991. Ms. Zhou holds a bachelor degree in Law. Mr. Zhou’s practice area including corporate mergers and acquisitions, restructuring, foreign investment, economy and civil litigation and arbitration, criminal proceedings etc. Ms. Zhou joined the Company on 1 January 2018.

ALTERNATE DIRECTOR

Ms. Kung Ching (“Ms. Kung”), aged 49, graduated from Nanjing University of Science and Technology and holds a MBA from the University of South Australia. Ms. Kung worked for large organisations in China, such as China National Defense Science and Technology Information Centre and CITIC International Cooperation Limited, engaged in technology management and economic management for many years. Ms. Kung is the spouse of Mr. Xiang, and is an alternate director to Mr. Xiang in China Trends Holdings Limited, a company listed on GEM of the Stock Exchange. Ms. Kung joined the Company on 8 October 2012.

REPORT OF THE DIRECTORS

The Directors of the Company have pleasure to present their report and the audited financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITY

The principal activity of the Company has not changed during the year and is principally engaged in investment.

The entire turnover, contribution to operating results, assets and liabilities of the Company are attributable to investment activities carried out or originated principally in Hong Kong and PRC.

RESULTS AND APPROPRIATIONS

The results of the Company for the year are set out in the statement of profit or loss and other comprehensive income on page 35.

The Board has resolved not to declare any dividend (2017: nil) for the year under review.

RESERVES

Details of movements in the reserves of the Company during the year are set out in the statement of changes in equity on page 37.

PROPERTY, PLANT AND EQUIPMENT

Details of movement in property, plant and equipment of the Company during the year are set out in note 13 to the financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distribution of dividends to the shareholders subject to the provisions of the Articles of Association of the Company and a statutory solvency test. Under the Articles of Association of the Company, dividend may be declared or payable out of the profits and reserves of the Company lawfully available for distribution with the sanction of an ordinary resolution.

As at 31 December 2018, the Company had distributable reserves amounting to approximately HK\$547,179,000 (2017: approximately HK\$536,334,000).

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Company for the last five financial years, as extracted from the audited financial statements, is set out on page 74 of this annual report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 19 to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors:

Mr. Xiang Xin

Mr. Chan Cheong Yee

Independent non-executive Directors:

Mr. Wang Xin David (resigned on 16 May 2018)

Mr. Chan, Wing Kong Ringo (appointed on 6 March 2018)

Mr. Lee Wing Hang

Ms. Zhou Zan

Alternate Directors:

Ms. Kung Ching

In accordance with Article 99(1) of the Articles of Association of the Company, Mr. Xiang Xin and Mr. Lee Wing Hang shall retire by rotation and being eligible to offer himself for re-election at the forthcoming annual general meeting of the Company.

Pursuant to the code provision set out in paragraph A.4.3 of Appendix 14 of the Listing Rules, any further appointment of independent non-executive director serving more than nine years should be subject to a separate resolution to be approved by shareholders. Notwithstanding that Mr. Lee Wing Hang has served as independent non-executive Director for more than nine years, (i) the Board has assessed and reviewed the annual confirmation of independence based on the criteria set out in Rule 3.13 of the Listing Rules and affirmed that Mr. Lee Wing Hang remain independent; (ii) the nomination committee of the Company has assessed and is satisfied of the independence of Mr. Lee Wing Hang; and (iii) the Board considers that Mr. Lee Wing Hang remains independent of management and free of any relationship which could materially interfere with the exercise of his independent judgment. In view of the aforesaid factors and the fact that the experience and knowledge of Mr. Lee Wing Hang in the business sectors in which the Company operates, the Board would recommend Mr. Lee Wing Hang for re-election at the annual general meeting as independent non-executive director.

The independent non-executive Directors are not appointed for specific term and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

REPORT OF THE DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out on pages 16 to 17 of this annual report.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2018, the following Directors and the chief executive of the Company or any of their respective associates had the following interests and short positions in the ordinary shares of HK\$0.01 each in the capital of the Company (the "Share"), underlying shares, and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules (the "Model Code").

(i) Interest in the underlying shares of the Company — share options

Name of Director	Date of grant	Exercise period	Nature of interest	Exercise price per share HK\$	Number of underlying Shares for Share Options	Approximately percentage of interest
Xiang Xin	6 July 2014	6 July 2014 to 5 July 2024	Beneficial interest	0.0497	60,394,737(L)	0.47%
Chan, Wing Kong Ringo	4 April 2018	4 April 2018 to 3 April 2028	Beneficial interest	0.0497	30,000,000(L)	0.23%
Zhou Zan	4 April 2018	4 April 2018 to 3 April 2028	Beneficial interest	0.0497	30,000,000(L)	0.23%
Lee Wing Hang	6 July 2014	6 July 2014 to 5 July 2024	Beneficial interest	0.0497	30,197,368(L)	0.24%

SHARE OPTION SCHEME

As regards to the share option scheme ("Share Option Scheme") approved by shareholders under annual general meeting on 22 May 2014, there were 529,065,790 Shares available for issue under Share Option Scheme which represents approximately 4.13% of the issued share capital of the Company as at 31 December 2018. Details of Share Option Scheme and share options movements are set out in note 21 to the financial statement.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

(i) Long positions of substantial shareholders in the Shares of the Company

Name	Capacity	Number of issued shares held	Approximate percentage of interests
Harvest Rise Investments Limited (<i>note 1</i>)	Beneficiary	3,817,807,905(L)	29.82%
China Technology Education Trust Association (<i>note 1</i>)	Interest of controlled corporation	3,817,807,905(L)	29.82%
Haitong Guotai (<i>note 2</i>)	Trustee	2,362,720,000(L)	18.46%
Guotai Investment (<i>note 2</i>)	Beneficiary	2,362,720,000(L)	18.46%

Notes:

1. Harvest Rise Investments Limited is a private company wholly and beneficially owned by China Technology Education Trust Association (the "Trust Association"). Accordingly, the Trust Association is interested in the Shares and the underlying Shares of the Company held by Harvest Rise Investments Limited. The Trust Association is a society registered under the provisions of section 5A(1) of the Societies Ordinance in 2005, which is a charitable society providing charity and financial aid to technology education and employment in Hong Kong and Mainland China. Mr. Xiang is a chairman of the Trust Association.
2. Haitong Guotai is a trust wholly and beneficially owned by Guotai Investment. Accordingly, Guotai Investment is interested in the shares of the Company held by Haitong Guotai.

Save as disclosed above, as at 31 December 2018, the Company has not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTOR'S RIGHT TO ACQUIRE SHARES AND DEBENTURES

Other than the Share Option Scheme as disclosed, at no time during the year was the Company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors or the chief executive or any of their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or exercised any such right.

REPORT OF THE DIRECTORS

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

During the year, the Company had not purchased, sold or redeemed any of its listed securities.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 24 to the financial statements, no contracts of significance in relation to the Company's business to which the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

Save as disclosed in note 24 to the financial statements, 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.

CONNECTED TRANSACTIONS

All significant connected transactions entered by the Company during the year ended 31 December 2018 are disclosed in note 24 to the financial statements.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors of the Company or their respective associates have any interests in a business which competes or may compete with the business of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association nor is there any restriction against such rights under the laws of the Cayman Islands, being the jurisdiction under which the Company is incorporated.

RETIREMENT BENEFITS SCHEME

The Company operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently-administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme. The Company's contributions to the MPF Scheme are recognised as an expense in the statement of profit or loss as incurred.

For the year ended 31 December 2018, no forfeited contribution to the retirement benefits scheme was credited to the statement of profit or loss (2017: nil).

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 8 to 15.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors, throughout the year ended 31 December 2018.

AUDITOR

The financial statements for the year ended 31 December 2017 and year ended 31 December 2018 have been audited by ZHONGHUI ANDA CPA Limited who retire and, being eligible, offer themselves for reappointment. A resolution for the re-appointment of ZHONGHUI ANDA CPA Limited as auditors of the Company until the conclusion of the next annual general meeting is to be proposed at the forthcoming annual general meeting.

By order of the Board

Xiang Xin

Chairman and Chief Executive Officer

Hong Kong, 29 March 2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

The report discloses the sustainability initiatives by the Company and was prepared in accordance with the Environmental, Social and Governance (“ESG”) Reporting Guide set out in Appendix 27 of the Rules of Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Unless otherwise specified, the time frame of this report is from 1 January 2018 to 31 December 2018.

The Company is an investment company under Chapter 21 of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange of Hong Kong Limited (the Listing Rules) with its principle office in Hong Kong. Its principal investment objective is to achieve short and medium-term capital appreciation by investing in listed and unlisted companies mainly in Hong Kong and Mainland China. The company realized that a socially responsible corporation earns supports from the public and its clients, thus it is able to create profit for its shareholders in the long run.

The Company seeks to facilitate the long-term sustainable development of the environment and the society in which it operates in, and is therefore committed to minimizing any negative social and environmental impacts resulting from our operations. The Company values the importance of compliance with all relevant laws and regulations.

KEY ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES

As an investment company, the Company encounters and manages a range of environmental, social and governance (“ESG”) issues. This report is designed to focus on the set of ESG issues we have identified as among the most relevant to our business and of highest interest to our key stakeholders.

We have identified the following categories and specific key issues that are discussed in this report:

Categories	Key Issues
Friendly Environment	<ul style="list-style-type: none"> • Managing our Environmental Impact • Reducing Emissions • Sustainable Paper Use • Managing Information Technology Equipment • Environmental Data
Social Responsibility	<ul style="list-style-type: none"> • Employment • Workforce, Recruitment and Promotion • Remuneration and Benefits • Health and Safety • Development and Training • Labour Standards • Supply Chain Management • Product Responsibility • Anticorruption
Sound Governance	<ul style="list-style-type: none"> • Accountability of Management • Independence of Board of Directors

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

FRIENDLY ENVIRONMENT

Managing our Environmental Impact

As an investment corporation, our direct environmental impacts stem primarily from the operation of our office buildings in Hong Kong. Electricity Energy used and associated greenhouse gas (“GHG”) emissions are the most significant environmental impacts of our facilities. The company’s other key environmental impacts result from paper consumption and use of information technology (IT) equipment.

The Company recognizes its responsibility to protect the planet and preserve its beauty and resources to the next generation. We strive to enhance production efficiency and strengthen our environmental protection efforts on conserving resources and managing waste from our business activities. The Company should bring great focus on these issues, for its own benefits and for environmental protection consideration, in order to contribute to the continuous development of society.

The Company encourages employees to use internet, email, phone call and conference call etc. to contact with our clients and suppliers instead of making business travel.

Reducing Emissions

Operating our facilities generates GHGs indirectly through electricity purchased to power our facilities.

During the period of 2018, the Company continued to take the following specific measures for minimizing energy wastage from lighting, computer and central air-conditioning within the offices. The details are as follows:

1. Upon leaving working area for more than 10 minutes, every employee is required to shut down office lights.
2. Every employee is required to shut down office computer, and make sure the air conditioners and lights being closed after office hours.

Committing to resources-saving and environmental protection is the Company’s social responsibility and building a green community is its obligation to property owners.

Sustainable Paper Use

We think it is important to select the paper we use from supplier with “Zero Deforestation Commitment”, which supports responsible forest management and provides many significant long-term benefits for the environment and communities. In 2018, approximately 100% (2017: 99%) of the paper we purchased was from suppliers with “Zero Deforestation Commitment”.

We also strive to use paper efficiently and make it convenient for clients, suppliers and employees to do so. We offer paperless billing options for clients and suppliers and have implemented smart printing methods for employees. Meanwhile, we recycle the paper we have used. Some steps include:

1. Only in absolute necessary could the documents be printed.
2. If printing is unavoidable, it is highly recommended to print in double-side way.
3. If possible, reusing printing papers as notebook and scratch paper.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Managing Information Technology Equipment

The use and disposal of IT equipment such as computers and servers is another focus of our operational sustainability efforts. IT hardware has a range of potential social and environmental impacts across its life cycle from production, use and disposal eventually.

The Company aims to maximize the lifespan of IT equipment by finding opportunities to refurbish and redeploy assets internally whenever feasible. When we cannot reuse equipment internally, we work with our suppliers to recycle the materials or seek to donate them to nonprofit organizations. All IT equipment we refurbish, recycle or donate meets our strict data privacy standards.

Environmental Data

Headcount and Printing paper consumption

Printing paper consumption

Year	Employee headcount	Printing Paper Consumption (A4 Sheets)
2017	11	15,884
2018	11	14,268

Electronic Energy consumption data and Greenhouse Gas Emissions

	2017		2018	
	Electronic Energy Consumption (kWh)	Greenhouse Gas Emissions tCO ₂ e (Kg)	Electronic Energy Consumption (kWh)	Greenhouse Gas Emissions tCO ₂ e (Kg)
Hong Kong Office ¹	11,561	9,134	12,173	9,617

¹ Using the emission factor stated in the 2017 Sustainability Reports of The Hong Kong Electric Co. Ltd., which is 0.79 CO₂e per electricity unit sold (kg/kWh) (2017: 0.79).

SOCIAL RESPONSIBILITY

Employment

The Company has strictly complied with relevant standard and there was no material non-compliance event in 2018.

Workforce, Recruitment and Promotion

The Company has prepared a set of staff recruitment standards and position manuals, and recruited staff according to personal capability, experience and characters of candidates. The Company recruits and trains talents regardless of their gender, age, family status and religious belief. The Company offers equal opportunities to all employees and job applicants.

In 2018, the Company recruited talents mainly through third party online recruitment platforms which allowed effective sharing of information on candidates and enhanced recruitment efficiency.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As at 31 December 2018, the Company had a total of 11 (2017: 11) staff. The charts below show the demographics of the Company's workforce as at 31 December 2018. Staff of the Company ranged in age from 20 to over 60, with the relative majority of around 45% aged between 40 and 50; The ratio of male to female is around 2:1 both in total and in the management level. The Company has a diverse workforce in terms of gender and age, providing a variety of ideas and levels of competencies which contribute to the Company's success.



There is no big difference for staff turnover rate by gender and by age group.

Remuneration and Benefits

The Company is dedicated to employee development by providing them with incentives based on their performance and contribution. The Company has a fair and open incentive award scheme whereby the remuneration structure and package will be reviewed annually and the performance will be reviewed monthly to ensure the remuneration is fair and competitive. The Company provides Mandatory Provident Fund and accident insurance for all employees. The employees can also enjoy discounts on various products and services provided by the Company's business partners, including welfare plan in the Wealth Storm Platform, in order to enhance employee's sense of belonging to the Company.

To reflect the working performance of each department, the Company has set up performance valuation guideline for employees. The bonus will be based on the employees' performance and the Company's business results. Through the performance valuation guideline, the Company hopes to incentivize the employees to gain profits with integrity by taking active initiative in their work.

The Company adheres to the people-oriented employment policy by highly appreciating the staff as its most valuable assets and the vitality of enterprises. The Company encourages employees to obtain professional qualifications and provide necessary subsidies and allowances to employees to enhance their personal development, to further develop their working capability and then to be entitled competitive remuneration and benefits.

Health And Safety

The Company has adopted a people-oriented principle and endeavored to maintain a healthy and safe workplace for its employees. As an investment company, the Company has a low safety risk profile, but potential injury hazards from slips, trips and falls for staffs remain. The Company therefore gives great importance on the issue of health and safety.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

There were no work-related fatalities in the Company in 2018.

There was no case resulted in lost days of any employee due to work injury.

The Company places much emphasis on safe and healthy work for employees. The Company always endeavors to build up a healthy and comfortable working environment.

The Company has arranged the Administration Department for the management of all kinds of safety accidents. The Administration Department is responsible for monitoring health and safety performance, and reporting to the senior management of the Company on hazardous and unsafe practices in a timely manner. Once a health and safety incident happens, the Administration Department would be informed immediately to take all necessary actions. After investigation, all employees will be informed the reason leading to this accident. Relevant safety precautions will be taken timely with the aim to eliminate potential safety hazards. The Company emphasizes safety awareness and enhances emergency response and self-rescue capacity among employees. The Administration Department has always kept alert to monitor and examine the implementation of health and safety regulations, with a view to maintain a better work safety protection and environment.

The Company has strictly complied with relevant standard and there was no material non-compliance event in 2018.

Charity Activities

The Company has been adhering to the tradition of charity care and enthusiasm for public welfare, actively fulfilling its corporate social responsibility, taking responsibility for consumers, communities and the environment while encouraging profitability and taking legal responsibility for shareholders and employees and encouraging employees to participate in different Charity activities, corporate social responsibility as an important part of sustainable development of the Company.

DEVELOPMENT AND TRAINING

The Company focuses on reserving talents and promoting their development. The Company organizes weekly one-hour internal training for all employees. Training were charged by the department managers and/or directors, with over 50 training hours in 2018 covering all important aspects of the business of the Company. Nearly 100% of all employees had joined in the weekly internal training in 2018.

In 2018, the Company made active progress in terms of talents pooling and promotion of their development, building up a training strategy as the catalyst of further development. Training efficiency was greatly enhanced as regular training subjects were implemented in the afternoon of every Friday meeting so that all employees can participate the training courses and discuss the topics in depth openly.

1. Every week, one department will be responsible for the training topics and contents. Every employee would act as tutor.
2. The training topics are discussed and confirmed in the regular management meeting of the Company on every Monday.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Labour Standards

The Company always upholding core principles of fairness and compliance, and its personnel policies, salaries and benefits and business operation are in full compliance with Hong Kong laws and ordinances as well as industry standards. The Company has formulated transparent recruitment rules to provide equal employment opportunities and create a fair and harmonious working environment. Moreover, the Company bases its welfare policy upon Hong Kong regulations for ensuring that female employees are entitled to their legitimate rights and interests including maternal leave and breastfeeding leave, and in combination with strict workplace code of conduct, to eliminate gender discrimination and other injustices.

As to labor standards, the Company's employment policy is in full compliance with the Employment Ordinance (CAP 57), the Mandatory Provident Fund Schemes Ordinance (CAP 485), the Race Discrimination Ordinance (CAP 602), the Disability Discrimination Ordinance (CAP 487), the Family Status Discrimination Ordinance (CAP 527) in Hong Kong, stipulating the code of conduct for the management in recruiting employees and entering into employment contracts and forbidding recruitment of child labor, forced labor and other illegal acts.

Supply Chain Management

The Company adopts a personalised approach to build long-term relationships with its cooperative suppliers.

To regulate procurement activities, enhance the efficiency and effectiveness of procurements and promote fair transactions, the Company implemented an open and transparent policy of selecting products and services suppliers. For example, when seek quotation, the Company will contact with at least three suppliers at the same time with the same requirements, and make competitive negotiation and price bidding as the same. In addition, in daily business, the Company also performs continuous training and assessment on the compliance of its merchandisers to the work standards set out on the management manual, procedural documents and ethical codes.

On the other hand, for upholding the principle of professionalism, the Company subcontracted some specialised works, including important legal issues, compliance, security and cleaning, to professional third-party enterprises. These cooperating parties constitute key part of the Company's business chain. When chooses sub-contractors, what the Company mainly value includes service capabilities, service experience, personnel management skills and specialized equipment. The Company will assess sub-contractors' service performance in accordance with its own service standards so that identify and solve problems timely. Furthermore, the Company also adopted a series of measures, making ensure that the sub-contractors do not violate human rights or be not against the legitimate rights of workers.

In 2018, the company engaged about 10 main professional service providers in Hong Kong.

Protection of consumer interests

The Company places significant emphasis on customer satisfaction. The Company's employees always pay attention to that and make great efforts to provide high quality products and services. Customer satisfaction is regard as one key indicator for business assessment.

The Company strictly complies with all the national, regional laws and regulations. To avoid damage to the benefits of customers, the Company takes necessary measures, including protect the data privacy of customers. Through effective supervision mechanism, interests of customers can be really protected. At the same time, the Company trains its employees on a regular basis about customer interests protection knowledge, and reviews its internal control system frequently.

The Company respects Intellectual Property Rights ("IPR") of other parties and requires its suppliers to ensure that all products and services would not infringe any third parties' IPR.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Anti-Corruption

The Company lists the Code of Conduct into the Employees Handbook, and makes a set of internal policies and measures in order to prevent corruption and deception, which are supervised and implemented by the Human Resources Department. The Human Resources Department is directly under the leadership of the Chief Executive Officer aim for maintaining a fair, open and transparent environment for business operations without corruption or deception.

Meanwhile, the Company clarified its determined stance on fighting against corruption and deception to all employees, suppliers and business partners. Appropriate binding terms have been introduced into the respective contracts so as to ensure the relevant parties act under the Company's requirement. The Human Resources Department conducted separate supervision until the general mechanism is perfect.

In addition, when discover any suspicious behavior, employees could report to the relevant business department, or the Human Resources Department or management of the Company. The Company provides anonymous reporting channels in case of corruption or deception.

The Company always remains vigilant of corruption and deception, and keep on exploring effective policies to constrain its staff and business partners. The Company will optimise its internal control system by means of continuous study and exploration. Special events will be held regularly for experience summarization.

SOUND GOVERNANCE

Accountability of Management

High ethical standards is what the Company consistently adheres to. To satisfy the expectation of shareholders, regulators and others, the Company clearly promotes sound governance , emphasizes on strong leadership and well management that properly incentivizes appropriate behaviors.

The senior management of the Company is responsible for developing company's strategic direction and overseeing execution, while the Board of Directors are in charged of oversight of management's performance.

Our Directors bring a strong combination of experience and expertise to their role. The Board has been engaged with management on the importance of strong corporate standards, working together to emphasize the company's commitment to doing things as the right way.

Our annual report contains detailed information about the members of our Board, including the Director biographical information and the Board's role in risk management oversight.

Independence of Board of Directors

Board independence is essential to effective governance. An independent Board serves the interests of shareholders by effectively carrying out its fundamental obligation of oversight of management. Three of our five Board members and each of the members of Audit Committee and Remuneration Committee are independent, and the majority of the Nomination Committee are independent, under the standards established by the Hong Kong Stock Exchange and the firm's independence standards.

For more information, please refer to the part of corporate governance in the annual report.

INDEPENDENT AUDITORS' REPORT



**TO THE SHAREHOLDERS OF
CHINA INNOVATION INVESTMENT LIMITED**

中國創新投資有限公司

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the financial statements of China Innovation Investment Limited (the "Company") set out on pages 35 to 73, which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its 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 (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT

KEY AUDIT MATTERS

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

Equity investments at fair value through other comprehensive income

Refer to Note 14 to the financial statements.

The Company measured the amount of equity investments at fair value through other comprehensive income with the changes in fair value recognised in the other comprehensive income. This fair value measurement is significant to our audit because the balance of equity investments at fair value through other comprehensive income of HK\$296,637,000 as at 31 December 2018 and the fair value changes of equity investments at fair value through other comprehensive income of HK\$672,000 for the year then ended are material to the financial statements. In addition, the Company's fair value measurement involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the competence, independence and integrity of the external valuer engaged by client;
- Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence;
- Checking arithmetical accuracy of the valuation model; and
- Assessing the disclosure of the fair value measurement in the financial statements.

We consider that the Company's impairment test for equity investments at fair value through other comprehensive income is supported by the available evidence.

Investments at fair value through profit or loss

Refer to Note 15 to the financial statements.

The Company measured the amount of investments at fair value through profit or loss with the changes in fair value recognised in the profit or loss. This fair value measurement is significant to our audit because the balance of investments at fair value through profit or loss of HK\$186,071,000 as at 31 December 2018 and the fair value changes of investments at fair value through profit or loss of HK\$20,196,000 for the year then ended are material to the financial statements. In addition, the Company's fair value measurement involves application of judgement and is based on assumptions and estimates.

INDEPENDENT AUDITORS' REPORT

KEY AUDIT MATTERS *(Continued)*

Investments at fair value through profit or loss *(Continued)*

Our audit procedures included, among others:

- Assessing the competence, independence and integrity of the external valuer engaged by client;
- Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgments and assumptions applied in the valuation model;
- Checking key assumptions and input data in the valuation model to supporting evidence;
- Checking arithmetical accuracy of the valuation model; and
- Assessing the disclosure of the fair value measurement in the financial statements.

We consider that the Company's impairment test for investments at fair value through profit or loss is supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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, 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the HKICPA's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/>

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Fong Tak Ching

Audit Engagement Director

Practising Certificate Number P06353

Hong Kong, 29 March 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
Gross sales proceeds of investments		234,210	729,008
Interest revenue		145	5
Other revenue		(5,040)	49,316
REVENUE	7	(4,895)	49,321
OTHER INCOME	7	21,298	9
Administrative and other operating expenses		(6,231)	(12,325)
PROFIT BEFORE TAX	8	10,172	37,005
Income tax expense	10	–	–
PROFIT FOR THE YEAR		10,172	37,005
OTHER COMPREHENSIVE LOSS:			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value changes of equity investments at fair value through other comprehensive income		(672)	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR		(672)	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		9,500	37,005
Earnings per share			
Basic	11	0.079 cents	0.289 cents
Diluted		0.079 cents	0.289 cents

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	–	–
Available-for-sale investments	14(a)	–	297,282
Equity investments at fair value through other comprehensive income	14(b)	296,637	–
Investments at fair value through profit or loss	15	1,316	6,267
Total non-current assets		297,953	303,549
CURRENT ASSETS			
Investments at fair value through profit or loss	15	184,755	923
Prepayments, deposits and other receivables	16	14,525	114,923
Cash and bank balances	17	187,294	255,301
Total current assets		386,574	371,147
CURRENT LIABILITIES			
Other payables and accruals	18	270	890
Total current liabilities		270	890
NET CURRENT ASSETS		386,304	370,257
TOTAL ASSETS LESS CURRENT LIABILITIES		684,257	673,806
NET ASSETS		684,257	673,806
EQUITY			
Issued share capital	19	128,016	128,016
Reserves	20	556,241	545,790
TOTAL EQUITY		684,257	673,806

Approved by:

Xiang Xin
Director

Chan Cheong Yee
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Issued share capital	Share premium account	Equity investment revaluation reserve	Share option reserve	Accumulated losses	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2017	128,016	655,342	–	9,456	(156,013)	636,801
Total comprehensive loss for the year	–	–	–	–	37,005	37,005
At 31 December 2017	128,016	655,342	–	9,456	(119,008)	673,806
At 1 January 2018 as previously stated	128,016	655,342	–	9,456	(119,008)	673,806
Adjustments (note 2)	–	–	(2,055)	–	2,082	27
At 1 January 2018 as restated	128,016	655,342	(2,055)	9,456	(116,926)	673,833
Total comprehensive income for the year	–	–	(672)	–	10,172	9,500
Share-based payments	–	–	–	924	–	924
Lapsed share options (note 21)	–	–	–	(673)	673	–
At 31 December 2018	128,016	655,342	(2,727)	9,707	(106,081)	684,257

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 HK\$'000	2017 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	10,172	37,005
Adjustments for:		
Net holding losses/(gains) from investments at fair value through profit or loss	20,196	(24,798)
(Net payment for acquisition)/net proceeds from disposal of investments at fair value through profit or loss	(199,065)	101,692
Dividend income from listed investments	(10)	(3,771)
Equity-settled share-based payments	924	–
Interest income	(15,418)	(5)
	<hr/>	<hr/>
Operating cash flows before working capital changes	(183,201)	110,123
Change in prepayments, deposits and other receivables	85,386	(101,246)
Change in other payables and accruals	(620)	264
	<hr/>	<hr/>
Net cash flows (used in)/generated from operating activities	(98,435)	9,141
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale investments	–	(28,600)
Refund deposit for acquiring a subsidiary	15,000	–
Dividend received arising from listed investments	10	3,771
Interest received	15,418	5
	<hr/>	<hr/>
Net cash flows generated from/(used in) investing activities	30,428	(24,824)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(68,007)	(15,683)
Cash and cash equivalents at beginning of year	255,301	270,984
	<hr/>	<hr/>
Cash and cash equivalents at end of year	187,294	255,301
Analysis of balance of cash and cash equivalents		
Cash and bank balances	187,294	255,301
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. CORPORATE INFORMATION

China Innovation Investment Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is situated at 26/F., 9 Des Voeux Road West, Sheung Wan, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 28 August 2002.

The Company's principal activity has not changed during the year and is principally engaged in investments. Its principal investment objective is to achieve short and medium-term capital appreciation by investing in listed and unlisted companies mainly in Hong Kong and the People's Republic of China (the "PRC").

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Company has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Company's accounting policies, presentation of the Company's financial statements and amounts reported for the current year and prior years except as stated below.

HKFRS 9 (2014) "Financial Instruments"

The Company has applied HKFRS 9 (2014) in accordance with the transition provisions set out in HKFRS 9 (2014). i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognized as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognized in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 9 (2014) "Financial Instruments" *(Continued)*

Summary of effects arising from initial application of HKFRS 9 (2014)

	Available- for-sale investments HK\$'000	Equity investments at fair value through other comprehensive income HK\$'000	Equity investment revaluation reserve HK\$'000	Accumulated losses HK\$'000
<i>Effect arising from initial application of HKFRS 9 (2014)</i>				
Balance at 1 January 2018 as previously stated	297,282	–	–	(119,008)
Reclassification				
From available-for-sale investments	(297,282)	297,282	(2,082)	2,082
Remeasurement				
From cost less impairment to fair value	–	27	27	–
Balance at 1 January 2018 as restated	–	297,309	(2,055)	(116,926)

Available-for-sale-investments

From available-for-sale investments to equity investments through other comprehensive income

The Company elected to present in other comprehensive income the fair value changes to its unlisted equity investment previously classified as available-for-sale investments measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9 (2014), unlisted equity investments of HK\$297,282,000 which were previously measured at cost less impairment under HKAS 39 were classified from available-for-sale investments to equity investments at fair value through other comprehensive income. The fair value gain of HK\$27,000 relating to these unlisted equity investments previously carried at cost less impairment were adjusted to equity investments at fair value through other comprehensive income and equity investment revaluation reserve as at 1 January 2018. In addition, impairment loss previously recognized of HK\$2,082,000 was transferred from accumulated losses to equity investment revaluation reserve as at 1 January 2018.

The Company has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, and accounting principles generally accepted in Hong Kong. In addition, the financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange and the disclosure requirements of Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of equity investments and the revaluation of investments which are carried at their fair value.

These financial statements are presented in Hong Kong dollars with all values rounding to the nearest thousand except otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Transactions and balances in financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss. Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	Over the lease terms – 20%
Office equipments	20%
Furniture and fixtures	20%
Yacht	20%

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

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Leases

Leases that do not substantially transfer to the Company all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Company transfers substantially all the risks and rewards of ownership of the assets; or the Company neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Company are classified under the following categories:

- Financial assets at amortised cost;
- Equity investments at fair value through other comprehensive income; and
- Investments at fair value through profit or loss.

(i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(ii) Equity investments at fair value through other comprehensive income

On initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the equity investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

(iii) Investments at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Company designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

Loss allowances for expected credit losses

The Company recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Company measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Other payables

Other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Revenue

Interest income is recognised on a time-proportion basis using the effective interest method. Dividend income is recognised when the shareholders' right to receive payment are established.

Employee benefits

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

The Company operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK\$30,000 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Termination benefits are recognised at the earlier of the dates when the Company can no longer withdraw the offer of those benefits and when the Company recognises restructuring costs and involves the payment of termination benefits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment

The Company issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Company receives the services and is recognised as an expense.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A related party is a person or entity that is related to the Company.

- (A) A person or a close member of that person's family is related to the Company if that person:
- (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (B) An entity is related to the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (A).
 - (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Events after the reporting period

Events after the reporting period that provide additional information about the Company's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Equity investments at fair value through other comprehensive income

Note 14 describes that these investee companies are not treated as associates or subsidiaries although the Company has 53% to 85% ownership interest in these investee companies. In making their judgment, the directors of the Company considered the Company has no voting rights and concluded that it is not in a position to control or exercise any significant influence over the financial and operating policies of these investee companies or to participate in their operations.

Key estimate uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair value measurement of equity investments at fair value through other comprehensive income

In the absence of quoted market prices in an active market, the Company appointed an independent professional valuer to assess the fair values of the equity investments at fair value through other comprehensive income. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

Fair value measurement of investments at fair value through profit or loss

The Company appointed an independent professional valuer to assess the fair values of the investments at fair value through profit or loss. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, credit risk, liquidity risk and price risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Foreign currency risk

Foreign exchange risk mainly arises from monetary assets and liabilities denominated in a currency that is not the functional currency of the Company.

The Company has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars which are the functional currencies of the Company.

The Company currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(b) Interest rate risk

The Company's exposure to interest-rate risk arises from its bank deposits. These deposits bear interests at variable rates varied with the then prevailing market condition.

At 31 December 2018, if interest rates at that date had been 100 basis points lower/higher with all other variables held constant, pre-tax profit for the year would have been approximately HK\$1,873,000 (2017: HK\$2,553,000) lower/higher, arising mainly as a result of lower/higher interest income on bank.

(c) Credit risk

The carrying amount of the cash and bank balances, prepayments, deposit and other receivables and investments included in the statement of financial position represents the Company's maximum exposure to credit risk in relation to the Company's financial assets.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies and authorised banks in the PRC with high credit ratings. The credit risk on major receivables is limited because the Company only carries on business with reputable securities companies. Prepayments and deposits are closely monitored by the directors.

The credit risk on investments is limited because the counterparty is a well-established banks with high credit ratings assigned by international credit rating agencies.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

The Company considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- external credit rating (if available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- significant increases in credit risk on other financial instruments of the same borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. The Company normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Company, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Company uses two categories for non-trade loan receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Company considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

All of the other receivable balances are considered to have low risk and under the "Performing" category because they have a low risk of default and have strong ability to meet their obligations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. equity investments at fair value through other comprehensive income and investments at fair value through profit or loss) and projected cash flows from operations.

The following table detailed the contractual maturity of the Company for its financial liabilities. The table has been drawn up based on the undiscounted cash flow of financial liabilities based on the earliest date on which the Company can be required to pay. The amounts represented both interest and principal cash flow.

	At 31 December 2018					
	On demand or no fixed terms of repayment HK\$'000	Less than 3 months HK\$'000	3 months to less than 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000	
	Other payables and accruals	-	270	-	-	270
	At 31 December 2017					
On demand or no fixed terms of repayment HK\$'000	Less than 3 months HK\$'000	3 months to less than 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000		
Other payables and accruals	-	890	-	-	890	

(e) Fair value

The carrying amounts of the company's financial assets and financial liabilities as reflected in the statement of financial position approximately their respective fair value.

(f) Price risk

The Company's investments at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Company is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with difference risk profiles.

At 31 December 2018, if the prices of the investments at fair value through profit or loss, details of which are set out in note 15 to the financial statements increase/decrease by 10%, pre-tax profit would have been approximately of HK\$18,607,000 (2017: HK\$719,000) higher/lower, arising as a result of the fair value gain/loss of the investments at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. OPERATING SEGMENT INFORMATION

The Company's operating segment is investments which comprise the investing in listed and unlisted companies in order to achieve short and medium-term capital appreciation. Since this is the only operating segment of the Company which its revenue and non-current assets are entirely contributed from the investments, no further analysis thereof is presented.

Geographical information

The Company's revenue analysed by geographical location and information about its non-current assets (excluding equity investments at fair value through other comprehensive income) by geographical location are detailed below:

	Hong Kong		Total	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
REVENUE				
Interest income	145	5	145	5
Income on financial structure products	15,273	–	15,273	–
Dividend income from listed investments	10	3,771	10	3,771
Net realised (losses)/gain on disposal of investments at fair value through profit or loss	(127)	20,747	(127)	20,747
Unrealised holding (losses)/gains from investments at fair value through profit or loss	(20,196)	24,798	(20,196)	24,798
TOTAL REVENUE	(4,895)	49,321	(4,895)	49,321
NO-CURRENT ASSETS				
Property, plant and equipment	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

7. REVENUE AND OTHER INCOME

	2018 HK\$'000	2017 HK\$'000
Revenue		
Interest income	145	5
Income from structured products	15,273	–
Dividend income from listed investments	10	3,771
Net realised (losses)/gain on disposal of investments at fair value through profit or loss	(127)	20,747
Unrealised holding (losses)/gains from investments at fair value through profit or loss	(20,196)	24,798
	(4,895)	49,321
Other income		
Recovery of impairment loss of other receivable (Note)	15,000	–
Sundry income	6,298	9
	21,298	9

Note:

In 2015, the Company paid a refundable deposit of HK\$15,000,000 to China Culture Media International Holdings Limited ("China Culture") to acquire certain equity interest of its subsidiary. However, the potential acquisition was terminated and China Culture refused to refund the deposit. The Company took legal action against China Culture and Mr. Si Rongbin, the beneficial owner and guarantor of China Culture. As at 31 December 2016, the management considered the refundable deposit was in doubt and fully impaired the deposit. During the year ended 31 December 2018, the refundable deposit has been recovered from a court order.

The liquidations of China Culture was sanctioned by order of the High Court of the British Virgin Islands on 24 October 2018. The total indebtedness admitted by the joint liquidators was discharged in full and final settlement by way of a combination of the cash payment.

For details, please refer to the announcement dated 2 November 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

8. PROFIT BEFORE TAX

The Company's profit before tax is arrived at after charging:

	2018	2017
	HK\$'000	HK\$'000
Auditor's remuneration	230	206
Investment manager's fee	480	480
Employee benefits expenses (including directors' remuneration):		
Wages, salaries and welfare	1,828	1,069
Pension scheme contributions	38	47
Equity-settled Share-based payments	924	–
Total employee benefits expenses	2,790	1,116
Operating lease charges	960	960

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

9. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Directors' emoluments

	For the year ended 31 December 2018				
		Salaries, allowances and benefits	Equity- settled share option benefits	Pension scheme contribution	Total
	Fees HK\$'000	in kind HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors:					
Xiang Xin	60	-	-	-	60
Chan Cheong Yee	60	-	-	-	60
	120	-	-	-	120
Independent non-executive directors:					
Wang Xi David <i>(removed on 4 April 2018)</i>	5	-	-	-	5
Chan Wing Kong Ringo <i>(appointed on 6 March 2018)</i>	25	-	462	-	487
Lee Wing Hang	30	-	-	-	30
Zang Hong Liang <i>(resigned on 1 January 2018)</i>	-	-	-	-	-
Zhou Zan <i>(appointed on 1 January 2018)</i>	30	-	462	-	492
	90	-	924	-	1,014
Total	210	-	924	-	1,134

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

9. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

	For the year ended 31 December 2017				
		Salaries, allowances and benefits	Equity- settled share option benefits	Pension scheme contribution	Total
	Fees HK\$'000	in kind HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors:					
Xiang Xin	60	–	–	–	60
Chan Cheong Yee	60	–	–	–	60
	120	–	–	–	120
Independent non-executive directors:					
Wang Xi David	30	–	–	–	30
Zang Hong Liang	30	–	–	–	30
Lee Wing Hang	30	–	–	–	30
	90	–	–	–	90
Total	210	–	–	–	210

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

9. DIRECTORS' REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2017: Nil).

During the year, no emoluments have been paid to the directors as an inducement to join or upon joining the Company; or as compensation for loss of office (2017: Nil).

(b) Five highest paid individuals

There were two Directors (2017: Nil), whose emolument is set out in the above, included in the five highest paid individuals of the Company. For the year ended 31 December 2018, three (2017: five) employees of the Company were as follows:

	2018	2017
	HK\$'000	HK\$'000
Salaries, allowances and benefit-in-kind	511	803
Retirement benefit costs	26	46
	537	849

The number of employees whose remuneration fell within the following bands are as follows:

	Number of individuals	
	2018	2017
HK\$1,000,000 or below	3	5

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been provided for at the years ended 31 December 2018 and 2017 since the Company has no assessable profit arose in Hong Kong for both years.

The reconciliation between the income tax expense and the profit/(loss) before tax is as follows:

	2018	2017
	HK\$'000	HK\$'000
Profit/(loss) before tax	10,172	37,005
Tax at the statutory tax rate of 16.5% (2017: 16.5%)	1,678	6,106
Income not subject to tax	-	(623)
Expenses not deductible for tax	152	-
Utilisation of tax losses previously not recognised	(1,830)	(5,483)
Tax charge at the Company's effective tax rate	-	-

As at 31 December 2018, the Company had unused tax losses of approximately HK\$33,551,000 (2017: HK\$44,648,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit stream. The tax losses may be carried forward indefinitely. There were no other significant temporary differences arising during the year or at the end of the reporting period.

11. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic profit per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK\$10,172,000 (2017: approximately HK\$37,005,000) and the weighted average number of ordinary shares of 12,801,578,629 (2017: 12,801,578,629) in issue during the year.

Diluted earnings per share

The computation of diluted earnings per share does not assume the exercise the Company's share options because the exercise price of those options was higher than the average market price for shares for 2018 and 2017.

12. DIVIDENDS

The Directors did not recommend the declaration of any dividend for the years ended 31 December 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK\$'000	Office equipments HK\$'000	Furniture and fixtures HK\$'000	Yacht HK\$'000	Total HK\$'000
COST					
At 1 January 2017, 31 December 2017 and 31 December 2018	975	34	142	4,026	5,177
ACCUMULATED DEPRECIATION					
At 1 January 2017, 31 December 2017, and 31 December 2018	975	34	142	4,026	5,177
CARRYING AMOUNT					
At 31 December 2018	-	-	-	-	-
At 31 December 2018	-	-	-	-	-

14. AVAILABLE-FOR-SALE INVESTMENTS/EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Available-for-sale investments

Under HKAS 39, the unlisted equity securities were measured at cost less impairment at the end of 2017, because the range of reasonable fair value estimates was so significant that the Directors were of the opinion that their fair values cannot be measured reliably.

Upon adoption of HKFRS 9 (2014), the Company has designated those financial assets originally classified as available-for-sale investments to equity investments at fair value through other comprehensive income. Further details of the Company's investments in equity investments at fair value through other comprehensive income after the transition to HKFRS 9 (2014) on 1 January 2018 are included in note 14(b) to the financial statements

	2018 HK\$'000	2017 HK\$'000
Unlisted equity securities, at cost less impairment	-	297,282

(b) Equity investments at fair value through other comprehensive income

At as 1 January 2018, the Company has applied HKFRS 9 (2014) which introduced new requirements to the classification and measurement of financial assets and financial liabilities. The result of assessment and impact are detailed in note 2 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

14. AVAILABLE-FOR-SALE INVESTMENTS/EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

(b) Equity investments at fair value through other comprehensive income (Continued)

The Company's unlisted equity securities in PRC designated by the Company as at fair value through other comprehensive income after the transition to HKFRS 9 (2014).

	2018 HK\$'000	2017 HK\$'000
Unlisted equity securities	297,309	–
Fair value adjustments	(672)	–
	296,637	–

Particulars of the Company's equity investments at fair value through other comprehensive income as at 31 December 2018 are as follows:

Name of investee company	Place of incorporation	Issued and fully paid shares held by the Company	Number of shares issued in investee company	Proportion investee's capital owned	Principal activities	2018				2017		
						Cost HK\$'000	Accumulated fair value adjustment since acquisition HK\$'000	Fair value HK\$'000	Dividend income received during the year HK\$'000	Dividend cover	Net assets attributable to the Company HK\$'000	Carrying amount HK\$'000
United Crown Future Company Limited ("United Overseas")	BVI	1,621 class B ordinary shares*	1,200 class A ordinary shares and 1,877 class B ordinary shares	53%	Investment holding (note ii)	78,700	(3,375)	75,325	Nil (2017: nil)	N/A	96,434	78,700
Aesthetic Vision Limited ("Aesthetic")	Hong Kong	8,500 class B ordinary shares*	1,000 class A ordinary shares and 9,000 class B ordinary shares	85%	Investment holding (note iii)	78,349	6,760	85,109	Nil (2017: nil)	N/A	91,092	78,349
Topsun Creation Limited ("Topsun")	Hong Kong	2,710 class B ordinary shares*	690 class A ordinary shares and 3,310 class B ordinary shares	68%	Investment holding (note iv)	77,925	(5,758)	72,167	Nil (2017: nil)	N/A	62,588	76,607
Grand Far Sky Limited ("Grand Far Sky")	Hong Kong	5,400 class B ordinary shares*	2,500 class A ordinary shares and 7,000 class B ordinary shares	57%	Investment holding (note v)	64,390	(354)	64,036	Nil (2017: nil)	N/A	81,236	63,626
						299,364	(2,727)	296,637			331,350	297,282

* The Class B shares rank pari passu with the Class A shares in all aspects except for their non-voting rights, Class B shares have no voting rights.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

14. AVAILABLE-FOR-SALE INVESTMENTS/EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

These companies are not treated as associates or subsidiaries because the Company is not in a position to control or exercise any significant influence over the financial and operating policies of these companies or to participate in their operations.

As at 1 January 2018, the Company's investment in the unlisted equity investments of HK\$297,282,000 previously classified from available-for-sale investments under HKAS 39 to equity investments through other comprehensive income under HKFRS 9 (2014). The investments are intended to be held for the medium to long-term. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss. The Company has applied HKFRS 9 (2014) detailed in note 2 to the financial statement. Therefore, the unlisted equity investments of the Company are measured at fair value for financial reporting purposes. The Company engaged external valuation experts with recognised professional qualifications and recent experience to perform the valuation by using Asset Base Approach.

Background information of the investee companies

Notes:

(i) **Blue Angel (HK) Limited ("Blue Angel HK")**

Blue Angel HK is incorporated in Hong Kong and is principally engaged in investment holding. The principal activities of Blue Angel HK's group has not been changed during the years 2018 and 2017.

In prior years, Blue Angel indirectly held 38.5% equity interest in a company which was established in the PRC, and was principally engaged in manufacturing and trading of 發光二極管芯片. This subsidiary was deregistered during the year ended 31 December 2009, and the investment cost of HK\$4,500,000 was impaired since year 2005.

The principal asset of Blue Angel HK is the direct 100% equity interest in a company established in the PRC, the Blue Angel (China) Company Limited* (藍色天使 (中國) 有限公司) ("Blue Angel China").

On 7 November 2012, the bank account of the Blue Angel China was frozen by the China Jiangsu Province Zhenjiang New District Public Security Bureau without reason. Reference of this event is made to the Company's announcements dated 16 November 2012, 22 November 2012, 26 November 2012, 1 December 2012 and 11 December 2012, the freezing of bank account was subsequently revoked on 22 February 2013. Due to the capital of Blue Angel China had been occupied for a long time and the time of recovery was unknown, Blue Angel China has insufficient funds to carry out business activities. Due to the deterioration of business operations and assets quality and on prudent approach, the Company impaired the balance of the carrying amount of the investment of approximately HK\$78,300,000, and charged to the profit or loss for the year ended 31 December 2012 after careful consideration. During the year ended 31 December 2018, the investment in Blue Angel HK is written off by the Company.

* The English name is for identification purpose only

(ii) **United Overseas**

United Crown Future Company Limited ("United Overseas") is incorporated in British Virgin Islands and principally engaged in investment holding. The principal asset of United Overseas is the direct 100% equity interest in a company incorporated in the PRC, of which is principally engaged in conducting research and development of energy-saving materials for walls. The principal activities and assets in United Overseas' group has not been changed during the years 2018 and 2017.

(iii) **Aesthetic**

Aesthetic is incorporated in Hong Kong and is principally engaged in investment holding. The principal asset of Aesthetic is the direct 100% equity interest in a company established in the PRC, which is principally engaged in manufacturing of LED lighting. Aesthetic, through the subsidiary, possesses of LED ergonomics technology with features including LED illuminant, appropriate light flux, free color temperature, healthy spectrum and compliance to ergonomics. The principal activities and assets in Aesthetic's group has not been changed during the years 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

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14. AVAILABLE-FOR-SALE INVESTMENTS/EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Background information of the investee companies (Continued)

Notes: (Continued)

(iv) Topsun

Topsun is incorporated in Hong Kong and is principally engaged in investment holding. The principal asset of Topsun is the direct 100% equity interest in a company established in the PRC, which is principally engaged in conducting research and development, manufacturing and distribution of products applying the solar energy technology. A new energy battery is one of the major products of Topsun. This battery has the characteristics of high capacity, fully sealed and maintenance-free. Topsun is also planning to step into the industry of photovoltaic integration. The principal activities and assets in Topsun's group has not been changed during the years 2018 and 2017.

(v) Grand Far Sky

Grand Far Sky is incorporated in Hong Kong and is principally engaged in investment holding. The principal asset of Grand Far Sky is the direct 100% equity interest in a company established in the PRC, which is principally engaged in providing management of asset and funding platform to its customers, other third parties and the Company's long-term equity investment. The principal activities and assets in Grand Far Sky's group has not been changed during the years 2018 and 2017.

15. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK\$'000	2017 HK\$'000
Investments at fair value through profit or loss		
Equity securities, at fair value		
Listed in Hong Kong	–	923
Structured Products and derivatives, at fair value	186,071	6,267
	186,071	7,190
Current portion	(184,755)	(923)
Non-current portion	1,316	6,267

The fair values of the listed securities are based on current bid prices.

Particulars of the Company's investments are as follows:

Structured products as at 31 December 2018 represents investments in equity-linked notes (2017: nil) which are matured in 2019 and are converted into listed equity securities in Hong Kong subsequent to the end of the reporting period.

Derivatives represents investments linked to bonds and hedge funds which are held in terms of cash settlement upon the maturity date of the relevant contracts in 2020 and 2021 respectively as at 31 December 2018 and 2017.

The Company's investments at fair value through profit or loss which represent derivatives and structured products are measured at fair value for financial reporting purposes. The Company engaged external valuation experts with recognised professional qualifications and recent experience to perform the valuation by using Monte Carlo Method.

At 31 December 2018, there were no listed equity securities held by the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

15. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Name of investee company	Notes	Number of shares held	Proportion of investee's capital owned	Cost HK\$'000	Market value HK\$'000	Unrealised holding losses HK\$'000	Dividend income received during the year HK\$'000	Net assets attributable to the investments HK\$'000
At 31 December 2017								
HSBC Holding PLC ("HSBC")	1	8,000	less than 1%	780	640	(140)	-	587
China Resources Gas Group Ltd ("China Resources")	2	10,000	less than 1%	290	283	(7)	-	90

1. HSBC HOLDINGS PLC was incorporated in the England and its shares are listed on the Stock Exchange (stock code: 0005). The principal activities of HSBC are retail banking and wealth management, commercial banking, global banking and markets, and global private banking. For the six months period ended 30 June 2017, the unaudited consolidated profit was approximately of USD13,241,000,000 (equivalent to HKD102,713,526,567). At 30 June 2017, the unaudited consolidated net assets was approximately of USD195,786,000,000 (equivalent to HKD1,519,612,617,600).
2. CHINA RESOURCES GAS GROUP LTD. was incorporated in the Bermuda and its shares are listed on the Hong Kong Stock Exchange (stock code: 1193). The principal activities of China Resources are the sale and distribution of gas fuel and related products for residential, commercial and industrial use. For the six months period ended 30 June 2017, the unaudited consolidated profit was approximately of HKD2,114,477,000. At 30 June 2017, the unaudited consolidated net assets was approximately of HKD35,905,071,000.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Prepayments	1,181	1,061
Deposits	161	161
Cash held in securities account of securities companies	10,609	10,880
Other receivables	2,574	102,821
	14,525	114,923

17. CASH AND CASH EQUIVALENTS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term deposits during the year are made for various periods from 1 day to 1 month depending on the immediate cash requirements of the Company and earn interest at respective short term time deposits rates. The carrying amount of the cash and cash equivalent approximate to their fair value.

At the end of the reporting period, the bank and cash balances of the Company denominated in RMB amounted to approximately RMB87,000 (2017: approximately RMB70,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. OTHER PAYABLES AND ACCRUALS

	2018 HK\$'000	2017 HK\$'000
Accruals	270	890

19. SHARE CAPITAL

	2018 HK\$'000	2017 HK\$'000
Authorised:		
100,000,000,000 ordinary shares of HK\$0.01 each (2017: 100,000,000,000 ordinary shares of HK\$0.01 each)	1,000,000	1,000,000
Issued and fully paid:		
12,801,578,629 ordinary shares of HK\$0.01 each (2017: 12,801,578,629 ordinary shares of HK\$0.01 each)	128,016	128,016

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

	Number of shares '000	Amount HK\$'000
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	12,801,579	128,016

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the two years ended 31 December 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

20. RESERVES

(i) Share premium account

Pursuant to the Companies Law of the Cayman Islands and the Company's Articles of Association, the share premium of the Company is distributable to the equity holders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3 to the financial statements.

(iii) Equity investment revaluation reserve

The equity investment revaluation reserve comprises the cumulative net change in the fair value of equity investments at fair value through other comprehensive income held at the end of the reporting period and is dealt with in accordance with the Company's significant accounting policies in the note relating to financial assets (ii) to the financial statements.

21. SHARE OPTIONS

Pursuant to an annual general meeting of the Company held on 22 May 2014 and the Stock Exchange granting approval of the listing of and permission to deal in the shares to be issued under the share option scheme (the "Scheme") on 4 June 2014, the Company adopted the Scheme for the purpose of providing incentive to directors, employees and consultants. Unless or otherwise cancelled, amended or expire, the Scheme will be expired on 3 June 2024.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue, or if such 10% limit is refreshed, the maximum aggregate number of shares which may be issued upon the exercise of all outstanding options grant and yet to be exercised under the Scheme must not exceed 30% of the total number of shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then issue, without prior approval from the Company's shareholders. Each grant of options to any director, chief executive or substantial shareholder must be approved by independent non-executive directors. Where any grant of options to a substantial shareholder or any of their respective associates would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of HK\$5,000,000 in the 12 month period up to the date of grant, then the grant must be approved in advance by the Company's shareholders.

A consideration of HK\$1 shall be paid to the Company upon acceptance of the grant. Options may be exercised in accordance with the terms of the Scheme at any time during a year to be determined and notified by the directors of the Company, which period may not expire earlier than 3 years and later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

The exercise price is determined by the directors of the Company, and will not be less than the higher of closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

On 4 April 2018, the Company granted 60,000,000 share options to certain of its Directors at the exercise price of HK\$0.0497 per share and are vested and exercisable immediately. The closing share price at the date of grant on 4 April 2018 was HK\$0.028.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

21. SHARE OPTIONS (Continued)

The fair values of the share options granted in 2018 were determined using the Binomial Tree Option Pricing Model. Significant inputs into the calculation included expected volatilities of 90.06%, estimated expected life of 10 years, risk-free interest of 1.83% and dividend yield of 0%. The Binomial Tree Option Pricing Model was developed for use in estimating the fair value of traded options and requires input of highly subjective assumptions, including the expected life and stock price volatility. Since the Company's share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimates, the Binomial Tree Option Pricing Model does not necessarily provide a reliable measure of the fair value of the share options.

The fair value of the share options granted in 2018, measured at the date of grant, were approximately HK\$924,000 (2017: HK\$nil). As the options are vested immediately, the amounts are recognized as share-based payments in profit or loss at the date of grant. An aggregate amount of approximately HK\$924,000 (2017: HK\$nil) has been charged as directors' remuneration during the year. The corresponding amount has been credited to the share option reserve.

All share-based compensation will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

Details of the options granted under the Scheme and outstanding at 31 December 2018 and 2017 are as follows:

Grantee	Date of grant	Exercise period	Number of share options					Outstanding as at 31 December 2018	Exercise price per share option HK\$
			Outstanding as at 1 January 2018	Granted during the year	Lapsed during the year	Cancelled during the year	Exercised during the year		
Directors									
Xiang Xin	6 July 2014	6 July 2014 to 5 July 2024	60,394,737	-	-	-	-	60,394,737	0.0497
Li Zhou	6 July 2014	6 July 2014 to 5 July 2024	20,131,579	-	(20,131,579)	-	-	-	0.0497
Jook Chun Kui Raymond	6 July 2014	6 July 2014 to 5 July 2024	30,197,368	-	-	-	-	30,197,368	0.0497
Sun Kuan Chi	6 July 2014	6 July 2014 to 5 July 2024	30,197,368	-	-	-	-	30,197,368	0.0497
David Wang Xin	6 July 2014	6 July 2014 to 5 July 2024	30,197,368	-	-	(30,197,368)	-	-	0.0497
Zang Hong Liang	6 July 2014	6 July 2014 to 5 July 2024	20,131,579	-	(20,131,579)	-	-	-	0.0497
Lee Wing Hang	6 July 2014	6 July 2014 to 5 July 2024	30,197,368	-	-	-	-	30,197,368	0.0497
Chan, Wing Kong Ringo	4 April 2018	4 April 2018 to 3 April 2028	-	30,000,000	-	-	-	30,000,000	0.0497
Zhou Zan	4 April 2018	4 April 2018 to 3 April 2028	-	30,000,000	-	-	-	30,000,000	0.0497
			221,447,367	60,000,000	(40,263,158)	(30,197,368)	-	210,986,841	
Others	6 July 2014	6 July 2014 to 5 July 2024	318,078,949	-	-	-	-	318,078,949	0.0497
			539,526,316	60,000,000	(40,263,158)	-	-	529,065,790	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

21. SHARE OPTIONS (Continued)

Grantee	Date of grant	Exercise period	Number of share options				Outstanding as at 31 December 2017	Exercise price per share option HK\$
			Outstanding as at 1 January 2017	Granted during the year	Expired during the year	Exercised during the year		
Directors								
Xiang Xin	6 July 2014	6 July 2014 to 5 July 2024	60,394,737	-	-	-	60,394,737	0.0497
Li Zhou	6 July 2014	6 July 2014 to 5 July 2024	20,131,579	-	-	-	20,131,579	0.0497
Jook Chun Kui								
Raymond	6 July 2014	6 July 2014 to 5 July 2024	30,197,368	-	-	-	30,197,368	0.0497
Sun Kuan Chi	6 July 2014	6 July 2014 to 5 July 2024	30,197,368	-	-	-	30,197,368	0.0497
David Wang Xin	6 July 2014	6 July 2014 to 5 July 2024	30,197,368	-	-	-	30,197,368	0.0497
Zang Hong Liang	6 July 2014	6 July 2014 to 5 July 2024	20,131,579	-	-	-	20,131,579	0.0497
Lee Wing Hang	6 July 2014	6 July 2014 to 5 July 2024	30,197,368	-	-	-	30,197,368	0.0497
			221,447,367	-	-	-	221,447,367	
Others	6 July 2014	6 July 2014 to 5 July 2024	318,078,949	-	-	-	318,078,949	0.0497
			539,526,316	-	-	-	539,526,316	

Notes:

- (a) There was no (2017: Nil) share options exercised during the year ended 31 December 2018.

22. NET ASSET VALUE PER SHARE

As at 31 December 2018 and 2017, the net asset value per share of the Company was HK\$0.05 and HK\$0.05, respectively. The calculation of net asset value per share is based on the net asset value of the Company as at 31 December 2018 of approximately HK\$684,257,000 (2017: HK\$673,806,000) and 12,801,578,629 (2017: 12,801,578,629) ordinary shares in issue at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

23. COMMITMENTS

Lease commitments

As at 31 December 2018, the total future minimum lease payments of the Company under non-cancellable operating leases are payable as follows:

	2018	2017
	HK\$'000	HK\$'000
Future aggregate minimum lease payments under operating leases in respect of land and buildings:		
— within one year	960	960
— In the second to fifth years inclusive	480	1,440
	1,440	2,400

Operating lease payments represent rentals payable by the Company for its offices. Leases are negotiated for an average term of 3 years and rentals are fixed over the lease terms and do not include contingent rentals.

24. RELATED PARTY TRANSACTIONS

- (i) Save as those disclosed elsewhere in the financial statements, the Company had the following material transactions with related parties and China Everbright Securities (HK) Limited during the year:

	<i>Notes</i>	2018	2017
		HK\$'000	HK\$'000
Investment management fee paid to China Everbright Securities (HK) Limited ("CES")	<i>(a)</i>	480	480
Rental expenses paid to New Era Group (China) Limited ("NEG")	<i>(b)</i>	960	960
Rental deposit paid to NEG	<i>(b)</i>	160	160

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

24. RELATED PARTY TRANSACTIONS (Continued)

(i) (Continued)

Notes:

- (a) The Company entered into an investment management agreement with CES for a period of three years commencing from 1 June 2003 in consideration of a payment of a fee calculated at 0.25% per annum of the net asset value of the Company as at the last dealing date on the Stock Exchange in each calendar month or such other valuation date as considered appropriate by the Board and payable on a monthly basis on a business date immediately after each valuation date. The agreement is renewed automatically for a period of three years upon expiry unless a written notice of termination by either party for not less than 3 months is served.

In addition, CES is entitled to a bonus fee equivalent to 10% of the audited profit before tax of each financial year of the Company payable on the business date immediately after the publication of the Company's final audited result for the year. On 23 October 2007, a First Supplemental Agreement was entered into between the Company and CES whereas the service fee was fixed at HK\$300,000 per annum by a monthly payment of HK\$25,000 ("Investment Management Fee") and the annual bonus was maximised to HK\$1,000,000 with effect from 1 January 2008. CES is regarded as a connected person of the Company for the purpose of the Listing Rules. Mr. Chan Cheong Yee, a director of the Company, is the authorised representative of CES.

On 28 February 2012, the Company and CES entered into of the Second Supplemental Agreement which lasts for 3 years commenced with effect from 20 May 2013 and shall terminate on 19 May 2015. Pursuant to this agreement, the Investment Management Fee is increased to HK\$960,000 per annum with effect from 20 May 2012, and payable monthly by the Company to CES at HK\$80,000 per month. Furthermore, it was agreed that the Company and CES shall not terminate the Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement) within the twelve months commencing from 20 May 2012.

On 19 December 2013, the Company and CES entered into of the Third Supplemental Agreement. Pursuant to this agreement, the Investment Management Fee is separated into two portions. The fixed portion of HK\$480,000 per annum with effect from 1 January 2014, and payable monthly by the Company to CES at HK\$40,000 per month. Another portion of HK\$480,000 per annum was liable only when the audited profit before tax of each financial year of the Company reaches HK\$480,000 and payable on the business date immediately after the publication of the Company's final audited result for the year. The Third Supplemental Agreement is a memorandum of the Second Supplemental Agreement and only revised the payment method as compared with the Second Supplemental Agreement. Therefore, the Company entered into the Third Supplemental Agreement did not represent a new connected transaction.

On 19 May 2015, the Company and CES entered into of the Fourth Supplemental Agreement which renewed the Third Supplemental Agreement and lasts for 3 years commenced with effect from 20 May 2015 to 19 May 2018. The terms and conditions are the same as disclosed in the Third Supplemental Agreement.

On 10 May 2018, the Company and CES entered into the Fifth Supplemental Agreement which renewed the Fourth Supplemental Agreement and lasts for 3 years commenced with effect from 20 May 2018 to 19 May 2021. The terms and conditions are the same as disclosed in the third Supplemental Agreement.

- (b) The Company entered into a tenancy agreement (the "Tenancy Agreement") with NEG, a company of which Mr. Xiang Xin, a director of the Company has control, for the occupancy of an office premises for a 3 years term commenced from 1 July 2008 with rent-free period from 1 July 2008 to 31 August 2008. Pursuant to the Tenancy Agreement, the Company shall pay a deposit of HK\$160,000 and a monthly rental of HK\$80,000 to NEG. The deposit was included in deposit and prepayment in the statement of financial position. During the year ended 31 December 2011, the Tenancy Agreement had been renewed for further 3 years commenced from 1 July 2011. On 1 January 2014, the Tenancy Agreement had been renewed further 3 years commenced from 1 July 2014 with the same terms and conditions. On 5 May 2017, the Tenancy Agreement had been further extended a 36 months commencing from 1 July 2017 with the same terms and conditions.

(ii) Compensation of key management personnel of the Company:

	2018	2017
	HK\$'000	HK\$'000
Short term employee benefits	1,134	210

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

25. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2018 HK\$'000	2017 HK\$'000
Equity investments at fair value through other comprehensive income	296,637	–
Available-for-sale investments	–	297,282
Investments at fair value through profit or loss	186,071	7,190
Financial assets at amortised cost (including cash and cash equivalents)	200,638	369,163
	683,346	673,635
<i>Financial liabilities</i>	270	626
Financial liabilities at amortised cost	270	626

26. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

26. FAIR VALUE MEASUREMENTS (Continued)

The Company's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December 2018 and 2017:

Description	Fair value measurements using:			Total
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	2018 HK\$'000
Recurring fair value measurements:				
Investments at fair value through profit or loss				
Derivatives	–	1,316	–	1,316
Structure products	–	184,755	–	184,755
	–	186,071	–	186,071
Equity investments at fair value through other comprehensive income				
Unlisted equity investments	–	–	296,637	296,637
Total recurring fair value measurements	–	186,071	296,637	482,708
Recurring fair value measurements:				
Investments at fair value through profit or loss				
Listed securities in Hong Kong	923	–	–	923
Derivatives	–	6,267	–	6,267
Total recurring fair value measurements	923	6,267	–	7,190

During the year, there were no transfer between Level 1 and Level 2, or transfers into or out of Level 3 (2017: Nil). The Company's policy is to recognize transfer between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

26. FAIR VALUE MEASUREMENTS *(Continued)*

(b) Reconciliation of assets measured at fair value based on level 3:

<i>Description</i>	Unlisted equity securities Level 3 HK\$ HK\$'000	Total 2018 HK\$ HK\$'000
At 1 January 2018	297,309	297,309
Total gains or losses recognised in other comprehensive income	(672)	(672)
At 31 December 2018	296,637	296,637

The total gains or losses recognised in other comprehensive income are presented in fair value changes of equity investments at fair value through other comprehensive income in the statement of profit or loss and other comprehensive income.

(c) Disclosure of valuation process used by the Company and valuation techniques and inputs used in fair value measurements at 31 December 2018:

The Company's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Company will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

26. FAIR VALUE MEASUREMENTS *(Continued)*

- (c) **Disclosure of valuation process used by the Company and valuation techniques and inputs used in fair value measurements at 31 December 2018:** *(Continued)*

Key unobservable inputs used in level 3 fair value measurements are the net asset value of the investee companies:

Level 2 fair value measurements as at 31 December 2018

Description	Valuation technique	Inputs	Fair value HK\$'000
Derivative - call warrant European style	Monte Carlo Method	PIMCO Funds Global Investors Series plc - Income Fund Discount rate/Volatility/Equity growth	HK\$1,316 (2017: HK\$3,519)
Derivative - call warrant European style	Monte Carlo Method	Jupiter Global Fund - Dynamic Bond Discount rate/Volatility/Equity growth	N/A (2017: HK\$2,748)
Structure product - equity linked note	Monte Carlo Method	Deutsche Bank - Stocks Baskets Discount rate/Volatility/Equity growth	HK\$90,037 (2017: N/A)
Structure product - equity linked note	Monte Carlo Method	UBS Bank - Stocks Baskets Discount rate/Volatility/Equity growth	HK\$94,718 (2017: N/A)

Level 3 fair value measurements as at 31 December 2018

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of input	Fair value HK\$'000
Unlisted equity securities classified as equity investment at fair value through other comprehensive income	Asset Base Approach	Net Asset Value	Net asset value make reference to management accounts of investee companies	Increase	HK\$296,637

27. CONTINGENT LIABILITIES

The Company did not have any significant contingent liabilities at 31 December 2018 and 2017.

28. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board of Directors on 29 March 2019.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

RESULTS

	For the years ended 31 December				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
REVENUE	(4,895)	49,321	(27,251)	14,903	2,011
Profit/(loss) before tax	10,172	37,005	(54,172)	(138)	(15,913)
Income tax	-	-	-	-	-
Profit/(loss) for the year attributable to owners of the Company	10,172	37,005	(54,172)	(138)	(15,913)

ASSETS AND LIABILITIES

	As at 31 December				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Total assets	684,527	674,696	637,427	484,197	307,083
Total liabilities	(270)	(890)	(626)	(216)	(13,155)
Net assets	684,257	673,806	636,801	483,981	293,928