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## **ASIA INVESTMENT FINANCE GROUP LIMITED**

**亞投金融集團有限公司**

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 33)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2018**

The board (the “Board”) of directors (the “Directors”) of Asia Investment Finance Group Limited (the “Company”) is pleased to announce the audited results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended December 31, 2018, together with the comparative figures for the previous year as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended December 31, 2018*

	<i>Note</i>	<b>2018</b> <b>HK\$'000</b>	<b>2017</b> <b>HK\$'000</b>
<b>Revenue</b>	<i>2&amp;3</i>	<b>66,933</b>	176,728
Cost of sales		<u><b>(50,556)</b></u>	<u>(155,059)</u>
<b>Gross profit</b>		<b>16,377</b>	21,669
Other revenue and other net income/(loss)		<b>1,922</b>	(3,998)
Operating expenses		<u><b>(86,657)</b></u>	<u>(113,030)</u>
<b>Loss from operations</b>		<u><b>(68,358)</b></u>	<u>(95,359)</u>

	<i>Note</i>	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
<b>Finance costs</b>			
Other loan		(915)	(924)
Notional interest	12	<u>(6,513)</u>	<u>(6,485)</u>
		<u>(7,428)</u>	<u>(7,409)</u>
<b>Other non-operating expenses</b>			
Share of loss of an associate		(4,984)	(3,813)
Loss on disposal of an associate		(5,086)	–
Gain on disposal of subsidiaries		–	222
		<u>(10,070)</u>	<u>(3,591)</u>
<b>Loss before impairment and taxation</b>		<b>(85,856)</b>	(106,359)
Impairment loss on loan receivables		(13,707)	–
Impairment loss on trade receivables		(1,308)	–
Impairment loss on other receivables		<u>(2,028)</u>	<u>(34,774)</u>
		<u>(17,043)</u>	<u>(34,774)</u>
<b>Loss before tax</b>	4	<b>(102,899)</b>	(141,133)
Income tax expense	5	<u>(432)</u>	<u>(1,827)</u>
<b>Loss for the year</b>		<b>(103,331)</b>	(142,960)
<b>Other comprehensive (loss)/income for the year</b>			
Item that may be reclassified subsequently to profit or loss:			
Release of translation reserve upon disposal of foreign subsidiaries		–	8
Exchange differences on translating foreign operations		<u>(7,999)</u>	<u>11,886</u>
		<u>(7,999)</u>	<u>11,894</u>
<b>Total comprehensive loss for the year</b>		<b><u>(111,330)</u></b>	<b><u>(131,066)</u></b>
<b>Loss for the year attributable to:</b>			
Equity shareholders of the Company		(103,031)	(141,274)
Non-controlling interests		<u>(300)</u>	<u>(1,686)</u>
		<u>(103,331)</u>	<u>(142,960)</u>
<b>Total comprehensive loss for the year attributable to:</b>			
Equity shareholders of the Company		(110,864)	(130,590)
Non-controlling interests		<u>(466)</u>	<u>(476)</u>
		<u>(111,330)</u>	<u>(131,066)</u>
<b>Dividends</b>	6	N/A	N/A
<b>Loss per share</b>	7		
– Basic		<u>HK1.10 cents</u>	<u>HK1.51 cents</u>
– Diluted		<u>HK1.10 cents</u>	<u>HK1.51 cents</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at December 31, 2018*

	<i>Note</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		24,816	30,199
Intangible assets		45,388	18,388
Deposit paid		400	12,624
Loan receivables	<i>9</i>	62,929	–
Goodwill	<i>13</i>	43,528	3,000
Contingent consideration receivables	<i>13</i>	5,830	–
Interest in an associate		41,382	52,187
		<b>224,273</b>	116,398
<b>Current assets</b>			
Inventories		3,786	31,860
Trading securities	<i>8</i>	1,201	34,392
Loan receivables	<i>9</i>	111,128	104,836
Trade receivables	<i>10</i>	19,185	14,163
Prepayments, deposits and other receivables		136,437	135,991
Tax recoverable		130	130
Client trust bank balance		3,229	9,345
Cash and cash equivalents		22,910	78,460
		<b>298,006</b>	409,177
<b>Total Assets</b>		<b>522,279</b>	525,575
<b>Capital and reserves</b>			
Share capital		932,717	932,717
Reserves		(666,797)	(588,918)
		<b>265,920</b>	343,799
Equity attributable to shareholders of the Company		265,920	343,799
Non-controlling interests		26,698	13,935
		<b>292,618</b>	357,734
<b>Total Equity</b>		<b>292,618</b>	357,734
<b>Non-current liabilities</b>			
Convertible bonds	<i>12</i>	45,600	–
Deferred tax liabilities		6,750	–
		<b>52,350</b>	–

	<i>Note</i>	<b>2018</b> <b><i>HK\$'000</i></b>	2017 <i>HK\$'000</i>
<b>Current liabilities</b>			
Trade payables	<i>11</i>	<b>6,483</b>	14,901
Accruals and other payables		<b>57,272</b>	53,816
Other loan		<b>13,000</b>	–
Convertible bonds	<i>12</i>	<b>99,095</b>	99,124
Tax payables		<b>1,461</b>	–
		<u><b>177,311</b></u>	<u>167,841</u>
<b>Total Equity and Liabilities</b>		<u><b>522,279</b></u>	<u>525,575</u>
Net current assets		<b>120,695</b>	241,336
Total assets less current liabilities		<u><b>344,968</b></u>	<u>357,734</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended December 31, 2018*

## 1. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of Compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective for the current accounting year of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in this announcement.

### (b) Basis of Preparation of the Consolidated Financial Statements

The consolidated financial statements for the year ended December 31, 2018 comprise of the Company and its subsidiaries have been prepared in accordance with HKFRSs and under the historical cost convention except where stated otherwise in the accounting policies set out below.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) **Application of HKFRSs**

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

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers and the related amendments
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual improvements to HKFRSs 2014 – 2016 cycle
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration

The application of the new HKFRSs in the current year has had no material impact on the Group's consolidated financial statements for the current and prior years, except for the following:

**Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments***

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments:

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

*Classification and measurement*

The following information sets out the impacts of adopting HKFRS 9 on the consolidated statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	<b>31 December 2017 as originally stated HKAS 39 measurement HK\$'000</b>	<b>ECL HK\$'000</b>	<b>1 January 2018 as restated HKFRS 9 measurement HK\$'000</b>
Loan receivables	104,836	(2,129)	102,707
Prepayments, deposits and other receivables	<u>135,991</u>	<u>(4,937)</u>	<u>131,054</u>
	<u><u>240,827</u></u>	<u><u>(7,066)</u></u>	<u><u>233,761</u></u>

### *Impairment*

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

	<b>Impairment allowances under HKAS 39 at 31 December 2017 HK\$'000</b>	<b>Re-measurement HK\$'000</b>	<b>ECL allowances under HKFRS 9 at 1 January 2018 HK\$'000</b>
Loan receivables	–	2,129	2,129
Prepayments, deposits and other receivables	47,275	4,937	52,212
	<u>47,275</u>	<u>7,066</u>	<u>54,341</u>

### *Impact on reserves and accumulated losses*

The impact of transition to HKFRS 9 on reserves and accumulated losses is as follows:

	<b>Accumulated losses HK\$'000</b>	<b>Non- controlling interests HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2018 (originally stated)	3,664,531	(13,935)	3,650,596
Recognition of expected credit losses for loan receivables and prepayment, deposits and other receivables under HKFRS 9	6,563	503	7,066
At 1 January 2018 (restated)	<u>3,671,094</u>	<u>(13,432)</u>	<u>3,657,662</u>



## **2. SEGMENT REPORTING**

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The Group has six (2017: five) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Securities brokerage and assets management
- Money lending business
- Credit guarantee and investment business
- Trading of party products
- Trading of metals and minerals
- Trading of security products and provision of security services

### **(a) Segment Revenues and Results**

The disclosure and allocation basis among operating segments were varied from previous year because the segment of assets management business was considered to be significant in future, the comparatives are therefore consistently presented in this regard.

The accounting policies of the operating segments are the same as the accounting policies of the Group. Segment profit represents the profit earned by each segment without allocation of administrative expenses, other income, other gains and losses, and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

The following is an analysis of the Group's revenue and results by operation segment:

**Year ended December 31, 2018**

	Securities brokerage and assets management <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Credit guarantee and investment business <i>HK\$'000</i>	Trading of party products <i>HK\$'000</i>	Trading of metals and minerals <i>HK\$'000</i>	Trading of security products and provision of security services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>								
Sales	1,237	12,514	212	51,479	-	1,517	-	66,959
Inter-segment revenue	(26)	-	-	-	-	-	-	(26)
External sales	<u>1,211</u>	<u>12,514</u>	<u>212</u>	<u>51,479</u>	<u>-</u>	<u>1,517</u>	<u>-</u>	<u>66,933</u>
<b>Result</b>								
Segment results	<u>(27,424)</u>	<u>(6,725)</u>	<u>5,604</u>	<u>(2,969)</u>	<u>(909)</u>	<u>(4,676)</u>	<u>-</u>	<u>(37,099)</u>
Reconciliation:								
Bank interest income								228
Unallocated corporate expenses								(33,382)
Share option expenses								(15,148)
Finance costs								(7,428)
Share of loss of an associate								(4,984)
Loss on disposal of an associate								(5,086)
Loss before tax								(102,899)
Income tax								(432)
<b>Loss for the year</b>								<u>(103,331)</u>
<b>Other segment information:</b>								
Capital expenditure of property, plant and equipment	-	-	-	124	-	6	-	130
Depreciation	5,391	3	265	584	17	15	-	6,275
Impairment loss on loan receivables	-	9,297	4,410	-	-	-	-	13,707
Impairment loss on trade receivable	-	862	446	-	-	-	-	1,308
(Reversal of impairment)/impairment loss on other receivables	-	-	(1,265)	-	-	724	2,569	2,028
Realized loss on disposal of trading securities	30,936	-	-	-	-	-	-	30,936
Unrealized loss on fair value change in trading securities	<u>1,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,303</u>

Year ended December 31, 2017

	Securities brokerage and assets management <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Credit guarantee and investment business <i>HK\$'000</i>	Trading of party products <i>HK\$'000</i>	Trading of metals and minerals <i>HK\$'000</i>	Trading of security products and provision of security services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Revenue</b>								
Sales	2,006	12,918	1,552	61,294	99,325	-	-	177,095
Inter-segment revenue	(367)	-	-	-	-	-	-	(367)
External sales	<u>1,639</u>	<u>12,918</u>	<u>1,552</u>	<u>61,294</u>	<u>99,325</u>	<u>-</u>	<u>-</u>	<u>176,728</u>
<b>Result</b>								
Segment results	<u>(22,092)</u>	<u>(377)</u>	<u>(16,027)</u>	<u>(1,811)</u>	<u>(4,103)</u>	<u>-</u>	<u>-</u>	<u>(44,410)</u>
Reconciliation:								
Bank interest income								183
Gain on disposal of subsidiaries								222
Unallocated corporate expenses								(76,936)
Share option expenses								(8,970)
Finance costs								(7,409)
Share of loss of an associate								(3,813)
Loss before tax								(141,133)
Income tax								(1,827)
<b>Loss for the year</b>								<u>(142,960)</u>
<b>Other segment information:</b>								
Capital expenditure of property, plant and equipment	7,071	-	-	67	-	-	-	7,138
Depreciation	5,404	3	456	613	18	-	-	6,494
Impairment loss on other receivables	-	-	9,920	-	24,854	-	-	34,774
Loss on disposal of property, plant and equipment	343	-	-	-	-	-	-	343
Realized loss on disposal of trading securities	4,866	-	-	-	-	-	-	4,866
Unrealized gain on fair value change in trading securities	<u>(58)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58)</u>

(b) **Segment Assets and Liabilities**

The following is an analysis of the Group's assets and liabilities by operating segment:

**Year ended December 31, 2018**

	Securities brokerage and assets management <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Credit guarantee and investment business <i>HK\$'000</i>	Trading of party products <i>HK\$'000</i>	Trading of metals and minerals <i>HK\$'000</i>	Trading of security products and provision of security services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>ASSETS</b>							
Segment assets	53,924	111,833	88,120	14,325	11,799	104,662	384,663
Bank balances and cash (included restricted cash)							26,139
Unallocated corporate assets							111,477
Consolidated total assets							<u>522,279</u>
<b>LIABILITIES</b>							
Segment liabilities	8,747	599	5,560	5,821	2,112	22,027	44,866
Unallocated corporate liabilities							184,795
Consolidated total liabilities							<u>229,661</u>

**Year ended December 31, 2017**

	Securities brokerage and assets management <i>HK\$'000</i>	Money lending business <i>HK\$'000</i>	Credit guarantee and investment business <i>HK\$'000</i>	Trading of party products <i>HK\$'000</i>	Trading of metals and minerals <i>HK\$'000</i>	Trading of security products and provision of security services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>ASSETS</b>							
Segment assets	43,176	107,806	82,315	19,027	67,131	–	319,455
Bank balances and cash (included restricted cash)							87,805
Unallocated corporate assets							118,315
Consolidated total assets							<u>525,575</u>
<b>LIABILITIES</b>							
Segment liabilities	13,531	837	3,604	2,982	34,896	–	55,850
Unallocated corporate liabilities							111,991
Consolidated total liabilities							<u>167,841</u>

(c) **Geographic information**

*Revenue*

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Hong Kong	<b>65,473</b>	75,851
Mainland China	<b>1,460</b>	100,877
Total	<b>66,933</b>	176,728

*Specified non-current assets*

The following table sets out information about the geographical location of the Group's property, plant and equipment, intangible assets, non-current loan receivables, goodwill and interest in an associate ("Specified non-current assets"). The geographical location of the Specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment; the location of the operation to which they are allocated, in the case of intangible assets, non-current loan receivables and goodwill; and the location of operations, in the case of interest in an associate.

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Hong Kong	<b>64,226</b>	50,793
Mainland China	<b>153,817</b>	52,981
Total	<b>218,043</b>	103,774

- (d) Revenues from customers, which are all in the Trading of party products business, contributing 10% or more of the total revenue of the Group are as follows:

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Customer A	<b>14,755</b>	*
Customer B	<b>8,978</b>	*
Customer C	<b>8,768</b>	*
Customer D	<b>7,643</b>	*
Customer E	<b>7,277</b>	*

\* The transactions with these respective customers did not contribute 10% or more of total revenue of the Group during the years. One customer amounted to approximately HK\$39,884,000 from trading of metals and minerals business had contributed over 10% of the total sales of the Group during the year ended December 31, 2017.

### 3. REVENUE

An analysis of revenue is as follows:

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Credit guarantee service and investment income	<b>212</b>	1,552
Sales of party products	<b>51,479</b>	61,294
Sales of metals and minerals	–	99,325
Brokerage commission income and assets management income	<b>1,211</b>	1,639
Interest income from money lending business	<b>12,514</b>	12,918
Sales of security products	<b>1,248</b>	–
Provision of security services	<b>269</b>	–
Total	<b>66,933</b>	176,728

#### 4. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting) the following:

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Auditor's remuneration		
– Audit service	<b>1,200</b>	900
– Non-audit service	<b>202</b>	30
Cost of inventories included in cost of sales	<b>50,556</b>	155,048
Depreciation	<b>6,275</b>	6,494
Loss on disposal of property, plant and equipment	–	343
Staff costs (including directors' emoluments):		
– Salaries, wages and other benefits	<b>25,435</b>	42,773
– Contributions to defined contribution retirement plans	<b>399</b>	517
– Share-based payment expenses	<b>14,756</b>	6,370
Operating lease charges in respect of land and buildings	<b>18,825</b>	23,594
Share-based payment to non-employees	<b>392</b>	2,600
Net exchange (gain)/loss	<b>(910)</b>	27
Impairment loss on trade receivables	<b>1,308</b>	–
Impairment loss on other receivables	<b>2,028</b>	34,774
Impairment loss on loan receivables	<b>13,707</b>	–
Unrealised loss/(gain) on fair value changes in trading securities	<b>1,303</b>	(58)
Realised loss on disposal of trading securities	<b>30,936</b>	4,866

**5. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

The amount of taxation charged to the consolidated statement of profit or loss and other comprehensive income represents:

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax	<b>432</b>	–
Deferred tax		
Reversal of temporary differences	–	1,827
Total income tax expense	<b><u>432</u></b>	<b><u>1,827</u></b>

Hong Kong Profits Tax has been provided for the Group's subsidiaries at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the year.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is exempted from any income tax in the Cayman Islands and the BVI.

**6. DIVIDENDS**

The Board of the Company did not recommend any final dividend for the years ended December 31, 2018 and 2017.



## 7. LOSS PER SHARE

### (a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to equity shareholders of the Company over the weighted average number of ordinary shares issued during the year.

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss attributable to equity shareholders	<u><b>(103,031)</b></u>	<u>(141,274)</u>
	<b>2018</b> <i>'000 shares</i>	2017 <i>'000 shares</i>
Weighted average number of ordinary shares		
At the beginning of the year	<b>9,327,172</b>	9,368,072
Effect of repurchase	<u>—</u>	<u>(29,200)</u>
At the end of the year	<u><b>9,327,172</b></u>	<u>9,338,872</u>

Total issued ordinary shares at December 31, 2018 and 2017 was 9,327,172,000 shares.

### (b) Diluted loss per share

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options or conversion of outstanding convertible bonds which had anti-dilutive effect and would result in a reduction in loss per share during the years ended December 31, 2018 and 2017. Therefore, the diluted loss per share is same as basic loss per share during the years ended December 31, 2018 and 2017.

## 8. TRADING SECURITIES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trading securities		
– Listed equity shares listed in Hong Kong	<u>1,201</u>	<u>34,392</u>

The trading securities are initially recognised at fair value. The Group holds the trading securities for trading purpose. At the end of reporting period the fair value is re-measured, with any resultant gain or loss being recognized in profits or loss. The fair value is measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

## 9. LOAN RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loan receivables from money lending business	189,893	104,836
Less: Impairment	<u>(15,836)</u>	<u>–</u>
	<u>174,057</u>	<u>104,836</u>
Representing:		
– Current portion	111,128	104,836
– Non-current portion	<u>62,929</u>	<u>–</u>
	<u>174,057</u>	<u>104,836</u>

Loan receivables bear interest at rates ranged from 5% to 17% per annum (2017: 10% to 20%), and with credit periods, mutually agreed between the contracting parties. The Group seeks to maintain strict control over its outstanding loan receivables to minimise credit risk. The balance outstanding as at December 31, 2018 and 2017 is not overdue.

The loan receivables at the end of the reporting period are analysed by the remaining period to contractual maturity date as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Repayable:		
Within 1 year	111,128	104,836
1 to 3 years	<u>62,929</u>	<u>–</u>
	<u><b>174,057</b></u>	<u><b>104,836</b></u>

## 10. TRADE RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables arising from dealing in securities:		
– Clients arising from dealing in securities	3,659	772
– Clearing house	<u>588</u>	<u>2,011</u>
	4,247	2,783
Interest receivables arising from money lending business	1,056	326
Trade receivables arising from credit guarantee service and investment income	1,123	1,822
Trade receivables arising from trading of party products	8,944	9,947
Trade receivables arising from sales of security products	1,257	–
Trade receivables arising from provision of security services	<u>4,575</u>	<u>–</u>
	21,202	14,878
<i>Less: Impairment</i>	<u>(2,017)</u>	<u>(715)</u>
	<u><b>19,185</b></u>	<u><b>14,163</b></u>

Customers from trading of party products are usually offered a credit period of up to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The ageing analysis of trade receivables based on the date of the invoice and net of provision of impairment loss is as follows:

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Within 30 days	<b>10,970</b>	8,288
31 to 60 days	<b>1,786</b>	3,762
61 to 90 days	<b>3,576</b>	854
Over 90 days	<b>2,853</b>	1,259
	<b>19,185</b>	14,163
Trade receivables from dealing in securities not past due	<b>(4,247)</b>	(2,783)
	<b>14,938</b>	11,380

#### 11. TRADE PAYABLES

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Trade payables arising from dealing in securities:		
– Clients arising from dealing in securities	<b>587</b>	2,006
– Clearing house	<b>476</b>	711
– Clients' money	<b>3,229</b>	9,202
	<b>4,292</b>	11,919
Trade payables arising from trading of party products	<b>2,191</b>	2,982
	<b>6,483</b>	14,901

The ageing analysis of trade payables arising from trading of party products is as follows:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
0 to 30 days	<b>1,168</b>	2,145
31 to 60 days	<b>530</b>	641
61 to 90 days	<b>268</b>	196
Over 90 days	<b>225</b>	–
	<b>2,191</b>	2,982

The trade payables arising from trading of party products are non-interest bearing and are normally settled within 90 days. The carrying amounts of the trade payables at the end of the reporting period approximated their fair values.

## 12. CONVERTIBLE BONDS

		2018			2017		
	<i>Note</i>	Liability portion HK\$'000	Equity portion HK\$'000	Total HK\$'000	Liability portion HK\$'000	Equity portion HK\$'000	Total HK\$'000
Convertible bonds due in 2019	<i>(a)</i>	99,095	12,663	111,758	99,124	12,663	111,787
Convertible bonds due in 2021	<i>(b)</i>	45,600	24,400	70,000	–	–	–
At December 31		<b>144,695</b>	<b>37,063</b>	<b>181,758</b>	<b>99,124</b>	<b>12,663</b>	<b>111,787</b>
Representing:							
Current liabilities		<b>99,095</b>	–	<b>99,095</b>	99,124	–	99,124
Non-current liabilities		<b>45,600</b>	–	<b>45,600</b>	–	–	–
Convertible bond reserve		–	<b>37,063</b>	<b>37,063</b>	–	12,663	12,663

- (a) On February 18, 2016, the Company issued two-year convertible bond at 0% coupon rate of principal amount of HK\$100,000,000 to the subscriber. The annualized effective interest rate is 7%. Based on the initial conversion price of HK\$0.1 per conversion share, a maximum of 1,000,000,000 conversion shares would be allotted and issued upon exercise of the conversion rights attaching to the convertible bond in full.

On January 10, 2018, the Company entered into a deed of variation for the extension of the conversion period and the maturity date of the convertible bonds with the principal amount of HK\$100,000,000 by a period of one year, such that the maturity date will become February 18, 2019 (the “Extended Maturity Date”). Apart from the extension of the conversion period and the maturity date, all other terms and conditions of the outstanding convertible bonds shall remain unchanged.

The Extended Maturity Date of the convertible bonds is considered not to be a substantial modification of terms of the convertible bonds as the discounted present value of the cash flows of the convertible bonds with extended maturity date is less than 10% different from the discounted present value of the cash flows of the outstanding convertible bonds prior to the extension of maturity date. As such, the amount of future cash flow of the extended convertible bonds as at February 18, 2018 is discounted by the original effective interest rate amounted to approximately HK\$93,458,000. The difference between the carrying amount of extended convertible bonds and the amount of discounted future cash flow of the extended convertible bonds of approximately HK\$6,542,000 has been recognised in other revenue and other net income/(loss).

Subsequent to the end of the reporting period, the Company and the sole bondholder conditionally agreed the proposed alteration of terms of the convertible bonds. Details refer to note 14(b) in this announcement.

If no bond holders exercise their conversion rights on maturity date, the Company shall redeem each convertible bond then outstanding at a value equal to the aggregate principal amount then outstanding on the maturity date.

	<b>Liability portion HK\$'000</b>
At January 1, 2017	92,639
Imputed interest amortised	<u>6,485</u>
At December 31, 2017	99,124
Effect on extension of convertible bonds	(6,542)
Imputed interest amortised	<u>6,513</u>
At December 31, 2018	<u><u>99,095</u></u>

- (b) During the year, the Company issued convertible bonds of principal amount of HK\$70 million for the consideration of acquisition of two subsidiaries. Further details are set out in note 13. The convertible bonds do not bear interest and will be mature on the third anniversary of the date of issue with conversion price of HK\$0.1 per share.

	<b>Liability portion</b> <i>HK\$'000</i>
Convertible bonds issued at December 17, 2018 and at December 31, 2018	45,600

At the date of issue of the convertible bonds, the fair value of the liability component of the convertible bonds were determined based on a valuation performed by an independent valuer using discounted cash flow model at an equivalent market interest rate for a similar bond without a conversion option. The effective interest rate of the liability component is 15.4% per annum.

- (c) No new shares of the Company were issued upon exercise of the convertible bonds during the years ended December 31, 2018 and 2017.

### 13. BUSINESS COMBINATIONS

On December 5, 2018, the Group and two independent third parties (the “Vendors”) entered into a sale and purchase agreement, pursuant to which the Group agreed to purchase and the Vendors agreed to dispose of 100% equity interest in International Security Net Co., Limited (“International Security”) and 51% equity interest in Dewe Kexin (Beijing) Technology Co., Ltd. (“Dewe Kexin”) (collectively the “Acquired Group”) at a total consideration of HK\$70 million which was satisfied by convertible bonds of principal amount of HK\$70 million (the “Consideration”).

The convertible bonds include three tranches of principal amount of HK\$8.75 million, HK\$26.25 million and HK\$35 million which shall become convertible from the date of settlement of the Compensation for each of the years ended December 31, 2018, 2019 and 2020 (details refer to the following paragraph) until maturity date. The Vendors guaranteed that the combined audited consolidated profit after tax (excluding extraordinary and exceptional items) of the Target Group under the HKFRS (the “Net Profit of Each of the Relevant Years”) shall be not less than HK\$10 million, HK\$30 million and HK\$40 million for each of the three years ended/ending December 31, 2018, 2019 and 2020 respectively (the “Guarantee Profit of Each of the Relevant Years”), failing which the Vendors shall pay the compensation (the “Compensation”) to the Group to be calculated as follow:

The Consideration x (the Guaranteed Profit of the Each of the Relevant Years – the Net Profit of Each of the Relevant Years)/the Guaranteed Profit of the Each of the Relevant Years

The Vendors and the Group shall procure the auditor nominated by the Group to complete the audited financial statements of the Acquired Group for each of the year ended December 31, 2018, 2019 and 2020 within 3 months after the end of the relevant period. The Compensation (if any) shall be paid by the Vendors to the Purchaser within 7 business days after determination of the Net Profit of Each of the Relevant Years. The Vendors shall be entitled to elect to pay the Compensation in cash or by way of set off against an equivalent principal amount of the convertible bonds.

On December 17, 2018, the acquisition was completed and the Group obtained the equity interest of the Acquired Group. International Security is a limited company incorporated in Hong Kong and engaged in integrated security service solution for protection of assets and personnel and its principal activities include public safety consulting services; overseas on-site public safety management services; public safety training service and public safety technology guarantee service. Dewe Kexin is a limited company incorporated in the PRC and is a network security high-tech company. Based on the computing technology, it builds independent and credible information security products and solutions for public. Providing information security services to the PRC government agencies and conglomerate, Dewe Kexin is the industry's leading provider of total security products solutions. The Directors have considered that the acquisition of the Acquired Group is in line with the Group's business diversification strategy. In view of continued and stable growth of PRC and the effect of Belt and Road Initiative, there will be a continued development and expansion in PRC. The acquisition represents an investment opportunity for the Group to diversify and further expand its business portfolio. Details of the acquisition transaction is set out in the Company's announcements on December 5, 2018 and December 17, 2018.



The fair values of identifiable assets and liabilities of the Acquired Group as at the date of completion on the acquisition are as follows:

	<i>HK\$'000</i>
Net assets acquired:	
Property, plant and equipment	780
Intangible assets	27,000
Trade receivables	9,836
Prepayments, deposits and other receivables	29,915
Cash and cash equivalents	2,978
Trade and other payables	(26,385)
Deferred tax liabilities	<u>(6,750)</u>
Total identifiable net assets at fair value	37,374
Less: Non-controlling interest	<u>(13,732)</u>
Total identifiable net assets at fair value shared by the Group	23,642
Goodwill	<u>40,528</u>
	<u><u>64,170</u></u>
Consideration satisfied by:	
Convertible bonds	70,000
Contingent consideration receivable	<u>(5,830)</u>
Total consideration	<u><u>64,170</u></u>
An analysis of the consolidated cash flows in respect of the acquisition of subsidiaries is as follows:	
Cash consideration paid	–
Cash and cash equivalents acquired	<u>2,978</u>
Net inflow of cash and cash equivalents included in cash flows from investing activities	<u><u>2,978</u></u>

- (i) The Acquired Group contributed revenue and net loss after tax of HK\$1,517,000 and HK\$357,000 respectively to the Group for the period between the date of completion on the acquisition and the end of the reporting period.

Had the acquisition of the Acquired Group taken place at 1 January 2018, the revenue and the net loss after tax of the Group for the year ended December 31, 2018 would have been HK\$245,946,000 and HK\$91,622,000 respectively.

- (ii) The fair value of trade and other receivables were HK\$9,836,000 and HK\$4,936,000 as at the date of completion of the acquisition. The gross contractual amounts of trade and other receivables were HK\$9,836,000 and HK\$4,936,000. None of the receivables was expected to be uncollectible at the date of completion on the acquisition.
- (iii) The Group incurred transaction costs of HK\$290,000 for the acquisitions. The transaction costs have been expensed and included in consolidated statement of profit or loss and other comprehensive income.
- (iv) Goodwill arising from the acquisition of the Acquired Group is attributable to the expansion on the Group's businesses into trading of security products and provision of security services business in the PRC and HK and revenue sources from the anticipated profitability and revenue growth of the Acquired Group. None of the goodwill recognised is expected to be deductible for income tax purpose.

#### **14. EVENTS AFTER THE REPORTING PERIOD**

The Group had the following significant events subsequent to the end of the reporting period and up to the date of this results announcement:

- (a) On March 18, 2019, the Company and each of the four independent third parties (the "Subscribers") entered into the subscription agreements, pursuant to which the Subscribers agreed to subscribe and the Company agreed to issue of 300 million new ordinary shares of the Company at the subscription price of HK\$0.1 per share. The estimated net proceeds will be approximately HK\$29.9 million after deducting issuing expenses and will be used for working capital of the Group. The transaction has not been completed up the date of this results announcement. Details are set out in the Company's announcement on March 18, 2019.

- (b) On February 18, 2019, the Company and the sole bondholder, which is a company wholly owned by Ms. Cheung Kwan (the chairman and executive director and the substantial shareholder of the Company) entered into a deed of variation, pursuant to which both parties agreed that, subject to fulfillment of condition precedent, (i) the maturity date of the outstanding convertible bonds in the principal amount of HK\$100,000,000 will be extended from February 18, 2019 to February 18, 2020; (ii) the outstanding convertible bonds will bear interest at the rate of 5% per annum commencing from February 18, 2019; and (iii) the principal amount of the relevant deed poll and the deed of variation dated February 18, 2016 and January 10, 2018 respectively executed by the Company and the Bondholder (the “Instrument”) creating the outstanding convertible bonds will be increased from HK\$100,000,000 to HK\$105,000,000. Save for the above, all other terms and conditions of the outstanding convertible bonds and the Instrument shall remain unchanged. The proposed alteration of terms of the convertible bonds has not been completed up to the date of this results announcement. Details are set out in the Company’s announcement on February 18, 2019, March 8, 2019 and March 29, 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the year ended December 31, 2018 (the “Current Year”), the Group has continued its diversified businesses and its businesses included securities brokerage and asset management, money lending business, credit guarantee and investment business, trading of party products and metals and minerals, and trading of security products and provision of security services. The Group has completed the acquisitions of two subsidiaries and commenced trading of security products and provision of security services during the Current Year.

#### *Securities Brokerage and Asset Management*

The Group’s revenue for securities brokerage and asset management slightly decreased to HK\$1.21 million in the Current Year (2017: HK\$1.64 million). The decrease was attributable to the falling in the stock market in Hong Kong in the Current Year. The businesses were at its full scale of operation and the Group will seek for business opportunities for local and cross-border expansion.

#### *Money Lending Business*

With increasing market competition of the money lending industry in Hong Kong in these recent years, the growth of the money lending business slowed down during the Current Year. The Group has lent loans under money lending business of HK\$174.01 million (2017: HK\$104.80 million) as at December 31, 2018. The Group’s interest income from money lending business for the Current Year was HK\$12.51 million (2017: HK\$12.92 million).

The Company will further drive this business, while at the same time maintaining strong credit quality and credit risk management to accumulate a stable income stream for the Company.

### *Credit Guarantee and Investment Business*

The Group is involved in credit guarantee and investment business in Mainland China and the revenue from this business was HK\$0.21 million (2017: HK\$1.55 million). The decrease in revenue is due to the global economic slowdown, many financial institutions, including the Group, would like to tighten its credit policy to mitigate the credit risk.

### *Trading of Party Products Business*

The trading of party products of the Group include party accessories, decorations, cutlery and eatery wares from suppliers. The Group provided touch-ups to such products which includes but not limited to adding festive elements to such products. The final products are sold to customers in Hong Kong and North America.

The Group's revenue of trading of party products was HK\$51.48 million (2017: HK\$61.29 million). The competition in trading of party products industry is very keen and the demand of party products has continuously decreased in these recent years which resulted in a decrease in the Group's revenue during the Current Year.

### *Trading of Security Products and Provision of Security Services*

The Group has completed the acquisitions of two subsidiaries in December 2018 and commenced trading of security products and provision of security services in HK and the PRC during the Current Year. Details of the acquisition, principal businesses and background of the acquired subsidiaries are set out in the following section headed "Mergers, Acquisitions and Disposal" in this announcement.

During the Current Year, the Group's revenue from this business was HK\$1.52 million (2017: nil).

### *Trading of Metals and Minerals Business*

During the Current Year, the Group did not have revenue generated from this business (2017: the Group's revenue was approximately HK\$99.33 million). The Directors have considered that the prices of the relevant commodities fluctuated considerably in recent years and the gross profit margin was relatively low, the Group did not conduct any trading of metals and minerals during the Current Year to avoid trading loss accordingly. However, the Group will closely monitor the metals and minerals market situation and seize the opportunities to continue this business in coming year.

## **Financial Review**

### *Revenue and Results*

During the Current Year, the Group's total revenue was HK\$66.93 million, representing a decrease of 62% as compared to HK\$176.73 million for the year ended December 31, 2017 (the "Last Year"). The decrease in total revenue was mainly due to the decrease in revenue of trading of party products to HK\$51.48 million during the Current Year (2017: HK\$61.29 million) and the Group did not have revenue from trading of metals and minerals during the Current Year (2017: HK\$99.33 million), further details are set out in the above paragraphs "Trading of Party Products Business" and "Trading of Metals and Minerals Business" under the section headed "Business Review".

The Group's gross profit amount in the Current Year was HK\$16.38 million, representing a decrease by 24%, as compared to HK\$21.67 million of the Last Year. The decrease in gross profit amount was mainly due to a decrease in the Group's revenue. The gross profit margin in the Current year was 24% (2017: 12%). The increase in gross profit margin during the Current Year is attributable to: (i) the Group's trading of metals and minerals business contributed approximately 56% of the Group's total revenue, but, it had low gross profit margin of 3% in the Last Year. The Group did not have any trading of metals and minerals during the Current Year as the Directors have considered that the prices of the relevant commodities fluctuated considerably in recent years and the gross profit margin was relatively low; (ii) the Group has kept stable revenue of money lending business during the Current Year which generated interest income to the Group and financed from the Group's internal source of funds without significant direct costs; and (iii) although the Group's revenue of trading of party products decreased, its gross profit margin has slightly increased to 11% during the Current Year (2017: 8%). Consequently, the Group's total gross profit margin increased during the Current Year.

The Group's net loss for the Current Year decreased by 28% to HK\$103.33 million for the Current Year as compared to HK\$142.96 million in the Last Year. The decrease in loss for the Current Year was mainly attributable to: (i) the Directors have considered that the prices of such commodities fluctuated considerably in recent years and the gross profit margin was relatively low, the Group did not conduct trading of metals and minerals business in the Current Year. Such business recorded a loss of HK\$4.10 million in the Last Year; (ii) the Group continued to restructure and optimize its businesses during the Current Year and to impose effective control to save operating expenses which mainly included staff costs, rental and office administration expenses Accordingly, the operating expenses decreased to HK\$86.66 million in the Current Year as compared to HK\$113.03 million in the Last Year; (iii) the impairment losses of loan and trade and other receivables of the Group decreased to HK\$17.04 million in the Current Year as compared to HK\$34.77 million in the Last Year.

During the Current Year, the loss per share of the Company was HK1.10 cents (2017: 1.51 cents).

Details of the financial review of respective businesses of the Group are set out in above section headed "Business Review" in the Management Discussion and Analysis.

#### *Operating Expenses*

The Group's operating expenses decreased to HK\$86.66 million in the Current Year as compared to HK\$113.03 million in the Last Year. The Group continued to restructure and optimize its businesses during the Current Year and to impose effective control to save operating expenses. As a result, the Group's total staff costs decreased to HK\$40.59 million (2017: HK\$49.65 million), rental decreased to HK\$18.79 million (2017: HK\$23.59 million) and other administration expenses decreased to HK\$27.28 million (2017: HK\$39.79 million) during the Current Year.

#### *Finance costs*

Finance costs during the Current Year were HK\$7.43 million, which was approximate to the finance costs of the Last Year.

### *Impairment Losses and Loan Receivables and Other Receivables*

The Group recorded the impairment losses on loan receivables, trade and other receivables of HK\$13.71 million (2017: HK\$nil), HK\$1.31 million (2017: HK\$nil) and HK\$2.03 million (2017: HK\$34.77 million) respectively, in total of HK\$17.04 million (2017: HK\$34.77 million) during the Current Year. The impairment losses on loan and other receivables during the Current Year were mainly attributable to the adoption of new accounting standard HKFRS 9 that has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL (details are set out in note 1(c) in this results announcement.

### **Liquidity and Financial Resources**

As at December 31, 2018, net current assets were HK\$120.69 million (2017: HK\$241.34 million). The Group's current ratio was 1.68 (2017: 2.44). The decrease in current ratio was mainly attributable from the decrease of the Group's inventories to HK\$3.78 million (2017: HK\$31.86 million) during the Current Year. The Group had inventories of trading of metals and minerals business of HK\$24.04 million in the Last Year. As the Group did not have any trading of metals and minerals during the Current Year, it has not held any inventories for this business as at December 31, 2018. The Group's gearing ratio was calculated as net debts divided by total equity plus net debts. The Group's net debts include convertible bonds and other loan less cash and bank balances. As at December 31, 2018, the Group's gearing ratio was 31% (2017: 5%). As the Group issued convertible bonds of principal amount of HK\$70 million for the consideration of acquisitions of subsidiaries and obtained other loan of HK\$13 million for financing the Group's operation, the Group's gearing ratio increased.

As at 31 December 2018, the Group has other loan which was unsecured and would will be repayable within one year with fixed interest rate of 5%. Save as disclosed above, the Group did not have any other bank and other loans. There is no significant seasonality of bank and other borrowings demand of the Group. As at December 31, 2018, the Group had cash and bank balances of HK\$22.91 million (2017: HK\$78.46 million). The cash and bank balances were denominated in Renminbi, HK dollar and US dollar. The Group has no structured investment products and foreign exchange contracts. The Group is not exposed to material fluctuations in exchange rates.



It is the Group's policy to adopt a prudent financial management strategy and maintain a suitable level of liquidity and banking facilities to meet operation requirements and acquisition opportunities.

## **Capital Structure**

As at December 31, 2018, the authorised share capital of the Company was HK\$10,000,000,000 divided into 100,000,000,000 shares of HK\$0.1 each, and the issued share capital of the Company was HK\$932,717,200 divided into 9,327,172,000 shares of HK\$0.1 each.

During the Current Year, the Company has issued convertible bonds of principal amount of HK\$70 million for the consideration of acquisition of two subsidiaries and entered into a deed of variation for the extension of the conversion period and the maturity date of the convertible bonds of principal amount of HK\$100 million. Details are set out note 12 in this announcement. No share options and convertible bonds of the Company were exercised during the Current Year.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher returns to the shareholders of the Company that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

## **Mergers, Acquisitions and Disposal**

On December 5, 2018, the Group and two independent third parties (the "Vendors") entered into a sale and purchase agreement, pursuant to which the Group agreed to purchase and the Vendors agreed to dispose of 100% equity interest in International Security Net Co., Limited ("International Security") and 51% equity interest in Dewe Kexin (Beijing) Technology Co., Ltd. ("Dewe Kexin") (collectively the "Acquired Group") at a total consideration of HK\$70 million which was satisfied by convertible bonds of principal amount of HK\$70 million (the "Consideration").

The convertible bonds include three tranches of principal amount of HK\$8.75 million, HK\$26.25 million and HK\$35 million which shall become convertible from the date of settlement of the Compensation for each of the years ended December 31, 2018, 2019 and 2020 (details refer to the following paragraph) until maturity date. The Vendors guaranteed that the combined audited consolidated profit after tax (excluding extraordinary and exceptional items) of the Acquired Group under the HKFRS (the “Net Profit of Each of the Relevant Years”) shall be not less than HK\$10 million, HK\$30 million and HK\$40 million for each of the three years ended/ending December 31, 2018, 2019 and 2020 respectively (the “Guarantee Profit of Each of the Relevant Years”), failing which the Vendors shall pay the compensation (the “Compensation”) to the Group to be calculated as follow:

the Consideration x (the Guaranteed Profit of the Each of the Relevant Years – the Net Profit of Each of the Relevant Years)/the Guaranteed Profit of the Each of the Relevant Years

The Vendors and the Group shall procure the auditor nominated by the Group to complete the audited financial statements of the Acquired Group for each of the year ended December 31, 2018, 2019 and 2020 within 3 months after the end of the relevant period. The Compensation (if any) shall be paid by the Vendors to the Purchaser within 7 business days after determination of the Net Profit of Each of the Relevant Years. The Vendors shall be entitled to elect to pay the Compensation in cash or by way of set off against an equivalent principal amount of the convertible bonds

On December 17, 2018, the acquisition was completed and the Group obtained the equity interest of the Acquired Group. International Security is a limited company incorporated in Hong Kong. International Security is engaged in integrated security service solution for protection of assets and personnel. The principal activities include public safety consulting services; overseas on-site public safety management services; public safety training service and public safety technology guarantee service. Dewe Kexin is a limited company incorporated in the PRC and is a network security high-tech company. Based on the computing technology, it builds independent and credible information security products and solutions for public. Providing information security services to the PRC government agencies and conglomerate, Dewe Kexin is the industry’s leading provider of total security products solutions. The Directors have considered that the acquisition of the Acquired Group is in line with the Group’s business diversification strategy. In view of continued and stable growth of PRC and the effect of Belt and Road Initiative, there will be a continued development and expansion in PRC. The acquisition represents an investment opportunity for the Group to diversify and further expand its business portfolio. Details of the acquisition transaction is set out in the Company’s announcements on December 5, 2018 and December 17, 2018.

Save as disclosed above, the Group did not have any other merger, acquisition or disposal during the Current Year and up to the date of this results announcement.

## Significant Investments

During the Current Year, the Group had significant investments in equity securities of companies listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) which were classified as trading securities in the consolidated statement of financial position of the Group, and the performance of such equity securities are as follows:

Name (Stock Code)	Principle business	Number of share held		Market value		Proportion to the total assets of the Group		Unrealised gain/(loss) on fair value change for the year	Realised gain/(loss) for the year	Investment cost	
		As at 31 Dec 2018	As at 31 Dec 2017	As at 31 Dec 2018	As at 31 Dec 2017	As at 31 Dec 2018	As at 31 Dec 2017	Dec 2018	Dec 2018	As at 31 Dec 2018	As at 31 Dec 2017
				HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Significant investments:</b>											
Hosa International Limited (2200)	Design and production of a wide range of mid-to-high end sportswear products	-	10,000,000	-	26,400	-	5.02%	-	(23,214)	-	23,846
Share Economy Group Ltd. (1178)	Manufacturing and trading of BIOenergy products, healthcare food products, multi-functional water generators, other healthcare products and properties investments	-	32,600,000	-	2,217	-	0.42%	-	(1,956)	-	2,608
The People's Insurance Co. (Group) of China Ltd. (1339)	Provided integrated financial products and services and were engaged in property and casualty insurance, life and health insurance, asset management and other businesses	-	1,000,000	-	3,850	-	0.73%	-	(1,916)	-	4,102
Sanai Health Industry Group Co. Ltd (1889)	Development, manufacturing, marketing and sales of pharmaceutical products, sales of pharmaceutical related software, provision of consultancy services, general trading and provision of finance leasing services	3,695,000	-	1,201	-	0.23%	-	(1,303)	(2,923)	1,489	-
Citic Dameng Holdings Ltd (1091)	Manganese mining and ore processing in the PRC and Gabon and downstream processing operations in the PRC; as well as trading of manganese ores manganese alloy and related raw material	-	-	-	-	-	-	-	(515)	-	-
Others				-	1,925	-	0.37%	-	(412)	-	2,016
				<u>1,201</u>	<u>34,392</u>	<u>0.23%</u>	<u>6.54%</u>	<u>(1,303)</u>	<u>(30,936)</u>	<u>1,489</u>	<u>32,572</u>

During the Current Year, the Group's securities investment business recorded a loss of HK\$32.24 million (2017: HK\$4.87 million), which was mainly attributable to loss of disposal of the shares of Hosa International Limited (Stock code: 2200) of HK\$23.21 million. During the Current Year, the dividend received from securities investment were approximately HK\$0.13 million (2017: HK\$0.42 million). As at December 31, 2018, the market value of the listed securities being held by the Group was HK\$1.20 million in value (2017: HK\$34.39 million) and an unrealized loss on fair value change was HK\$1.30 million (2017: an unrealized gain on fair value change was approximately HK\$0.06 million).

The Group adopts a prudent financial management strategy. During the Current Year, the securities traded by the Group only involved stocks listed on the main board of The Stock Exchange of Hong Kong Limited ("Main Board Listed Companies"). The purpose of the Group's securities trading activities was to utilise its cash on hand for short term investment to generate better returns to its shareholders. The securities portfolio of our Group is closely monitored by the management.

The Directors believe that the future performance of the equity securities of companies listed on the Stock Exchange held by the Group will be affected by the overall economic environment, equity market conditions, investor sentiment and the business performance of the investee companies. The Board will continue look out for opportunities to invest in Main Board Listed Companies to generate better returns to its shareholders.

### **Charge of Assets**

As at 31 December 2018, the Group did not have any charge of assets.

### **Contingent Liabilities**

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

### **Foreign Currency Risk**

The Group's main operations are located in Hong Kong and the PRC. Most of the assets, income, payments and cash balance are denominated in HKD and RMB. The Group did not enter into any forward foreign exchange contracts to manage its foreign currency risk during the year as the management considered that the Group's exposure to exchange rate risk could be managed.

## **Human Resources**

As at December 31, 2018, the Group had 55 employees (2017: 58 employees). It is the Group's policy to recruit the right person for each position based on the person's qualification and experience. The remuneration of each employee is reviewed every year based on the performance of the employee with reference to the prevailing market conditions.

## **Prospects**

### ***Integration Financial Platform of Licensed Corporations under the SFO***

The Group is an integrated financial platform which provides one-stop services including securities, funds and assets management, credit guarantees, money lending, and investments and trading. The Group has licences on Type 1 (Dealing in securities), Type 2 (Dealing in Futures Contracts), Type 4 (Advising on securities), Type 5 (Advising on Futures Contracts) licences and Type 9 (Asset management) regulated activities under the SFO. The integrated financial service platform of licensed corporation under SFO commenced its full operations in the Current Year and the Group will continue to expand our client foundation, diversify assets management service base and increase revenue.

### ***New Business Development under "Belt and Road"***

The Group has completed the acquisitions of two subsidiaries in December 2018 and commenced trading of security products and provision of security services in HK and the PRC during the Current Year. The acquisitions are in line with the Group's business diversification strategy. In view of continued and stable growth of PRC and the effect of Belt and Road Initiative, there will be a continued development and expansion in PRC. It brings in the growth of revenue of this business of the Group in future.

### ***Exploration of New Business Development***

The Group will continue to operate financial services bigger and stronger, looking for new investment and development opportunities. The Group will focus potential investment opportunities on the health sector, artificial intelligence, new energy, agriculture and other fields.

## **Events After Reporting Period**

Details of the Group's events after the reporting period are set out in note 14 in this results announcement.

## **Final Dividend**

The Board did not recommend any final dividend for the Current Year (2017: Nil).

## **OTHER INFORMATION**

### **Purchase, Sales or Redemption of Listed Securities**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Current Year.

### **Compliance with Code on Corporate Governance Practices (the "CG Code")**

For the year ended December 31, 2018, the Company has complied with the code provisions set out in the CG Code as set out in Appendix 14 of the Listing Rules except the following.

Under A.2.1 of the CG Code, the role of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual and the division of responsibilities between Chairman and Chief Executive Officer should be established and set out in writing. Since January 10, 2011, the Company has not had any Chief Executive Officer. The functions of Chief Executive Officer were performed by the Executive Committee. The Board considers that this structure will not impair the balance of the power and authority between the Board and the management of the Company, and has been effective in discharging its responsibilities satisfactorily and facilitating the Company's operation and business development.

Code provision A.6.7 of the Code requires that Independent Non-executive Directors and other Non-executive Directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Three Independent Non-executive Directors did not attend the extraordinary general meeting held on March 20, 2018 and the annual general meeting held on June 22, 2018 due to their other business engagements.

## **Model Code for Securities Transactions by Directors**

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules regarding directors’ securities since its listing on November 19, 2007. Having made specific enquiries to all Directors, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code for the Current Year.

## **Employees and Remuneration Policies**

The remuneration policy of the employees of the Group is set up by the remuneration committee of the Company (the “Remuneration Committee”) on the basis of the merits, qualifications and competence of employees. The emoluments of the Directors are decided by the Remuneration Committee with regard to the Group’s operating results, individual performance and comparable market statistics. None of the Directors or any of their associates, and executive is involved in deciding his own remuneration. As at December 31, 2018, the Group had 55 employees (2017: 58 employees). The Group remunerates its employees based on their individual performance, job nature and responsibilities. Moreover, the Group provides its employees with training and various benefits including medical care, provident funds, bonuses and other incentives.

## **Donation**

No donation was made by the Group during the year (2017: HK\$Nil).

## **Audit Committee**

The audited consolidated financial statements of the Group for the year ended December 31, 2018 have been reviewed and approved by the audit committee of the Company (the “Audit Committee”). The Audit Committee is of the opinion that such audited consolidated financial statements comply with the applicable accounting standards, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) and all other applicable legal requirements. The Audit Committee therefore recommended for the Board’s approval of the Group’s audited consolidated financial statements for the year ended December 31, 2018.

## **SCOPE OF WORK OF MESSRS. CHENG & CHENG LIMITED, CERTIFIED PUBLIC ACCOUNTANTS**

The figures in respect of the announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditors, Cheng & Cheng Limited ("Cheng & Cheng"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2018. The work performed by Cheng & Cheng in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Cheng & Cheng on the announcement.

### **Publication of Annual Results and Annual Report**

This announcement is published on the websites of the Company ([www.aifgroup.com](http://www.aifgroup.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The annual report of the Company for the year ended December 31, 2018 containing all the information required under the Listing Rules will be dispatched to the Company's shareholders and will be posted on the above websites in due course.

### **Appreciation**

On behalf of the Board, I would like to take this opportunity to express my gratitude to all the staff and management team for their contribution during the year. I would also like to express my appreciation to the continuous support of our shareholders and investors.

By Order of the Board  
**Asia Investment Finance Group Limited**  
**Cheung Kwan**  
*Chairperson & Executive Director*

Hong Kong, March 31, 2019

*As at the date of this announcement, the executive Directors of the Company are Ms. Cheung Kwan (Chairman), Mr. Sun Yu, Mr. Liu Hu and Ms. Zhao Hong Mei; the non-executive Directors are Mr. Wang Dayong and Mr. Li Xin; the independent non-executive Directors are Mr. Anthony Espina, Ms. Jin Xin, and Mr. Wang Jun Sheng.*