THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **South China Financial Holdings Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information only and does not constitute an invitation or offer to Shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

SOUTH CHINA FINANCIAL HOLDINGS LIMITED

南 華 金 融 控 股 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00619)

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY TWO SHARES HELD ON THE RECORD DATE; (II) APPLICATION FOR WHITEWASH WAIVER; AND (III) NOTICE OF EGM

Financial Adviser to the Company

GREEN PARK
綠庭東園
CORPORATE FINANCE CO., LIMITED

Underwriter of the Rights Issue
Uni-Spark Investments Limited

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Lego Corporate Finance Limited
力高企業融資有限公司

Capitalised terms used in this cover page have the same meanings as defined in this circular.

A letter from the Board is set out on pages 13 to 45 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 46 to 47 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 48 to 75 of this circular.

A notice convening the EGM to be held at 9:00 a.m. on Friday, 23 August 2019 at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Registrar, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours (i.e. 9:00 a.m. on 21 August 2019 (Hong Kong time)) before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right in its absolute discretion to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. Such events are set out in the section headed "Termination of the Underwriting Agreement" on pages 11 and 12 of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

Shareholders should note that the Shares will be dealt with on an ex-rights basis commencing from Tuesday, 27 August 2019 and that dealings in such Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

2 August 2019

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"2016 Rights Issue"	the rights issue of the Company completed on 11 August 2016
"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Announcement"	the announcement of the Company dated 3 July 2019 in relation to, among other things, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Bookrunner"	Opus Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the bookrunner appointed by the Company to place any Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements in accordance with Rule 7.21(1)(b) of the Listing Rules
"Business Day(s)"	a day (excluding Saturday and Sunday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Company"	South China Financial Holdings Limited, a company incorporated in Hong Kong with limited liability, the ordinary shares of which are listed on Main Board of the Stock Exchange
"Compensatory Arrangements"	placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Bookrunner on a best effort basis pursuant to the Placing Agreement in accordance with Rule 7.21(1)(b) of the Listing Rules

"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held at 9:00 a.m. on Friday, 23 August 2019 to consider, among others, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company comprising all the independent non-executive Directors formed for the purpose of giving a recommendation to the Independent Shareholders as to whether the Underwriting Agreement, the Rights Issue and the Whitewash Waiver are fair and reasonable and as to voting after taking into account the advice of the Independent Financial Adviser
"Independent Financial Adviser" or "Lego Corporate Finance"	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, and as to voting
"Independent Shareholders"	the Shareholders other than: (i) the Directors (excluding members of the Independent Board Committee), the chief executive of the Company and their respective associates; (ii) the Underwriter and parties acting in concert with it; and (iii) any Shareholders who are involved in, or interested in, or have a material interest in the Underwriting Agreement, the Rights Issue and/or the Whitewash Waiver
"Independent Third Party(ies)"	third party(ies) independent of and not connected (as defined under the Listing Rules) with the Company and connected person(s) of the Company

"Irrevocable Undertakings"	the irrevocable undertakings referred to in the sub-section headed "The Irrevocable Undertakings" under the section headed "The Underwriting Agreement" in the Letter from the Board of this circular and executed by each of Mr. Ng, Mr. Paul Ng, Fung Shing Group Limited, Parkfield Holdings Limited, Ronastar Investments Limited and the Underwriter in favour of the Company and the Underwriter
"Latest Placing Day"	25 September 2019 or such later date as the Company and the Bookrunner may agree in writing, being the latest date for the Bookrunner to place the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares
"Latest Practicable Date"	30 July 2019, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
"Last Trading Day"	3 July 2019, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
"Latest Time for Acceptance"	4:00 p.m. on Thursday, 19 September 2019 or such other time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of and payment for the Rights Shares
"Latest Time for Termination"	4:00 p.m. on Friday, 20 September 2019, being the first Business Day after the Latest Time for Acceptance, or such other time as may be agreed between the Company and the Underwriter
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Gorges"	Mr. Richard Howard Gorges, a director of the Underwriter
"Mr. Ng"	Mr. Ng Hung Sang, the Chairman of the Board, an executive Director and Substantial Shareholder of the Company and the beneficial owner of the entire interests in the Underwriter
"Mr. Paul Ng"	Mr. Ng Yuk Yeung Paul, the son of Mr. Ng
"Ms. Cheung"	Ms. Cheung Choi Ngor, an executive Director, the vice chairman of the Company and a director of the Underwriter
"Ms. Jessica Ng"	Ms. Ng Yuk Mui Jessica, the executive vice chairman and chief executive officer of the Company, an executive Director and the daughter of Mr. Ng

"Net Gain"	the aggregate of any premiums (being the aggregate amount paid by the Placees after deducting (i) the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares placed by the Bookrunner under the Compensatory Arrangements; and (ii) the aggregate amount of the expenses of the Bookrunner and any other related expenses/fees)
"No Action Shareholders"	Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renouncees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed (including the Non-Qualifying Shareholders in respect of NQS Unsold Rights Shares)
"Non-Qualifying Shareholder(s)"	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"NQS Unsold Rights Share(s)"	the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form that have not been sold by the Company
"Optionholders' Undertaking"	the undertaking executed on 3 July 2019 by each of the holders of the Share Options, whereby each of such Share Option holders irrevocably undertake, represent and warrant to the Company that he/she will not exercise such Share Options held by him/her for the period from the date of such undertaking to completion or, where applicable, lapse of the Rights Issue
"Overseas Shareholder(s)"	Shareholder(s) with registered address(es) (as shown on the register of members of the Company on the Record Date) which is(are) outside Hong Kong
"PAL(s)"	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
"Placees"	any individuals, corporate, institutional investors or other investors, who are Independent Third Parties, procured by or on behalf of the Bookrunner to subscribe for any of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares pursuant to the Placing Agreement

"Placing"	the offer by way of private placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by or on behalf of the Bookrunner to the Placee(s) during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
"Placing Agreement"	the placing agreement dated 3 July 2019 and entered into between the Company and the Bookrunner in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Independent Third Party(ies) on a best effort basis
"Placing Completion Date"	30 September 2019 or such other date as the Company and the Bookrunner may agree in writing, being completion of Placing and the third Business Day after the Latest Placing Day
"Placing Period"	the period commencing from the day which is the second Business Day after the Latest Time for Acceptance, which is expected to be 23 September 2019, and ending at 5:00 p.m. on the Latest Placing Day
"Positive Profit Alert Announcement"	the announcement dated 30 July 2019 issued by the Company in relation to the Positive Profit Alert Statement
"Positive Profit Alert Statement"	the statement of estimated gain based on the unaudited consolidated results of the Group for the six months ended 30 June 2019 as set out in the section headed "Material change" in Appendix IA to this circular
"Posting Date"	5 September 2019 or such other date as the Underwriter may agree in writing with the Company, being the date of despatch of the Prospectus Documents
"PRC"	the People's Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this circular
"Prospectus"	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
"Prospectus Documents"	the Prospectus, PAL and any supplementary prospectus or supplementary provisional allotment letter (if required)
"Qualifying Shareholder(s)"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholder(s)

"Record Date"	4 September 2019 or such other date as may be agreed between the Company and the Underwriter, being the date for determining entitlements of Shareholders to participate in the Rights Issue
"Registrar"	Union Registrars Limited, the share registrar of the Company, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong
"Relevant Period"	the period beginning six (6) months immediately prior to the date of the Underwriting Agreement and ending on the Latest Practicable Date
"Rights Issue"	the proposed issue of the Rights Shares by way of rights on the basis of three Rights Shares for every two Shares held on the Record Date at the Subscription Price pursuant to the Prospectus Documents and as contemplated under the Underwriting Agreement
"Rights Share(s)"	451,915,605 shares in the Company proposed to be allotted and issued by the Company to the Qualifying Shareholders for subscription pursuant to the Rights Issue
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the issued and unissued share capital of the Company
"Shareholder(s)"	the holder(s) of the issued Shares
"Share Options"	the share options granted by the Company pursuant to the share option scheme adopted on 5 June 2012 which give holders thereof the rights to subscribe for Shares at the exercise price of HK$9.75 per Share
"Specified Event"	an event occurring or a matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which renders any of the warranties contained in the Underwriting Agreement untrue, inaccurate or misleading
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	HK$0.42 per Rights Share

"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Underwriter"	Uni-Spark Investments Limited, a company incorporated in Hong Kong with limited liability and wholly and beneficially owned by Mr. Ng
"Underwriting Agreement"	the underwriting agreement entered into between the Company and the Underwriter on 3 July 2019 in relation to the underwriting arrangement in respect of the Rights Issue
"Underwritten Shares"	301,673,195 Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
"Unsubscribed Rights Shares"	Rights Shares that are not subscribed by the Qualifying Shareholders
"Whitewash Waiver"	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to waive the obligation of the Underwriter to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it as a result of the subscription of the Rights Shares by the Underwriter pursuant to the Underwriting Agreement
"%"	per cent.

EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

Event	**2019**
Despatch date of circular with notice and form of proxy for the EGM	Friday, 2 August
Latest time for lodging transfer of Shares to qualify for attendance and voting at EGM	4:00 p.m. on Friday, 16 August
Closure of register of members of the Company for attending the EGM (both days inclusive)	Monday, 19 August to Friday, 23 August
Latest time for lodging forms of proxy for the purpose of the EGM	9:00 a.m. on Wednesday, 21 August
Record date for determining attendance and voting at EGM	Friday, 23 August
Date and time of the EGM	9:00 a.m. on Friday, 23 August
Announcement of poll results of EGM	Friday, 23 August
Last day of dealings in Shares on a cum-rights basis	Monday, 26 August
First day of dealings in Shares on an ex-rights basis	Tuesday, 27 August
Latest time for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue	4:00 p.m. on Wednesday, 28 August
Closure of register of members of the Company for the Rights Issue (both days inclusive)	Thursday, 29 August to Wednesday, 4 September
Record Date for determining entitlements to the Rights Issue	Wednesday, 4 September
Register of members of the Company re-opens	Thursday, 5 September
Despatch of Prospectus Documents	Thursday, 5 September
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Monday, 9 September

Event	2019
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Wednesday, 11 September
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on Monday, 16 September
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the Compensatory Arrangements	**4:00 p.m. on Thursday, 19 September**
Latest time for acceptance of, and payment for, the Rights Shares	**4:00 p.m. on Thursday, 19 September**
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Friday, 20 September
Announcement of the number of Unsubscribed Rights Shares and the NQS Unsold Rights Shares subject to the Compensatory Arrangements	Monday, 23 September
Commencement of placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Bookrunner	Monday, 23 September
Latest time for placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Bookrunner	5:00 p.m. on Wednesday, 25 September
Announcement of results of the Rights Issue (including results of the placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the amount of the Net Gain per Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements)	Wednesday, 2 October
Refund cheques, if any, to be despatched (if the Rights Issue is terminated) on or before	Thursday, 3 October
Certificates for fully paid Rights Shares to be despatched on or before	Thursday, 3 October
Designated broker starts to stand in the market to provide matching services for odd lots of Shares	9:00 a.m. on Thursday, 3 October

Event	**2019**
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Friday, 4 October
Payment of Net Gain to relevant No Action Shareholders (if any)	Friday, 4 October
The last day for the designated broker to provide matching services for odd lots of Shares	4:00 p.m. on Thursday, 24 October

The expected timetable is subject to change, and any such change will be further announced by the Company as and when appropriate.

All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION

The Latest Time for Acceptance and payment for the Rights Shares will be postponed if there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning:

a. in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or

b. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the next Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Time for Acceptance and payment for the Rights Shares are postponed in accordance with the foregoing, the dates of the events subsequent to the Latest Time for Acceptance mentioned in this section may be affected. An announcement will be made as soon as practicable by the Company in such event.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination,

(A) one or more of the following events or matters shall occur, arise, exist, or come into effect:

(i) the introduction of any new regulation or any change in existing laws or regulations (or the judicial interpretation thereof) after the signing of the Underwriting Agreement;

(ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing after the signing of the Underwriting Agreement) of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets;

(iii) any material adverse change after the signing of the Underwriting Agreement in the business or in the financial or trading position of any member of the Group;

(iv) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out occurring after the signing of the Underwriting Agreement;

(v) after signing of the Underwriting Agreement, there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise;

(vi) there is, after signing of the Underwriting Agreement, any change or any development involving a prospective change in market conditions (including, without limitation, change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, in/on Hong Kong, the PRC or other jurisdiction relevant to any member of the Group and a change in currency conditions for the purpose of the clause in the Underwriting Agreement governing the termination of the Underwriting Agreement includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs; or

(vii) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or the Takeovers Code or any applicable regulations) which has not prior to the date thereof been publicly announced or published by the Company, which event or events is or are in the reasonable opinion of the Underwriter:

(a) is or are likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole;

(b) is or are likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares taken up; or

(c) makes it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

(B) any material breach of any of the warranties or undertakings or any omission to observe any of the obligations or undertakings contained in the representations, warranties and undertakings in the Underwriting Agreement comes to the knowledge of the Underwriter; or

(C) any Specified Event comes to the knowledge of the Underwriter,

the Underwriter shall be entitled to terminate the Underwriting Agreement by notice in writing to the Company served prior to the Latest Time for Termination.

Upon giving of notice pursuant to the Underwriting Agreement, the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate forthwith provided that the Company shall remain liable to pay to the Underwriter such fees and expenses (other than the underwriting commission) payable by the Company pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

If the Underwriter or the Company terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement would be made if the Underwriting Agreement is terminated by the Underwriter or the Company.

SOUTH CHINA FINANCIAL HOLDINGS LIMITED

南 華 金 融 控 股 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00619)

Executive Directors:
Mr. Ng Hung Sang *(Chairman)*
Ms. Cheung Choi Ngor *(Vice Chairman)*
Ms. Ng Yuk Mui Jessica
(Executive Vice Chairman and Chief Executive Officer)

Independent non-executive Directors:
Hon. Raymond Arthur William Sears, Q.C.
Mrs. Tse Wong Siu Yin Elizabeth
Mr. Tung Woon Cheung Eric

Registered office:
28th Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong

2 August 2019

To the Shareholders

Dear Sir or Madam,

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY TWO SHARES HELD ON THE RECORD DATE; (II) APPLICATION FOR WHITEWASH WAIVER; AND (III) NOTICE OF EGM

INTRODUCTION

On 3 July 2019, the Board announced that the Company proposed to raise gross proceeds of approximately HK$189.8 million (before expenses) by issuing 451,915,605 Rights Shares (assuming no further issue of new Share(s) and no repurchases of Share(s) by the Company on or before the Record Date) at the Subscription Price of HK$0.42 per Rights Share on the basis of three (3) Rights Shares for every two (2) existing Shares held on the Record Date and payable in full on application. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to Non-Qualifying Shareholders.

The Independent Board Committee has been established to provide recommendations to the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, and Lego Corporate Finance has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As disclosed in the Positive Profit Alert Announcement, based on the unaudited condensed consolidated results of the Group for the six months ended 30 June 2018 and 30 June 2019, the Group recorded (i) a fair value gain on the listed equity investments for the six months ended 30 June 2019 of not less than approximately HK$21 million against the fair value loss on the listed equity investments of not more than approximately HK$99 million in the corresponding period in 2018; and (ii) gain on the trading of securities, forex and futures contracts for the six months ended 30 June 2019 of not less than approximately HK$37 million against the loss on the trading of securities, forex and futures contracts of not more than approximately HK$20 million in the corresponding period in 2018, which may together positively affect the unaudited consolidated profit before tax from continuing operations of the Group for the six months ended 30 June 2019. The Positive Profit Alert Statement, which constitutes a profit forecast of the Company under Rule 10 of the Takeovers Code, has been reported on by Ernst & Young, the auditor of the Company, and Lego Corporate Finance, the Independent Financial Adviser to the Company, respectively, in accordance with Rule 10 of the Takeovers Code. Ernst & Young, the auditor of the Company, is of the opinion that, so far as the accounting policies and calculations are concerned, the Positive Profit Alert Statement was properly compiled on a basis consistent with the accounting policies adopted by the Group, as set out in the audited consolidated financial statements of the Company for the year ended 31 December 2018. Lego Corporate Finance, the Independent Financial Adviser to the Company, is satisfied that the Positive Profit Alert Statement was prepared by the Directors with due care and consideration. Your attention is drawn to the letters from Ernst & Young and Lego Corporate Finance on the Positive Profit Alert Statement as set out in Appendices IB and IC to this circular, respectively.

The purpose of this circular is to provide you with, among other things, (i) further details about the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders setting out its recommendations in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (iv) the financial information and other general information of the Group; and (v) the notice convening the EGM.

THE PROPOSED RIGHTS ISSUE

Subject to, among other conditions, the approval by the Independent Shareholders at the EGM, the Board proposed to raise gross proceeds of approximately HK$189.8 million (before expenses) on the basis of three (3) Rights Shares for every two (2) Shares held on the Record Date by issuing 451,915,605 Rights Shares at the Subscription Price of HK$0.42 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date).

On 3 July 2019 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue. Further details of the Rights Issue are set out below:

PROPOSED RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every two (2) Shares held at the close of business on the Record Date
Subscription Price	:	HK$0.42 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	301,277,070 Shares
Number of Rights Shares	:	451,915,605 Rights Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Number of issued Shares upon completion of the Rights Issue	:	753,192,675 Shares, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before completion of the Rights Issue
Amount to be raised	:	Approximately HK$189.8 million before expenses

As at the Latest Practicable Date, the Company has 155,385 outstanding Share Options, which can be exercised from 9 June 2018 to 8 June 2020.

Had such outstanding Share Options been vested and the subscription rights attached thereto been exercised in full, an additional 155,385 Shares (which entitle to 233,077 Rights Shares) would have been issued assuming no further grant of share option by the Company for the period from the Latest Practicable Date to the Record Date.

Save for the aforesaid, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

The 451,915,605 Rights Shares represents 150.00% of the Company's issued share capital as at the Latest Practicable Date and 60.00% of the Company's issued share capital as enlarged by the Rights Issue immediately after completion of the Rights Issue assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before completion of the Rights Issue.

Fund raising methods comparison

The Board has considered other alternative means of fund raising, such as debt financing/ bank borrowings and placing of new Shares, before resolving to the Rights Issue. The Company has considered the pros and cons of different fund-raising options. In respect of debt financing, the Company has approached commercial banks, but it was unable to obtain any debt financing at terms acceptable to the Company due to the fact that (i) given the recent financial performance of the Group, in particular its loss-making performance for the year ended 31 December 2018, the commercial banks are not willing to finance the proposed business plans set out in the section headed "Reasons for the Rights Issue" in this letter, including but not limited to margin financing; and (ii) other than the collaterals for the existing banking facilities, the Group does not have any other significant asset as collaterals to obtain further bank loans. Also, the Board does not consider debt financing to be desirable at this stage as the expected finance costs for such substantial sum are high and additional borrowings will deteriorate the gearing position of the Group. Placing of new Shares is not adopted as it does not allow the Qualifying Shareholders the rights to participate in the fund raising exercise and their shareholdings in the Company would be diluted without being offered an opportunity to maintain their proportionate interests in the Company.

In comparison, the Rights Issue is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. The Rights Issue allows the Qualifying Shareholders to (a) increase their respective interests in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (b) reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market demand). As an open offer does not allow the trading of rights entitlements, rights issue is preferred. Accordingly, the Directors consider that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, any relevant transfer documents (together with the relevant share certificates) must be lodged with the Registrar at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Wednesday, 28 August 2019. It is expected that the last day of dealings in the Shares on a cum-rights basis is Monday, 26 August 2019 and the Shares will be dealt with on an ex-rights basis from Tuesday, 27 August 2019.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company.

Shareholders with their Shares held by a nominee (or held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. For investors whose Shares are held by a nominee (or CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Wednesday, 28 August 2019.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from aggregation of fractional entitlements). **If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.**

Closure of register of members

The register of members of the Company will be closed from Monday, 19 August 2019 to Friday, 23 August 2019 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will be closed from Thursday, 29 August 2019 to Wednesday, 4 September 2019 (both days inclusive) for determining the entitlements to the Rights Issue.

No transfer of Shares will be registered during the above book closure periods.

Basis of provisional allotments

The basis of the provisional allotment shall be three (3) Rights Shares (in nil-paid form) for every two (2) Shares held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders, if any. If, based on the legal opinions to be provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), the Rights Issue will not be extended to such Overseas Shareholders. As at the Latest Practicable Date, there were four Overseas Shareholders.

As at the Latest Practicable Date, based on the register of members of the Company, the Overseas Shareholders are as follows:

Number of Overseas Shareholder(s)	**Jurisdiction of the registered address of the Overseas Shareholder(s)**	**Number of Shares held**
1	Canada	1,260
1	Taiwan	1,600
2	Australia	736

Each of the Overseas Shareholders represents less than 1% of the total issued Shares as at the Latest Practicable Date.

Having made reasonable enquiries of the legal requirements regarding the feasibility of extending the Rights Issue to the Overseas Shareholder(s), with registered address(es) (as shown in the register of members of the Company) under the jurisdictions set out in the above in compliance with Rule 13.36(2)(a) of the Listing Rules and taking into account the foreign legal opinion as at the Latest Practicable Date, provided by the Canadian legal adviser, Taiwanese legal adviser and Australian legal adviser engaged by the Company, the Directors were of the view that:

(i) it is expedient not to extend the Rights Issue to the Overseas Shareholder(s) with registered address(es) (as shown in the register of members of the Company) in Canada and Australia given the expenses and effort, which may be incurred or involved in compliance with the relevant regulatory requirements in Canada and Australia, and, hence, the Overseas Shareholder(s) with registered address(es) (as shown in the register of members of the Company) in Canada and Australia shall be Non-Qualifying Shareholder(s); and

(ii) it is not necessary and expedient to extend the Rights Issue to the Overseas Shareholder(s) with registered address(es) (as shown in the register of members of the Company) in Taiwan and, hence, the Overseas Shareholder(s) with registered address(es) (as shown in the register of members of the Company) in Taiwan shall be Non-Qualifying Shareholders.

As such, the Company will send the Prospectus to the Non-Qualifying Shareholder(s) for their information only, but will not send any PAL to them. Receipt of a copy of the Prospectus does not and will not constitute an offer to the Non-Qualifying Shareholder(s).

It is the responsibility of any person (including but without limitation to nominee, custodian, agent and trustee) receiving a copy of the Prospectus Documents outside Hong Kong and wishing to take up the Rights Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including the obtaining of any governmental or other consents and/or observing any other formalities which may be required in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been complied with. If you are in any doubt as to your position, you should consult your professional adviser. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the representations and warranties.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in the market in their nil-paid form during the period from Monday, 9 September 2019 to Monday, 16 September 2019 if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK$100 will be paid on pro-rata basis to the relevant Non-Qualifying Shareholders. In view of administrative costs, the Company will retain individual amounts of HK$100 or less for its own benefit.

Any NQS Unsold Rights Shares will first be placed by the Bookrunner under the Placing Agreement together with the Unsubscribed Rights Shares, and if unsuccessfully sold, will be taken up by the Underwriter.

Net Gain (if any) will be paid pro-rata (but rounded down to the nearest cent) to the relevant No Action Shareholders according to their shareholdings held on the Record Date in Hong Kong dollars on the basis of all NQS Unsold Rights Shares and Unsubscribed Rights Shares. The Company will retain individual amounts of less than HK$100 for its own benefit.

For the nil-paid Rights Shares that were sold in the market by the Company and the buyer of such nil-paid Rights Shares who will not take up the entitlement, such Unsubscribed Rights Shares will be subjected to the Compensatory Arrangements.

The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Subscription price

The Subscription Price for the Rights Shares is HK$0.42 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

(a) a discount of approximately 16.00% to the closing price of HK$0.500 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 7.08% to the theoretical diluted price of approximately HK$0.452 per Share taking into account the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day;

(c) a discount of approximately 14.46% to the average of the closing prices of approximately HK$0.491 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;

(d) a discount of approximately 14.81% to the average of the closing prices of approximately HK$0.493 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;

(e) a discount of approximately 86.16% to the consolidated net asset value as at 31 December 2018 as extracted from the annual report of the Company for the year ended 31 December 2018 of approximately HK$3.035 per Share as at 31 December 2018;

(f) a discount of approximately 86.47% to the adjusted net asset value as at 31 December 2018 of approximately HK$3.105 per Share (based on the adjusted net asset value of approximately HK$935.36 million which represents the sum of the consolidated net assets of the Group of approximately HK$914.36 million as at 31 December 2018 as shown in the annual report of the Company for the year ended 31 December 2018 and the excess of approximately HK$21 million of the market value of the investment property of approximately HK$550 million as at 31 May 2019 as shown in the valuation report set out in Appendix III to this circular over the fair value of such property of approximately HK$529 million as recognised in the audited consolidated financial statements for the year ended 31 December 2018, divided by the number of Shares in issue as at the Latest Practicable Date of 301,277,070 Shares);

(g) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 9.60% represented by the theoretical diluted price of HK$0.452 per Share to the benchmarked price of approximately HK$0.500 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK$0.500 per Share and the average closing prices of the Shares as quoted on the Stock Exchange in the five (5) consecutive trading days immediately prior to the Last Trading Day of approximately HK$0.491 per Share); and

(h) a discount of approximately 12.5% to the closing price of HK$0.480 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Board has observed the deep discount mentioned in (e) and (f) above. Nevertheless, taking into account the fact that the existing Shares were traded at a discount to the net asset value per existing Share over the 12-month period up to and including the Last Trading Day ranging from approximately 59.97% to 84.51%, with an average of approximately 76.25%, the Board is of the view that the net asset value per existing Share or the adjusted net asset value per existing Share may not be a meaningful reference to determine the Subscription Price.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to, amongst other factors, the following:

(i) the recent closing prices of the Shares;

(ii) the prevailing market conditions;

(iii) the historical closing price for the last 52 weeks;

(iv) the Company recorded a loss of approximately HK$239.8 million for the financial year ended 31 December 2018 and had net current asset of approximately HK$414.9 million as at 31 December 2018. The expected amount to be raised by the Rights Issue represents approximately 20.8% of the Company's equity as at 31 December 2018 and approximately 126.0% of the Company's market capitalisation as at the Last Trading Day; and

(v) the funding and capital needs of the Company for its business plans and prospect set out in the section headed "Reasons for the Rights Issues" below.

In determining the terms of the Rights Issue, the Company strives to set a reasonable subscription price that reflects a balance between the financial conditions of the Group (including but not limited to the historical performance and the net asset value) and the market price of the Shares. While the Rights Issue is fully underwritten by the Underwriter, an existing Shareholder may make an informed decision in electing to accept or decline part of or all of his/her/its provisional allotment of nil paid rights. The Underwriter would be accepting the Rights Shares on the same price as any other Qualifying Shareholder.

The Directors consider that, despite any potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil paid rights in the market; (ii) the Qualifying Shareholders who choose to accept their provisional entitlements in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; and (iii) the Rights Issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares.

In dollar terms, if the existing Shareholders elect not to participate in the Rights Issue, there will be an approximately 9.6% dilution in value of shareholding in the Company from the closing price of HK$0.500 per Share as quoted on the Stock Exchange on the Last Trading

Day to the theoretical diluted price of approximately HK$0.452 per Share in the Company taking into account the closing prices of the Shares as quoted on the Stock Exchange on the Last Trading Day.

Mr. Ng, the Substantial Shareholder of the Company, the Chairman of the Board, an executive Director and the beneficial owner of the entire interests in the Underwriter, has abstained from voting on the relevant Board resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver in view of his material interests therein. Ms. Cheung has also abstained from voting on such Board resolutions given the common directorship in the Company and the Underwriter and, hence the deemed interests in the proposed transactions. Ms. Jessica Ng, the daughter of Mr. Ng, has abstained from voting on the said Board resolutions voluntarily on the ground of good corporate governance. Notwithstanding the above, the Directors are of the view that the terms and structure of the Rights Issue, including the Subscription Price (and the discounts to the relative values as indicated above), the subscription ratio and the potential dilution effect on the shareholding interests of the Qualifying Shareholders (which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares), are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that all Qualifying Shareholders are treated equally. The other Board members (being the independent non-executive Directors and, hence, the members of the Independent Board Committee) voted for the Board resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver.

Hon. Raymond Arthur William Sears, Q.C., an independent non-executive Director, is deemed to be interested in 53,000 Shares by virtue of his spouse's interest in such Shares. Save for the nominal interest in the abovementioned 53,000 Shares, which represents approximately 0.02% of the Share currently in issue, as a Shareholder, voting on the Board resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver and making recommendations to the Independent Shareholders after taking into account the advice of the Independent Financial Adviser, Hon. Raymond Arthur William Sears, Q.C. has no involvement in the aforesaid transactions.

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK$0.409.

Status of Rights Shares

The Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions, which are declared, made or paid, the record date of which is after the date of allotment of the Rights Shares in their fully-paid form.

Share certificates for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on Thursday, 3 October 2019 by ordinary post to the allottees, at their own risk, to their registered addresses.

Fractions of Rights Shares

The Company will not provisionally allot fractions of Rights Shares in nil-paid form to the Qualifying Shareholders. All fractions of Rights Shares, if any, will be aggregated (and rounded down to the nearest whole number) and all nil-paid Rights Shares arising from such aggregation will be sold in the market for the benefit of the Company if a premium (net of expenses) can be achieved. Any unsold fractions of Rights Shares will be underwritten by the Underwriter.

Odd lots matching services

In order to alleviate the difficulties arising from the existence of odd lots of Rights Shares arising from the Rights Issue, a designated broker will be appointed to match the purchase and sale of odd lots of the Shares at the relevant market price per Share for the period Thursday, 3 October 2019 to Thursday, 24 October 2019 (both dates inclusive). Holders of the Shares in odd lots represented by the existing share certificates for the Shares who wish to take advantage of this facility either to acquire odd lots of the Shares to make up a full board lot or dispose of their odd lots of the Shares, may directly or through their broker, contact Ms. Fiona Chan of South China Securities Limited at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong or by telephone at (852) 3196 6220 or by facsimile at (852) 3101 9200 during such period. Holders of odd lots of Shares should note that successful matching of the sale and purchase of odd lots of Shares is on the best effort basis and not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue.

Subject to the grant of the approval for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the register of members of the Company, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares, and the Compensatory Arrangements

Pursuant to Rule 7.21(2) of the Listing Rules, as the Underwriter, being the Shareholder and indirectly wholly-owned by Mr. Ng, acts as an underwriter of the Rights Issue, the Company must make arrangements described in Rule 7.21(1)(b) of the Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue as required by Rule 7.21(2) of the Listing Rules.

The Company therefore appointed the Bookrunner to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Bookrunner (including any other related expenses/fees), that is realised will be paid to those No Action Shareholders. The Bookrunner will, on a best effort basis, procure, by not later than 5:00 p.m., on Wednesday, 25 September 2019, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares if a premium over the Subscription Price and the expenses of procuring such acquirers (including any related commissions and any other related expenses/fees) can be obtained. Any unsold Unsubscribed Rights Shares and the NQS Unsold Rights Shares will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Net Gain (if any) will be paid (without interest) on pro-rata basis (on the basis of all Unsubscribed Rights Shares and NQS Unsold Rights Shares) to the No Action Shareholders (but rounded down to the nearest cent) as set out below:

(i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL (unless that person is covered by (iii) below);

(ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS (unless that person is covered by (iii) below); and

(iii) if the Rights Issue is extended to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to that Overseas Shareholders.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in (i) to (iii) of HK$100 or more will be paid to them in Hong Kong dollars only and the Company will retain individual amounts of less than HK$100 for its own benefit.

THE PLACING AGREEMENT

On 3 July 2019 (after trading hours), the Company and the Bookrunner entered into the Placing Agreement, pursuant to which the Bookrunner has conditionally agreed to procure independent placees, on a best effort basis, to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Details of the placing arrangement are as follows:

Date:	3 July 2019
Bookrunner:	Opus Capital Limited was appointed as a bookrunner to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares on a best effort basis. The Bookrunner confirmed that it is independent of and not connected with the Company and its connected person and not a connected person of the Company.
Fees and expenses:	A fixed fee of HK$100,000 and reimbursed for the expenses in relation to the placing (including but not limited to all out-of-pocket expenses actually incurred by the Bookrunner for placing the Unsubscribed Rights Shares and the NQS Unsold Rights Shares), which the Bookrunner is authorised to deduct from the payment to be made by the Bookrunner to the Company at the Placing Completion Date.
Placing price of the Unsubscribed Rights Shares and/or and the NQS Unsold Rights Shares (as the case maybe):	The placing price of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Share (as the case maybe) shall be at least equal to the Subscription Price. The final price determination is dependent on the demand and market conditions of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares during the process of placement.
Placees:	The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to placees, who and whose ultimate beneficial owners, shall be Independent Third Parties.
Ranking of Unsubscribed Rights Shares and the NQS Unsold Rights Shares:	Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the existing Shares in issue as at the Latest Practicable Date.

Termination: The Placing Agreement shall end on 30 September 2019 or any other date by mutual written agreement between the Bookrunner and the Company.

The Bookrunner may terminate the Placing Agreement without any liability to the Company, by notice in writing given by the Bookrunner to the Company at any time prior to 10:00 a.m. on the Placing Completion Date upon the occurrence of the following events which, in the absolute opinion of the Bookrunner, has or may have an adverse material effect on the business or financial conditions or prospects of the Company or the Group taken as a whole or the success of the Placing or otherwise makes it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement:

(i) there develops, occurs or comes into force:

(a) any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date hereof) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions; or

(b) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or

(c) any change in conditions of local, national or international securities markets occurs; or

(d) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group; or

(e) a change or development occurs involving a prospective change of taxation or exchange control (or the implementation of exchange control) in Hong Kong or elsewhere; or

(f) any litigation or claim being instigated against any member of the Group which would have a material adverse effect of the Group; or

(g) any suspension in the trading of Shares on the Stock Exchange for a continuous period of five Business Days; or

(ii) any breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Bookrunner or any event occurs or any matter arises on or after the date hereof and prior to the Placing Completion Date which if it had occurred or arisen before the date hereof would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or

(iii) there is any material adverse change in the financial or business or trading position of the Group taken as a whole; or

(iv) there may or will be likely that the Unsubscribed Rights Shares and the NQS Unsold Rights Shares will not be approved by the relevant regulatory bodies and/or regulatory authorities.

Conditions Precedent: The Placing is conditional upon the following conditions:

(i) the Independent Shareholders passing (a) the ordinary resolutions at the EGM to approve (1) the Rights Issue; (2) the Underwriting Agreement and the transactions contemplated thereunder; and (b) the special resolution at the EGM to approve the Whitewash Waiver;

(ii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked, the approval for the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) prior to the Latest Time for Termination;

(iii) the filing and registration of all the Prospectus Documents (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong by no later than the Posting Date;

(iv) the posting of the Prospectus Documents to the Qualifying Shareholders by no later than the Posting Date;

(v) each of the relevant Shareholders and Director complying with his/her/its obligations under the Irrevocable Undertakings;

(vi) each of the holders of the Share Options providing their respective Optionholders' Undertaking, and complying with his/her obligations under their respective Optionholders' Undertaking;

(vii) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;

(viii) there being no breach of the undertakings and obligations of the Company under the terms of the Underwriting Agreement before and at the Latest Time for Termination;

(ix) the Placing Agreement not being terminated on or before the Latest Time for Termination; and

(x) the SFC having granted the Whitewash Waiver to the Underwriter.

The conditions precedent set out in paragraphs (i) to (vii), (ix) and (x) above are incapable of being waived by the Bookrunner and/or the Company. The Bookrunner may waive the condition precedent set out in paragraph (viii) in whole or in part by written notice to the Company.

	If the conditions precedent set out in above paragraphs are not satisfied (or, if applicable, waived in whole or in part by the Bookrunner) on or prior to the Business Day immediately preceding the Placing Completion Date or such later date as may be agreed between the Company and the Bookrunner and approved by the Stock Exchange, the Placing Agreement shall terminate and none of the parties shall have any claim against another for costs, damages, compensation or otherwise save in respect of any antecedent breaches of the Placing Agreement.
Completion of the Placing:	being the third Business Day after the Latest Placing Day, or such other date as the Company and the Bookrunner may agree in writing.

The engagement between the Company and the Bookrunner of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares was determined after arm's length negotiation between the Bookrunner and the Company and is on normal commercial terms. The Directors, after considering placing fees as published on the Stock Exchange's website since March 2019 up to the date of the Announcement, consider that the terms of placing agreement for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are on normal commercial terms and believe that the expenses as typical and ordinary in the marketing of securities.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company; and (ii) a compensatory mechanism for No Action Shareholders, the Directors consider that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

THE UNDERWRITING AGREEMENT

On 3 July 2019, the Underwriter and the Company entered into the Underwriting Agreement which is conditional upon, among other things, the Independent Shareholders' approval. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to fully underwrite all the Rights Shares other than those agreed to be taken up by Mr. Ng and his close associates (namely (i) the Underwriter; (ii) Fung Shing Group Limited; (iii) Parkfield Holdings Limited; and (iv) Ronastar Investments Limited), and Mr. Paul Ng pursuant to their respective Irrevocable Undertakings.

Agreement date	:	3 July 2019
Underwriter	:	Uni-Spark Investments Limited
		The Underwriter is wholly-owned by Mr. Ng beneficially.

Total number of Rights Shares underwritten by the Underwriter	:	301,673,195 Rights Shares (having taken into account of the Irrevocable Undertakings and assuming no new Share being issued and no Share being repurchased on or before the Record Date and no placement made under the Compensatory Arrangements)
Commission	:	The Underwriter will receive 2% of the aggregate Subscription Price of the Underwritten Shares as underwriting commission

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions.

As mentioned in the sub-section headed "Subscription Price" in the section headed "Proposed Rights Issue" in this letter, Mr. Ng, Ms. Cheung and Ms. Jessica Ng have abstained from voting on the Board resolutions approving the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. Notwithstanding the above, the executive Directors, namely Mr. Ng, Ms. Cheung and Ms. Jessica Ng, are of the view that the terms of the Underwriting Agreement, including the commission rate, are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. The other Board members (being the independent non-executive Directors and, hence, the members of the Independent Board Committee which has formed its views after taking into account of the advice of the Independent Financial Adviser, please refer to the section headed "Letter from the Independent Board Committee" of this circular for further details) voted for the Board resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver (refer to the sections headed "Shareholding Structure of the Company" and "Takeovers Code Implications and Application for Whitewash Waiver" in this letter for details).

The Company had not approached any other independent underwriters to consider underwriting the Rights Issue because the Underwriter is indirectly wholly owned by Mr. Ng, who is also the Substantial Shareholder of the Company with sufficient financial backing and a track record of completing capital market deals successfully with the Company. The Company is also mindful of the laws and regulations in Hong Kong pertaining to the need to keep inside information confidential pending an announcement and not putting any person in a privileged dealing position. As the Rights Issue is a piece of highly material and price sensitive information, the Company did not consider approaching multiple potential underwriters with whom it does not have prior business relationship to be conducive to compliance with the relevant laws and regulations.

It is not in the ordinary course of business of the Underwriter to underwrite issues of shares. Uni-Spark Investments Limited's role as the Underwriter and the Irrevocable Undertakings given by Mr. Ng and his close associates signify strong support from the Substantial Shareholder of the Company to the Group and his confidence in the prospects and development of the Group.

The Subscription Price was set at a discount to the recent closing prices of the Shares aiming at lowering the further investment cost of the Shareholders so as to encourage them to take up their entitlements to maintain their shareholdings in the Company, thereby minimising dilution impact. The terms of the Rights Issue, including the Subscription Price, were determined after arm's length negotiations between the Company and the Underwriter, taking into account the following factors: (i) the prevailing share price of the Company; (ii) the current uncertainties and low market sentiment in the Hong Kong stock market; (iii) the historical closing price for the last 52 weeks; (iv) the latest business performance and financial position of the Group; and (v) the funding and capital needs of the Company. Given the over-subscription of the rights issue completed in June 2015 and slight under-subscription of the 2016 Rights Issue, the maximum dilution to all Qualifying Shareholders as a result of nil acceptance of the Rights Shares by them would unlikely occur.

Apart from the aforesaid factors, given that the maximum possible underwriting exposure of about HK$126.7 million is quite a substantial amount taking into account the Company's financial position, the Directors consider that selecting a company wholly-owned by Mr. Ng, who is willing to support the continuing growth of the Group, as the underwriter for the Rights Issue is in the interests of the Company and the Shareholders as a whole.

The Irrevocable Undertakings

As at the Latest Practicable Date, Mr. Ng, together with his close associates (namely (i) the Underwriter; (ii) Fung Shing Group Limited; (iii) Parkfield Holdings Limited; and (iv) Ronastar Investments Limited), and Mr. Paul Ng hold in aggregate 88,461,607 Shares and 11,700,000 Shares, respectively, representing approximately 29.36% and 3.88% of the existing issued share capital of the Company. Pursuant to the Irrevocable Undertakings, Mr. Ng and his close associates, namely the Underwriter, Fung Shing Group Limited, Parkfield Holdings Limited, Ronastar Investments Limited (refer to the section headed "Shareholding Structure of the Company" below for details), and Mr. Paul Ng have provided irrevocable and unconditional undertakings to the Company and the Underwriter to, among other things, accept their entitlements to the provisional allotment of 132,692,410 Rights Shares (in aggregate) and 17,550,000 Rights Shares, respectively, and not to sell or transfer the Shares held by them in any manner before completion or lapse of the Rights Issue.

Save for the Irrevocable Undertakings, the Board has not received any information or irrevocable undertakings from any Shareholders of their intention to take up the securities of the Company to be offered to them under the Rights Issue.

The Optionholders' Undertakings

As at the Latest Practicable Date, the Company has 155,385 outstanding Share Options, which can be exercised from 9 June 2018 to 8 June 2020.

As at the Latest Practicable Date, each of the holders of the Share Options has signed an Optionholders' Undertaking not to exercise the Share Options granted to him/her prior to completion or, where applicable, lapse of the Rights Issue.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination,

(A) one or more of the following events or matters shall occur, arise, exist, or come into effect:

(i) the introduction of any new regulation or any change in existing laws or regulations (or the judicial interpretation thereof) after the signing of the Underwriting Agreement;

(ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing after the signing of the Underwriting Agreement) of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets;

(iii) any material adverse change after the signing of the Underwriting Agreement in the business or in the financial or trading position of any member of the Group;

(iv) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out occurring after the signing of the Underwriting Agreement;

(v) after signing of the Underwriting Agreement, there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise;

(vi) there is, after signing of the Underwriting Agreement, any change or any development involving a prospective change in market conditions (including, without limitation, change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, in/on Hong Kong, the PRC or other jurisdiction relevant to any member of the Group and a change in currency conditions for the purpose of the clause in the Underwriting Agreement governing the termination of the Underwriting Agreement includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs; or

(vii) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or the Takeovers Code or any applicable regulations) which has not prior to the date thereof been publicly announced or published by the Company,

which event or events is or are in the reasonable opinion of the Underwriter:

(a) is or are likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole;

(b) is or are likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares taken up; or

(c) makes it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

(B) any material breach of any of the warranties or undertakings or any omission to observe any of the obligations or undertakings contained in the representations, warranties and undertakings in the Underwriting Agreement comes to the knowledge of the Underwriter; or

(C) any Specified Event comes to the knowledge of the Underwriter,

the Underwriter shall be entitled to terminate the Underwriting Agreement by notice in writing to the Company served prior to the Latest Time for Termination.

Upon giving of notice pursuant to the Underwriting Agreement, the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate forthwith provided that the Company shall remain liable to pay to the Underwriter such fees and expenses (other than the underwriting commission) payable by the Company pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

If the Underwriter or the Company terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement would be made if the Underwriting Agreement is terminated by the Underwriter or the Company.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

(a) the Independent Shareholders passing (i) the ordinary resolutions at the EGM to approve (1) the Rights Issue; (2) the Underwriting Agreement and the transactions contemplated thereunder; and (ii) the special resolution at the EGM to approve the Whitewash Waiver (refer to the sections headed "Listing Rules Implications" and "Takeovers Code Implications and Application for Whitewash Waiver" in this letter below for further information);

(b) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked, the approval for the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) prior to the Latest Time for Termination;

(c) the filing and registration of all the Prospectus Documents (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong by no later than the Posting Date;

(d) the posting of the Prospectus Documents to the Qualifying Shareholders by no later than the Posting Date;

(e) each of the relevant Shareholders and Director complying with his/her obligations under the Irrevocable Undertakings;

(f) each of the holders of the Share Options providing their respective Optionholders' Undertaking, and complying with his/her obligations under their respective Optionholders' Undertaking;

(g) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;

(h) there being no breach of the undertakings and obligations of the Company under the terms of the Underwriting Agreement before and at the Latest Time for Termination;

(i) the Placing Agreement not being terminated on or before the Latest Time for Termination; and

(j) the Executive having granted the Whitewash Waiver to the Underwriter.

The conditions precedent set out in paragraphs (a) to (g), (i) and (j) above are incapable of being waived by the Underwriter and the Company. The Underwriter may waive the condition precedent set out in paragraph (h) in whole or in part by written notice to the Company.

If the conditions precedent set out in above paragraphs are not satisfied (or, if applicable, waived in whole or in part by the Underwriter) by the Latest Time for Acceptance and/or the condition precedent set out in above paragraph (h) does not remain fulfilled (unless waived by the Underwriter in whole or in part) up to the Latest Time for Termination, the Underwriting Agreement shall terminate (save in respect of the provisions in relation to fees and expenses, indemnity, notices and governing law and any rights or obligations which have accrued under the Underwriting Agreement prior to such termination) and no party will have any claim against any other party for costs, damages, compensation or otherwise, and the Rights Issue will not proceed. The Irrevocable Undertakings shall lapse upon the termination of the Underwriting Agreement.

SUB-UNDERWRITING ARRANGEMENT

Pursuant to the Underwriting Agreement, the Underwriter agreed to take appropriate steps as may be reasonably required to maintain the minimum public float for the Shares in compliance with Rule 8.08(1) of the Listing Rules, including entering into sub-underwriting agreement to place out its Shares, if necessary.

As at the Latest Practicable Date, the Underwriter confirms that it has sub-underwritten its underwriting obligations under the Underwriting Agreement to one (1) sub-underwriter, namely Supreme China Securities Limited. As at the Latest Practicable Date, the sub-underwriter does not hold any Shares. The maximum number of Rights Shares sub-underwritten by such sub-underwriter is 4,500,000 Rights Shares. As the sub-underwriter and its ultimate beneficial owners are Independent Third Parties, should the sub-underwriter underwrite such 4,500,000 Rights Shares, it would only own approximately 0.60% of the enlarged issued share capital of the Company upon completion of the Rights Issue. Thus, the Company will be able to maintain a public float of at least 25% as a result of the Rights Issue.

According to the Underwriter, should it be found that the Underwriter is required to underwrite an amount of Rights Shares that would result in the public float for the Shares falls below 25% as required under the Listing Rules upon the latest time for placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Bookrunner, the sub-underwriter will be the ultimate subscriber of the Rights Shares as it would be called upon to fulfil its sub-underwriting commitment. As such, it is expected that the minimum public float as required under the Listing Rules will be maintained at all times as a result of the Rights Issue (including such sub-underwriting arrangement). The sub-underwriter has on one or more occasions acted as a sub-underwriter before. Furthermore, the Company has checked with the Underwriter. According to the Underwriter, sub-underwriter has a securities portfolio with a value of over HK$8 million, and is therefore a "professional investor" as defined under the SFO and has sufficient financial resources to sub-underwrite.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 301,277,070 Shares in issue. On the assumption that there is no change in the shareholding structure of the Company from the Latest Practicable Date to completion of the Rights Issue save for the following, the table below depicts, for illustrative purposes only, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders; (iii) immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Shareholders and Director who have provided Irrevocable Undertakings and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares fully placed to Independent Third Parties under the Compensatory Arrangements; and (iv) immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Shareholders and Director who have provided Irrevocable Undertakings and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares taken up by the Underwriter:

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders		Immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Shareholders and Director who have provided Irrevocable Undertakings and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares fully placed to Independent Third Parties under the Compensatory Arrangements		Immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Shareholders and Director who have provided Irrevocable Undertakings and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares taken up by the Underwriter and the sub-underwriter *(Note 8)*	
	Number of Shares	**Approx. %** *(Note 7)*	**Number of Shares**	**Approx. %** *(Note 7)*	**Number of Shares**	**Approx. %** *(Note 7)*	**Number of Shares**	**Approx. %** *(Note 7)*
The Underwriter *(Note 1)*	7,178,761	2.38	17,946,902	2.38	17,946,902	2.38	315,120,097	41.84
Fung Shing Group Limited *(Note 1)*	23,526,030	7.81	58,815,075	7.81	58,815,075	7.81	58,815,075	7.81
Parkfield Holdings Limited *(Note 1)*	44,623,680	14.81	111,559,200	14.81	111,559,200	14.81	111,559,200	14.81
Ronastar Investments Limited *(Note 1)*	1,999,872	0.66	4,999,680	0.66	4,999,680	0.66	4,999,680	0.66
Mr. Ng *(Notes 1 and 2)*	11,133,264	3.70	27,833,160	3.70	27,833,160	3.70	27,833,160	3.70
Mr. Paul Ng *(Note 4)*	11,700,000	3.88	29,250,000	3.88	29,250,000	3.88	29,250,000	3.88
Sub-total of the Underwriter, Mr. Ng and his associates	100,161,607	33.24	250,404,017	33.24	250,404,017	33.24	547,577,212	72.70
Ms. Cheung *(Notes 2 and 5)*	12,300,311	4.08	30,750,777	4.08	12,300,311	1.63	12,300,311	1.63
Mr. Gorges *(Note 5)*	5,000,000	1.66	12,500,000	1.66	5,000,000	0.66	5,000,000	0.66
Sub-total of the Underwriter and parties acting in concert with it *(Note 6)*	117,461,918	38.98	293,654,794	38.98	267,704,328	35.53	564,877,523	74.99
Hon. Raymond Arthur William Sears, Q.C. *(Notes 2 and 3)*	53,000	0.02	132,500	0.02	53,000	0.01	53,000	0.01
Public Shareholders (including the sub-underwriter but excluding the Underwriter, the parties acting in concert therewith and Directors)	183,762,152	61.00	459,405,381	61.00	485,435,347	64.46	188,262,152	25.00
Total	301,277,070	100.00	753,192,675	100.00	753,192,675	100.00	753,192,675	100.00

Notes:

1. The Underwriter, Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited are wholly-owned by Mr. Ng. As such, Mr. Ng is the beneficial owner of in the Shares held by such companies.

2. Mr. Ng, Ms. Cheung and Hon. Raymond Arthur William Sears, Q.C. are Directors.

3. The 53,000 Shares are the spouse interest of Hon. Raymond Arthur William Sears, Q.C..

4. Mr. Paul Ng is the son of Mr. Ng.

5. Ms. Cheung and Mr. Gorges are directors of the Underwriter.

6. The parties acting in concert with the Underwriter include Mr. Ng, Mr. Paul Ng, Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited. The abovementioned companies are under the control of Mr. Ng (see Note 1 above). By virtue of being a director of the Underwriter, each of Ms. Cheung and Mr. Gorges is also a party acting in concert with it.

7. Certain percentage figures included in the above tables have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

8. The Underwriter has sub-underwritten its underwriting obligations under the Underwriting Agreement to one (1) sub-underwriter, which is an Independent Third Party, to ensure the public float shall not fall below 25% upon completion of the Rights Issue. For further details regarding the sub-underwriting arrangement, please refer to the section headed "Sub-underwriting arrangement" in this letter above.

REASONS FOR THE RIGHTS ISSUE

The principal activity of the Company is investment holding. The principal activities of the Group's subsidiaries consist of securities, commodities, bullion and forex broking and trading, margin financing, money lending, provision of corporate advisory and underwriting services, asset and wealth management, property investment, media publications and financial public relation services, sales of jewellery products and investment holding.

The SFC has published the new Margin Financing Guidelines ("**Guidelines**") in the gazette on 4 April 2019, which will be effective on 4 October 2019. Under the Guidelines, South China Securities Limited ("**SCS**") which is one of the wholly-owned subsidiaries of the Company, is required to set up various limits in respect of its margin financing business. In addition, SCS is required to perform stress tests under different scenario as specified in the Guidelines. These various limits and stress tests are either benchmarked to the shareholders' fund or liquid capital defined under Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong). SCS has performed an assessment on the current margin loan portfolio and it is estimated that approximately HK$170 million is required to be injected in SCS as its share capital to continue such business under the Guidelines.

As a result, the Directors consider that the Rights Issue will increase the capital base of the Group as well as provide additional funds at a reasonable cost to maintain its turnover for its margin financing business and to support the Group's continuing development and business growth and also give the Qualifying Shareholders the opportunity to subscribe for the Shares according to their respective shareholding interests in the Company. Hence, it was considered that fund raising through the Rights Issue is in the interest of the Company and the Shareholders as a whole.

In the event that the Rights Issue cannot proceed, the Company may consider to (i) scale-down the margin financing business; and (ii) reduce both the number of clients and the size of the margin loan portfolio in order to meet the requirement under the Guidelines.

USE OF PROCEEDS

The Board (including the independent non-executive Directors after taking into account of the advice of the Independent Financial Adviser) considers that the Rights Issue is in the best interest of the Company and its Shareholders as a whole. The Rights Issue will not only strengthen the Group's capital base but will also allow all Qualifying Shareholders the opportunity to maintain their respective pro rata shareholding interests in the Company and participate in the development of the Group through the Rights Issue.

The gross proceeds from the Rights Issue amounts to approximately HK$189.8 million before expenses. The estimated expenses in relation to the Rights Issue, including the financial, legal, and other professional advisory fees, underwriting commission, placing commission, printing and translation expenses will be borne by the Company. The estimated net proceeds of the Rights Issue amounts to approximately HK$184.7 million. The Company intends to apply the abovementioned net proceeds from the Rights Issue for the following purposes: (i) approximately HK$170 million for the increase of the capital base of the Group in order to meet the new regulatory standards; and (ii) approximately HK$14.7 million for use as the Group's general working capital, including but not limited to administrative expenses such as employees' salaries.

FUTURE FUND RAISING EXERCISES

As at the Latest Practicable Date, save for the Rights Issue, the Company has not identified any fund raising plan which can fulfill the above purposes for use of proceeds. The proceeds from the Rights Issue may not satisfy the upcoming financing needs in full if there is any change of the Group's current circumstances and business plan or if there shall arise any other potential business opportunities.

Hence, the Board does not rule out the possibility that the Company will conduct further debt and/or equity fund raising exercises when suitable fund raising opportunities arise in order to support future developments of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

The Company had not conducted any fund raising activities in the past 12 months immediately preceding the date of the Announcement.

INFORMATION ON THE UNDERWRITER

The Underwriter is an investment holding company, and is not engaged in underwriting of issue of securities in its ordinary course of business. Mr. Ng, the Substantial Shareholder of the Company, an executive Director and the Chairman of the Board, holds the entire beneficial interests in the Underwriter. Mr. Ng and his close associates, including the Underwriter, have complied with Rule 7.19(1)(b) of the Listing Rules that they are the controlling shareholders. Directors of the Underwriter are Ms. Cheung, Mr. Gorges and Mr. Ng Yuk Fung, Peter, a son of Mr. Ng and he does not hold any Shares as at the Latest Practicable Date.

It is the intention of the Underwriter to continue to carry on the businesses of the Group and to continue the employment of the employees of the Group. The Underwriter has no intention to introduce any changes to the businesses of the Group including redeployment of the fixed assets of the Group.

As of 30 June 2019, the Underwriter did not have any bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities.

LISTING RULES IMPLICATIONS

As the Rights Issue, if proceeded with, will increase the number of the issued shares of the Company by more than 50%, the Rights Issue is conditional on approval by the Shareholders in the EGM by a resolution on which the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates shall abstain from voting in favour under Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules since there is no controlling shareholder. Accordingly, (i) Mr. Ng and his associates (namely the Underwriter, Fung Shing Group Limited, Parkfield Holdings Limited, Ronastar Investments Limited and Mr. Paul Ng) who held an aggregate of 100,161,607 Shares, representing approximately 33.24% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) Ms. Cheung who held 12,300,311 Shares, representing approximately 4.08% of the issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting in the resolution to approve the Rights Issue in the EGM by way of poll under the Listing Rules. For details of the shareholdings held by Mr. Ng and his associates as well as Ms. Cheung and the relationships among them, please refer to the disclosure under the section headed "Shareholding Structure of the Company" above. As explained in the section headed "Takeovers Code Implications and Application for Whitewash Waiver" below, Mr. Gorges, being a director of the Underwriter, and any Shareholder who is involved in, or interested in, the Underwriting Agreement, the Rights Issue and/or the Whitewash Waiver, shall also abstain from voting in the resolution to approve the Rights Issue in the EGM by way of poll under the Takeovers Code. As at the Latest Practicable Date, Mr. Gorges held 5,000,000 Shares, representing approximately 1.66% of the issued share capital of the Company. As such, the parties who are required to abstain from voting in the resolution to approve the Rights Issue collectively held 117,461,918 Shares or approximately 38.98% of the Shares in issue as at the Latest Practicable Date.

The Company has not conducted any rights issue or open offer within the 12-month period immediately preceding the date of the Announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such

12-month period, nor has it issued any bonus securities, warrants or other convertible securities within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

As at the Latest Practicable Date, Mr. Ng, the Substantial Shareholder of the Company and an executive Director and the Chairman of the Board, holds the beneficial interests in all the issued share capital of the Underwriter. Therefore, the Underwriter is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Underwriting Agreement constitute connected transactions for the Company under the Listing Rules and the Underwriting Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, Mr. Ng, the Substantial Shareholder of the Company, an executive Director, the Chairman of the Board and the beneficial owner of the entire interests in the Underwriter, is interested in 88,461,607 Shares, representing approximately 29.36% of the total number of issued Shares. Also, Ms. Cheung and Mr. Gorges, each a party acting in concert with the Underwriter, owns 12,300,311 Shares and 5,000,000 Shares as at the Latest Practicable Date, representing approximately 4.08% and 1.66% of the Shares currently in issue respectively. Each of Mr. Paul Ng and Ms. Jessica Ng, the son and the daughter of Mr. Ng, is presumed to be a party acting in concert with Mr. Ng and, hence, the Underwriter under the Takeovers Code by virtue of being a close relative of Mr. Ng. As at the Latest Practicable Date, Mr. Paul Ng owns 11,700,000 Shares, representing approximately 3.88% of the Shares currently in issue, and Ms. Jessica Ng does not hold any Share and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Accordingly, the Underwriter and the parties acting in concert with it are interested in 117,461,918 Shares in aggregate, representing approximately 38.98% of the Shares currently in issue (refer to the section headed "Shareholding Structure of the Company" in this letter for details).

Pursuant to the Underwriting Agreement, the Underwriter will subscribe for and take up 301,673,195 Rights Shares (including 18,450,466 Rights Shares and 7,500,000 Rights Shares that Ms. Cheung and Mr. Gorges are entitled to subscribe respectively) that are not subscribed for under the Rights Issue in the event that no Qualifying Shareholder (other than the Underwriter, its close associates and Mr. Paul Ng who have provided the Irrevocable Undertakings) takes up any Rights Share under the Rights Issue and no placement made under the Compensatory Arrangements.

If the Underwriter takes up the Underwritten Shares in full, it will result in an increase in the aggregate shareholding of the Underwriter and parties acting in concert with it (including but not limited to Mr. Ng and his close associates, Mr. Paul Ng, Ms. Cheung and Mr. Gorges) in the Company from approximately 38.98% of the existing issued share capital of the Company to approximately 75.59% of the then enlarged issued share capital of the Company immediately after completion of the Rights Issue. As the Underwriter and parties acting in concert with it, currently as at the Latest Practicable Date hold not less than 30%, but not more than 50%, of the voting rights of the Company collectively (refer to the section headed "Shareholding Structure of the Company" in this letter for details), if any one or more of them (including the Underwriter) acquires additional voting rights and such acquisition has the effect of increasing their collective holding of voting rights of the Company by more than 2% from the lowest collective percentage holding of such persons in the 12-month period ending on and inclusive of the date of the relevant acquisition, the Underwriter and parties acting in concert with it would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it unless the Whitewash Waiver is granted.

An application has been made by the Underwriter to the Executive for granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that the Whitewash Waiver, will be granted and will be conditional upon, among others, the approval of the Whitewash Waiver by at least 75% of the Independent Shareholders voting in person or by proxy at the EGM by way of poll. The Underwriter (holding 7,178,761 Shares, representing approximately 2.38% of the Shares currently in issue as at the Latest Practicable Date) and parties acting in concert with it, namely Mr. Ng, Mr. Paul Ng, Ms. Cheung, Mr. Gorges, Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited (holding 11,133,264 Shares, 11,700,000 Shares, 12,300,311 Shares, 5,000,000 Shares, 23,526,030 Shares, 44,623,680 Shares and 1,999,872 Shares, representing approximately 3.70%, 3.88%, 4.08%, 1.66%, 7.81%, 14.81% and 0.66% of the Shares currently in issue as at the Latest Practicable Date, respectively), and any Shareholder who is involved in, or interested in, the Underwriting Agreement, the Rights Issue and/or the Whitewash Waiver shall abstain from voting on the relevant resolutions at the EGM.

As at the Latest Practicable Date, the Company does not believe that the Rights Issue gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this circular, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the date of EGM. The Company notes that the Executive may not grant the Whitewash Waiver if the Rights Issue does not comply with other applicable rules and regulations.

Save as disclosed in this circular, (i) there is no consideration, compensation or benefit in whatever form paid or to be paid by the Group to the Underwriter or any party acting in concert with it in connection with the Rights Issue; (ii) there is no understanding, arrangement, agreement or special deal between the Group on the one hand, and the Underwriter and any party acting in concert with it on the other hand; and (iii) there is no understanding, arrangement or agreement or special deal between (1) any Shareholder; and (2) the Underwriter and parties acting in concert with it, or the Company, its subsidiaries or associated companies.

Hon. Raymond Arthur William Sears, Q.C., an independent non-executive Director, is deemed to be interested in 53,000 Shares by virtue of his spouse's interest in such Shares. Save for the nominal interest in the abovementioned 53,000 Shares, which represents approximately 0.02% of the Shares currently in issue, as a Shareholder, voting on the Board resolutions approving the Rights Issue, the Underwriting Agreement and the Whitewash Waiver and making recommendations to the Independent Shareholders after taking into account the advice of the Independent Financial Adviser, Hon. Raymond Arthur William Sears, Q.C. has no involvement in the aforesaid transactions. Thus, he is not required to abstain from voting on the resolutions approving the Rights Issue, the Underwriting Agreement and Whitewash Waiver at the EGM and is a member of the Independent Board Committee.

Shareholders and public investors should note that the maximum potential holding of voting rights in the Company by the Underwriter and parties acting in concert with it (including but not limited to Mr. Ng and his close associates, Mr. Paul Ng, Ms. Cheung and Mr. Gorges) will exceed 50% of the voting rights of the Company immediately upon completion of the Rights Issue, and that the Underwriter and parties acting in concert with it may increase their holding without incurring further obligation under Rule 26 of the Takeovers Code to make a general offer.

DEALINGS OF THE SHARES BY THE UNDERWRITER AND PARTIES ACTING IN CONCERT WITH IT

There has been no dealing of Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company by the Underwriter and parties acting in concert with it during the Relevant Period.

As at the Latest Practicable Date, the Underwriter and parties acting in concert with it are interested in 117,461,918 Shares (or approximately 38.98% of the issued share capital of the Company). Save as disclosed, the Underwriter and parties acting in concert with it:

(a) do not hold or have any control or direction over any other shares, convertible securities, warrants or options of the Company, or any outstanding derivative in respect of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;

(b) have not received any irrevocable commitment or arrangements to vote in favour of or against the resolutions in respect of the Underwriting Agreement or the Rights Issue or the Whitewash Waiver; and

(c) have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Save for the transactions contemplated under the Underwriting Agreement (including the Irrevocable Undertakings), there is no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Underwriter or the Company which may be material to the Underwriting Agreement, the Whitewash Waiver and/or the Rights Issue.

There was no agreements or arrangements relating to the circumstances in which the Underwriter may or may not invoke or seek to invoke a pre-condition or a condition to the Underwriting Agreement, the Whitewash Waiver and the Rights Issue other than those set out in the sub-section headed "Conditions of the Rights Issue" under the above section headed "The Underwriting Agreement" to which the Underwriter is a party.

EGM

The register of members of the Company will be closed from Monday, 19 August 2019 to Friday, 23 August 2019 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The EGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things: (i) the Rights Issue; (ii) the Underwriting Agreement; and (iii) the Whitewash Waiver. Only the Independent Shareholders will be entitled to vote on the resolutions to approve the Rights Issue, Underwriting Agreement and the Whitewash Waiver at the EGM.

In accordance with the Listing Rules and the Takeovers Code, (i) the Underwriter and its respective associates; (ii) any parties acting in concert with the Underwriter; (iii) the Directors (including, among others, Mr. Ng, Ms. Cheung and Ms. Jessica Ng but excluding members of the Independent Board Committee) and chief executive of the Company and their respective associates; and (iv) Shareholders who are involved in, or interested in, the Rights Issue, the Underwriting Agreement or the Whitewash Waiver, including but not limited to the Underwriter and parties acting in concert with it, will be required to abstain from voting on the resolution(s) to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the EGM. Save as disclosed, no other Shareholder is involved or interested in or has a material interest in the transactions contemplated under the Rights Issue, the Underwriting Agreement and the Whitewash Waiver and, hence, is required to abstain from voting on the resolution(s) to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, and the Whitewash Waiver at the EGM. As explained in the section headed "Takeovers Code Implications and Application for Whitewash Waiver" above, Hon. Raymond Arthur William Sears, Q.C., an independent non-executive Director deemed to be interested in 53,000 Shares, is not required to abstain from voting on the relevant resolutions at the EGM.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been established to provide recommendation to the Independent Shareholders in connection with the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. Lego Corporate Finance has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver as to whether they are fair and reasonable, and as to voting.

Subject to, among others, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver being approved at the EGM, the Prospectus Documents or the Prospectus, whichever being appropriate, will be despatched to the Qualifying Shareholders and, for information only, the Non-qualifying Shareholders in due course.

ADJUSTMENT TO EXERCISE PRICE AND NUMBER OF SHARE OPTIONS

Adjustment to exercise price and number of the Share Options may be required under the relevant terms of the share option scheme of the Company upon completion of the Rights Issue. The Company will notify the holders of the Share Options and the Shareholders by way of announcement, if and when necessary, upon completion of the Rights Issue and such adjustment, if required to be made, will be confirmed by its auditor.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-section headed "Termination of the Underwriting Agreement" under the section headed "The Underwriting Agreement" above). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Tuesday, 27 August 2019. Dealings in the Rights Shares in nil-paid form are expected to take place from Monday, 9 September 2019 to Monday, 16 September 2019 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

RECOMMENDATION

The Directors (including the independent non-executive Directors after taking into account of the advice of the Independent Financial Adviser) are of the opinion that the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors after taking into account of the advice of the Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of all resolution(s) to be proposed at the EGM.

Your attention is drawn to the Letter from the Independent Board Committee containing its recommendations to the Independent Shareholders set out on pages 46 to 47 of this circular and the Letter from the Independent Financial Adviser containing its advice to the Independent

Shareholders and the Independent Board Committee and the principal factors which it has considered in arriving at its advice with regard to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver as set out on pages 48 to 75 of this circular.

Shareholders are advised to read carefully the Letter from the Independent Board Committee regarding the Rights Issue, the Underwriting Agreement and the Whitewash Waiver on page 46 to 47 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 48 to 75 of this circular, considers that the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable insofar as the Independent Shareholders are concerned and are in the interests of the Independent Shareholders. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to approve the Rights Issue, the Underwriting Agreement and the Whitewash Waiver at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By the order of the Board
South China Financial Holdings Limited
Ng Yuk Mui Jessica
Executive Director

The following is the text of the letter form the Independent Board Committee setting out its recommendations to the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

SOUTH CHINA FINANCIAL HOLDINGS LIMITED

南華金融控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00619)

2 August 2019

To the Independent Shareholders

Dear Sirs or Madams,

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY TWO SHARES HELD ON THE RECORD DATE; (II) APPLICATION FOR WHITEWASH WAIVER; AND (III) NOTICE OF EGM

We refer to the circular of the Company to the Shareholders dated 2 August 2019 (the "**Circular**") of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board as members to constitute the Independent Board Committee and to provide recommendations to the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, and the Whitewash Waiver.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, and the Whitewash Waiver are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned and whether it is in the interests of the Company and the Shareholders as a whole. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 48 to 75 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 13 to 45 of the Circular.

Having considered the factors and reasons considered by, and the opinion of, the Independent Financial Adviser as set out in the "Letter from the Independent Financial Adviser" in the Circular, we are of the opinion that the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, and the Whitewash Waiver are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole although they are not in the ordinary and usual course of business of the Group. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Yours faithfully,
The Independent Board Committee

Hon. Raymond Arthur William Sears, Q.C.	**Mrs. Tse Wong Siu Yin Elizabeth**	**Mr. Tung Woon Cheung Eric**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter of advice from Lego Corporate Finance, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, which has been prepared for the purpose of inclusion in this circular.

Lego Corporate Finance Limited
力高企業融資有限公司

2 August 2019

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY TWO SHARES HELD ON THE RECORD DATE; AND (II) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, and as to voting at the EGM details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 2 August 2019 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Subject to, among other conditions, the approval by the Independent Shareholders at the EGM, the Board proposed to raise gross proceeds of approximately HK$189.8 million (before expenses) on the basis of three (3) Rights Shares for every two (2) Shares held on the Record Date by issuing 451,915,605 Rights Shares at the Subscription Price of HK$0.42 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date). The Rights Issue is only available to the Qualifying Shareholders and will not be extended to Non-Qualifying Shareholders.

On 3 July 2019, the Underwriter and the Company entered into the Underwriting Agreement which is conditional upon the Independent Shareholders' approval. Pursuant to the Underwriting Agreement, the Underwriter (in addition to the obligations of Mr. Ng and his close associates, and Mr. Paul Ng under their respective Irrevocable Undertakings) has conditionally agreed to fully underwrite 301,673,195 Rights Shares (including 18,450,466 Rights Shares and 7,500,000 Rights Shares that Ms. Cheung and Mr. Gorges are entitled to subscribe respectively) subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfilment of the conditions precedent contained therein. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed "The Underwriting Agreement" in the Letter from the Board.

As the Rights Issue, if proceeded with, will increase the number of the issued shares of the Company by more than 50%, the Rights Issue is conditional on approval by the Independent Shareholders at the EGM by a resolution on which the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates shall abstain from voting in favour under Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules since there is no controlling shareholder. Accordingly, (i) Mr. Ng, being a Director, and his associates (namely the Underwriter, Fung Shing Group Limited, Parkfield Holdings Limited, Ronastar Investments Limited and Mr. Paul Ng) who held an aggregate of 100,161,607 Shares, representing approximately 33.24% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) Ms. Cheung, being a Director, who held 12,300,311 Shares, representing approximately 4.08% of the issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting in the resolution to approve the Rights Issue in the EGM by way of poll under the Listing Rules.

As at the Latest Practicable Date, Mr. Ng, the Substantial Shareholder of the Company and an executive Director and the Chairman of the Board, holds the beneficial interests in all the issued share capital of the Underwriter. Therefore, the Underwriter is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Underwriting Agreement constitute connected transactions for the Company under the Listing Rules and the Underwriting Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Assuming no acceptance by the Qualifying Shareholders under the Rights Issue (other than acceptance pursuant to the Irrevocable Undertakings) and no placement made under the Compensatory Arrangements, the Underwriter will be required to subscribe for and take up 301,673,195 Rights Shares (including 18,450,466 Rights Shares and 7,500,000 Rights Shares that Ms. Cheung and Mr. Gorges are entitled to subscribe respectively) in full, and it will result in an increase in the aggregate shareholding of the Underwriter and parties acting in concert with it (including but not limited to Mr. Ng and his close associates, Mr. Paul Ng, Ms. Cheung and Mr. Gorges) from approximately 38.98% of the existing issued share capital of the Company to approximately 75.59% of the then enlarged issued share capital of the Company immediately after completion of the Rights Issue. Accordingly, the Underwriter and parties acting in concert with it (including but not limited to Mr. Ng and his close associates, Mr. Paul Ng, Ms. Cheung and Mr. Gorges) would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it unless the Whitewash Waiver is granted.

An application has been made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that the Whitewash Waiver, will be granted and will be conditional upon, among others, the approval of the Whitewash Waiver by at least 75% of the Independent Shareholders voting in person or by proxy at the EGM by way of poll. The Underwriter (holding 7,178,761 Shares, representing approximately 2.38% of the Shares currently in issue as at the Latest Practicable Date) and parties acting in concert with it, namely Mr. Ng, Mr. Paul Ng, Ms. Cheung, Mr. Gorges, Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited (holding 11,133,264 Shares, 11,700,000 Shares, 12,300,311 Shares, 5,000,000 Shares, 23,526,030 Shares, 44,623,680 Shares and 1,999,872 Shares, representing approximately 3.70%, 3.88%, 4.08%, 1.66%, 7.81%, 14.81% and 0.66% of the Shares currently in issue as at the Latest Practicable Date, respectively) which in aggregate amounted to approximately 117,461,918 Shares or approximately 38.98% of the Shares in issue as at the Latest Practicable Date, and any Shareholder who is involved in, or interested in, the Underwriting Agreement, the Rights Issue and/or the Whitewash Waiver shall abstain from voting on the relevant resolutions at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mrs. Tse Wong Siu Yin Elizabeth, Hon. Raymond Arthur William Sears, Q.C. and Mr. Tung Woon Cheung Eric, has been established to advise the Independent Shareholders in connection with the Rights Issue, the Underwriting Agreement and the Whitewash Waiver and to make a recommendation as to whether the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, are in the interests of the Company and the Shareholders as a whole, and as to voting in respect of the relevant resolutions at the EGM. Our appointment has been approved by the Independent Board Committee. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

We are independent from the Company and the Underwriter, their respective controlling shareholders and any parties acting, or presumed to be acting, in concert with any of them or any company controlled by any of them. As at the Latest Practicable Date, Lego Corporate Finance did not have any relationships with or interests in the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance. In the last two years, there was no engagement between the Group and Lego Corporate Finance. Apart from normal professional fees paid or payable to us in connection with our appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company, the Underwriter, their respective controlling shareholders and any parties acting, or presumed to be acting, in concert with any of them or any company controlled by any of them. Accordingly, we are considered eligible to give independent advice in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information provided by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all material respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of this letter and all such statements of belief, opinions and intention of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the management of the Group, and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and/or the management of the Group are true, accurate, complete and not misleading in all material respects at the time they were made and continue to be so until the date of this letter. The Company shall inform the Independent Shareholders as soon as possible if there is any material change to such information in accordance with the Listing Rules and Rule 9.1 of the Takeovers Code up to and including the date of the EGM.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or any of its respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendations, we have taken into account the following principal factors and reasons:

1. Background information of the Group

The principal activity of the Company is investment holding. The principal activities of the Group's subsidiaries consist of securities, commodities, bullion and forex broking and trading, margin financing, money lending, provision of corporate advisory and underwriting services, asset and wealth management, property investment, media publications and financial public relation services, sales of jewellery products and investment holding. Set out in Table 1 below are certain consolidated financial information of the Group for each of the three years ended 31 December 2016, 2017 and

2018 as extracted from the annual reports of the Company for the year ended 31 December 2017 (the "**Annual Report 2017**") and 31 December 2018 (the "**Annual Report 2018**"), respectively.

Table 1: Financial information of the Group

	For the year ended 31 December		
	2018	**2017**	**2016**
	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
— Broking	42,497	52,707	30,324
— Trading and investment	(37,225)	114,713	36,437
— Margin financing and money lending	28,911	28,069	22,138
— Corporate advisory and underwriting	30,014	26,124	21,284
— Asset and wealth management	2,790	3,288	968
— Property investment	11,939	10,606	9,401
— Media publications and financial public relation services	54,889	17,609	—
— Jewellery business	9,092	—	—
— Other business	1,006	1,219	814
Total	143,913	254,335	121,366
Profit/(loss) for the year	(239,766)	52,539	(56,703)
Profit/(loss) for the year attributable to equity holders of the Company	(239,750)	52,539	(56,703)

	As at 31 December		
	2018	**2017**	**2016**
	(audited)	(audited)	(audited)
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets	687,026	572,467	480,862
Current assets	1,600,373	2,038,317	1,842,632
Current liabilities	1,185,496	1,231,133	1,050,576
Net current assets	414,877	807,184	792,056
Non-current liabilities	187,543	212,955	178,458
Net assets	914,360	1,166,696	1,094,460

For the year ended 31 December 2017

For the year ended 31 December 2017, the Group recorded revenue of approximately HK$254.34 million, representing an increase of approximately 109.56% as compared to approximately HK$121.37 million for the previous year. With reference to the Annual Report 2017, we noted that the increase in revenue was mainly attributable to (i) the increase in revenue from the broking business by approximately HK$22.38 million as a result of the increase in average market turnover due to local market rally; (ii) the increase in revenue from trading and investment from approximately HK$36.44 million to approximately HK$114.71 million as resulted from positive market sentiment amidst the market rally during the year; and (iii) the recognition of revenue of approximately HK$17.61 million from the media publications and financial public relation services for the year ended 31 December 2017 since completion of acquisition of a financial media group in January 2017.

For the year ended 31 December 2017, the Group recorded profit for the year attributable to equity holders of the Company of approximately HK$52.54 million, against the loss attributable to equity holders of the Company of approximately HK$56.70 million for the previous year. With reference to the Annual Report 2017, we noted that the such turnaround from loss to profit was largely attributable to (i) improvement in operating results of brokerage operations; and (ii) the record of a gain on the Group's financial assets at fair value through profit or loss of approximately HK$10.99 million against the fair value loss of approximately HK$66.67 million for the year ended 31 December 2016, amidst a market rally for the year ended 31 December 2017.

As at 31 December 2017, the net current assets and net assets of the Group amounted to approximately HK$807.18 million and approximately HK$1,166.70 million, respectively, which maintained relatively stable as compared to those as at 31 December 2016.

For the year ended 31 December 2018

For the year ended 31 December 2018, the Group recorded revenue of approximately HK$143.91 million, representing a decrease of approximately 43.42% as compared to approximately HK$254.34 million for the previous year. Based on the Annual Report 2018, we noted that such decrease was mainly attributable to (i) the negative revenue from trading and investment of approximately HK$37.23 million as recorded for the year ended 31 December 2018 against the positive revenue of HK$114.71 million for the previous year; and (ii) the decrease in brokerage commission income due to the overall weak investment sentiment for the year brought about by the uncertainty in trade disputes between the United States and the PRC and signs of deceleration of the PRC economy, among others.

For the year ended 31 December 2018, the Group recorded loss for the year attributable to equity holders of the Company of approximately HK$239.75 million, against the profit attributable to equity holders of the Company of approximately HK$52.54 million for the previous year. With reference to the Annual Report 2018, we noted that the loss-making performance of the Group was primarily resulted from (i) the decrease in revenue for the year ended 31 December 2018 as discussed in the above paragraph; and (ii) the recognition of the fair value loss of approximately HK$146.91 million as compared to the fair value gain of approximately HK$10.99 million as recorded for the previous year.

As at 31 December 2018, the net current assets and net assets of the Group amounted to approximately HK$414.88 million and approximately HK$914.36 million, respectively. The respective decreases in net current assets and net assets of the Group was mainly due to the combined effects of (i) the decrease in the proprietary trading portfolio as the stock price decreased; (ii) the decrease in the cash balance as result of operation loss; and (iii) the acquisition of a media group by the Group in March 2018 which recorded a net liability position.

2. Reasons for the Rights Issue and the proposed use of proceeds

As disclosed in the Letter from the Board, the gross proceeds from the Rights Issue amount to approximately HK$189.8 million before expenses. The estimated expenses in relation to the Rights Issue, including the financial, legal, and other professional advisory fees, underwriting commission, placing commission, printing and translation expenses will be borne by the Company. After exclusion of the aforementioned estimated expenses, the estimated net proceeds from the Rights Issue amounts to approximately HK$184.7 million, which is intended to be applied as to (i) approximately HK$170 million for the increase of the capital base of the Group in order to meet the new regulatory standards; and (ii) approximately HK$14.7 million for use as the Group's general working capital, including but not limited to administrative expenses such as employees' salaries.

Margin financing business of the Group and the intended use of proceeds

With reference to the Annual Report 2018, it is noted that South China Securities Limited ("**SCS**"), a wholly-owned subsidiary of the Group, is principally engaged in securities broking, margin financing and the provision of underwriting services. As seen from Table 1 in the above section headed "1. Background information of the Group", the revenue from the Group's margin financing and money lending business demonstrated a generally increasing trend, which recorded at approximately HK$28.91 million and contributed approximately 20.09% of the Group's revenue for the year ended 31 December 2018, being one of the key income sources of the Group. On 4 April 2019, the Guidelines with respect to the new requirements for Securities Margin Financing Activities (the "**Guidelines**") was published by the SFC, which shall become effective on 4 October 2019. According to the Guidelines, a securities margin financing (SMF) broker should take reasonable steps to avoid excessive exposure to outstanding margin calls, for example, the total amount of outstanding margin call of all margin clients should not exceed its shareholders' funds, or the total amount of long outstanding margin call of all margin clients should not exceed 25% of its shareholders' funds. In assessing the amount of required fund to increase the capital base of the Group in order to continue the margin financing business in compliance with the Guidelines, we have primarily taken into consideration (i) the long outstanding margin calls of SCS as at 30 June 2019 of all of its margin clients; (ii) the amount of shareholders' fund of

SCS as at 30 June 2019; and (iii) the historical monthly closing balances of long outstanding margin calls of all margin clients of SCS for the past six months ended 30 June 2019. Based on our review of the long outstanding margin calls of SCS as well as its shareholders' fund as at 30 June 2019, we noted that the shortfall between the shareholders' fund of SCS as at 30 June 2019 and the required amount of shareholders' funds as computed in accordance to the Guidelines such that the amount of long outstanding margin calls shall not exceed 25% of the shareholders' funds and that the total amount of outstanding margin call of all margin clients of SCS to stay below the level of its shareholders' funds, is comparable to the amount of approximately HK$170 million proposed to be used for replenishment of share capital of SCS. On the other hand, we noted that the recent monthly closing balances of long outstanding margin calls of SCS for the past six months ended 30 June 2019 were relatively stable and the average monthly closing balances during the period was comparable to that as at 30 June 2019. Based on the foregoing, we are of the view that the intended utilisation of the net proceeds from the Rights Issue is fair and reasonable so far as the Independent Shareholders are concerned.

Replenishment of the Group's general working capital

It is intended that as to approximately HK$14.70 million of the net proceeds from the Rights Issue will be applied as the Group's general working capital, including but not limited to administrative expenses such as employees' salaries. For the year ended 31 December 2018, the Group recorded a loss for the year of approximately HK$239.77 million and net cash flows used in operating activities of approximately HK$93.45 million. Therefore, adding the allocated net proceeds from the Rights Issue of approximately HK$14.70 million to the cash on hand of the Group of approximately HK$108.46 million as at 31 December 2018, the Group would have available fund of approximately HK$123.16 million, which would only cover less than six months of the average monthly operating expenses of the Group of approximately HK$20.80 million based on the operating expenses of the Group of approximately HK$249.55 million for the year ended 31 December 2018.

Financing alternatives considered by the Company

Upon enquiry with the management of the Company, we understand that the Board has considered various means of fund raising such as debt financing/bank borrowings and placing of new Shares, before resolving to the Rights Issue. With respect to debt financing/bank borrowings, the Company has approached certain commercial banks to explore the possibility of raising the necessary amount of fund for the Group. However, given the recent financial performance of the Group in particular its loss-making performance for the year ended 31 December 2018, the commercial banks are not willing to finance the proposed business plans including but not limited to margin financing of the Group. Further, the commercial banks generally requested for the provision of significant assets of the Group as collaterals in order to secure the loan. With reference to the Annual Report 2018, we noted that as at 31 December 2018, the current and non-current interest-bearing bank and other borrowings of the Group amounted to approximately HK$639.90 million in aggregate, of which more than 97% were secured. As advised by the Company, other than the collaterals for the existing banking facilities of the Group, the Group does not have any other material asset collaterals to obtain bank borrowings with favourable terms and meaningful loan size. Given that the Group would not be able to provide material pledge for the potential loan, a higher interest rate on the loan may be requested by the commercial banks. In this regard, we have reviewed the effective interest rate for unsecured bank loans of the Group as disclosed in the Annual Report 2018 which is based on Hong Kong Interbank Offered Rate (HIBOR), ranged from HIBOR+3.5% per annum to HIBOR+3.75% per annum. Based on the data available from the Hong Kong Monetary Authority, the average 1-month HIBOR in June 2019 amounted to 2.35% per annum. Based on the gross proceeds of the Rights Issue of approximately HK$189.8 million and the top range of the aforesaid interest rate, the estimated finance costs amounted to approximately HK$11.58 million per annum, which is significantly higher than the expenses expected to be incurred from the Rights Issue of approximately HK$5.1 million.

On the other hand, any placing exercise would only be conducted on a best-effort basis which may impose uncertainty on the final amount of proceeds to be raised and subject to market condition. Placing exercise also does not allow the Qualifying Shareholders the rights to participate in the enlarged capital base of the Company on an equitable basis and their shareholdings in the Company would be diluted without being offered an opportunity to maintain their respective pro-rata interests in the Company, unlike the Rights Issue. In contrast, the Rights Issue is on fully underwritten basis such that the degree of certainty on the amount of funds to be raised from the Rights Issue would be higher as compared to a placing exercise.

We noted that the Company had not approached any other independent underwriters with respect to the Rights Issue since the Underwriter is indirectly wholly owned by Mr. Ng, who is also the Substantial Shareholder of the Company with sufficient financial backing and a track record of completing capital market deals successfully with the Company. Considering that the underwriting of the Rights Shares by the Underwriter signify strong support and confidence from the Substantial Shareholder in the future development of the Group, and the fact that the Underwriter has previous business relationship with the Company would mitigate any potential leakage of material inside information, we concur with the Company's view that the engagement with the Underwriter for the underwriting of the Rights Shares is fair and reasonable.

In view of the above and in particular, (i) the Group does not have material asset as collaterals for obtaining bank borrowings with favourable terms as required by commercial banks; (ii) placing of new Shares will immediately dilute the shareholding interests of the Qualifying Shareholders without offering them equal opportunities to participate in the enlargement of the capital base of the Company and the potential growth of the Group; and (iii) other than those Rights Shares agreed to be taken up pursuant to the Irrevocable Undertakings, the Rights Issue is fully underwritten by the Underwriter, a company wholly-owned by Mr. Ng, who is the Chairman, an executive Director and Substantial Shareholder of the Company, which is a show of confidence in the Group's future development, we concur with the Board's view that raising funds by way of the Rights Issue is the most preferred option over the other financing alternatives.

In light of that (i) the stable revenue recorded from the margin financing business of the Group for the past years and it is in the interest of the Group and its Shareholders to engage in such business; (ii) it is necessary for SCS to increase its share capital in compliance with the Guidelines in order to continue its margin financing business under the existing scale; (iii) the proposed utilisation of the net proceeds and the allocation amount is consistent with the requirements as stipulated under the Guidelines which shall become effective late this year; (iv) the cash level of the Group, which amounted to approximately HK$108.46 million as at 31 December 2018, is not sufficient to increase the capital of SCS in order for it to comply with the Guidelines in view of its historical margin financing scale; and (v) the Rights Issue is the most preferred option over the other financing alternatives considered by the Company under present circumstances, we are of the view that the Rights Issue and accordingly the proposed use of proceeds thereof is fair and reasonable.

3. Principal terms of the Rights Issue

3.1 The Underwriting Agreement

On 3 July 2019, the Underwriter and the Company entered into the Underwriting Agreement in respect of the Rights Issue. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to fully underwrite all the Rights Shares other than those agreed to be taken up by Mr. Ng and his close associates (namely (i) the Underwriter; (ii) Fung Shing Group Limited; (iii) Parkfield Holdings Limited; and (iv) Ronastar Investments Limited), and Mr. Paul Ng pursuant to their respective Irrevocable Undertakings. Set out below is a summary of the Underwriting Agreement.

Date	:	3 July 2019
Underwriter	:	Uni-Spark Investments Limited, which is wholly-owned by Mr. Ng beneficially.
Total number of Rights Shares underwritten by the Underwriter	:	301,673,195 Rights Shares (having taken into account of the Irrevocable Undertakings and assuming no new Share being issued and no Share being repurchased on or before the Record Date and no placement made under the Compensatory Arrangements)
Commission	:	The Underwriter will receive 2% of the aggregate Subscription Price of the Underwritten Shares as underwriting commission

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter.

Further details of the Rights Issue are set out below:

Basis of the Rights Issue	:	Three Rights Shares for every two Shares held at the close of business on the Record Date
Subscription Price	:	HK$0.42 per Rights Share
Number of existing Shares in issue as at the Latest Practicable Date	:	301,277,070 Shares
Number of Rights Shares	:	451,915,605 Rights Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Number of issued shares of the Company upon completion of the Rights Issue	:	753,192,675 Shares, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before completion of the Rights Issue
Amount to be raised	:	Approximately HK$189.8 million before expenses

The estimated expenses of the Rights Issue (including the financial, legal, and other professional advisory fees, underwriting commission, placing commission, printing and translation expenses) are estimated to be approximately HK$5.1 million and will be payable by the Company.

As at the Latest Practicable Date, there are outstanding Share Options carrying the right to subscribe for a total number of 233,077 Rights Shares at an exercise price of HK$9.75 per Share, which are exercisable from 9 June 2018 to 8 June 2020 (both dates inclusive) granted and exercisable under the share option scheme. Save for the foregoing, there are no other options, warrants or other convertible securities granted by the Company that are subsisting as at the Latest Practicable Date.

Assuming no new Shares are issued and no repurchase of Shares on or before the Record Date, the number of 451,915,605 Rights Shares to be issued pursuant to the terms of the Rights Issue represents:

(a) approximately 150.00% of the total number of the existing issued Shares of 301,277,070 as at the Latest Practicable Date;

(b) approximately 60.00% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares immediately upon completion of the Rights Issue.

In addition, pursuant to the Underwriting Agreement, the Underwriter agreed to take appropriate steps to maintain the minimum public float for the Shares in compliance with Rule 8.08(1) of the Listing Rules, including entering into sub-underwriting agreement to place out its Shares, if necessary.

According to the Underwriter, should it be found that the Underwriter is required to underwrite an amount of Rights Shares that would result in the public float for the Shares falls below 25% upon the latest time for placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Bookrunner, the sub-underwriter will be the ultimate subscriber of the Rights Shares as it would be called upon to fulfil its sub-underwriting commitment.

As at the Latest Practicable Date, the Underwriter confirms that it has sub-underwritten its underwriting obligations under the Underwriting Agreement to one sub-underwriter, namely Supreme China Securities Limited (with a maximum number of 4,500,000 Rights Shares sub-underwritten), which together with its ultimate beneficial owners are Independent Third Parties and does not hold any Shares as at the Latest Practicable Date. Should the sub-underwriter underwrite such 4,500,000 Rights Shares, it would only own approximately 0.60% of the enlarged issued share capital of the Company, upon completion of the Rights Issue. Thus, public float issue will not be triggered as a result of the Rights Issue. In view of the above, we consider that appropriate and sufficient measures will be in place to maintain the public float requirements as required under the Listing Rules.

In determining the current subscription ratio and the Subscription Price of the Rights Issue, we note that the Company has considered various factors, including (i) as in other market precedents, that a reasonable discount to the closing price of the Share is necessary to attract the Shareholders to participate in the Rights Issue; (ii) the funding needs of the Group; (iii) the recent rights issues conducted by other Hong Kong listed issuers; (iv) the Subscription Price has to be set at a discount to the closing price of Share that is acceptable to the Underwriter; and (v) the dilution effect to the existing Shareholders as further discussed in the below section headed "4. Potential dilution effect on the interests of the Independent Shareholders". In balancing the factors aforementioned, the Directors consider that the subscription ratio of three Rights Shares for every two existing Shares to be appropriate. Given the net proceeds of HK$184.7 million is necessary to meet its funding requirements, we consider setting a higher subscription price or a more dilutive subscription ratio (which would have corresponding effects of reducing the applicable discount of the subscription price to the closing market prices of the Shares, or increasing the dilution impact) to be not commercially practical based on our comparison with other rights issue transactions recently conducted in the Hong Kong stock market, and taking into account the pricing and dilution effect of the Comparables (as defined below) as further discussed under the sub-section headed "*3.1.1 Assessment of the Subscription Price*" below.

We set out our methodology and analysis on the terms of the Rights Issue in assessing if the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The same methodology and analytical assessment would also be applied to a rights issue that is underwritten by an independent third party had the Company was successfully to enlist the commitment of an independent underwriter.

3.1.1 Assessment of the Subscription Price

The Subscription Price for the Rights Shares is HK$0.42 per Rights Share, payable in full when a Qualifying Shareholder accepts his/her/its provisional allotment under the Rights Issue or when a transferee of nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

(a) a discount of approximately 16.00% to the closing price of HK$0.500 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 7.08% to the theoretical diluted price of approximately HK$0.452 per Share taking into account the closing prices of the Shares as quoted on the Stock Exchange on the Last Trading Day;

(c) a discount of approximately 14.46% to the average of the closing prices of approximately HK$0.491 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;

(d) a discount of approximately 14.81% to the average of the closing prices of approximately HK$0.493 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;

(e) a discount of approximately 12.50% to the closing price of HK$0.48 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(f) a discount of approximately 86.16% to the audited consolidated net asset value attributable to the Shareholders as at 31 December 2018 as extracted from the Annual Report 2018 of approximately HK$3.035 per Share as at 31 December 2018;

(g) a discount of approximately 86.47% to the adjusted net asset value (the "**Adjusted NAV**") attributable to the Shareholders as at 31 December 2018 of approximately HK$3.105 per Share (based on the adjusted consolidated net assets value of approximately HK$935.36 million which represents the sum of the consolidated net assets of the Group of approximately HK$914.36 million as at 31 December 2018 and the excess of approximately HK$21 million of the market value of the investment property of approximately HK$550 million as at 31 May 2019 as shown in the valuation report set out in Appendix III to the Circular over the fair value of such property of approximately HK$529 million as recognised in the Annual Report 2018, divided by the number of Shares in issue as at the Latest Practicable Date of 301,277,070 Shares); and

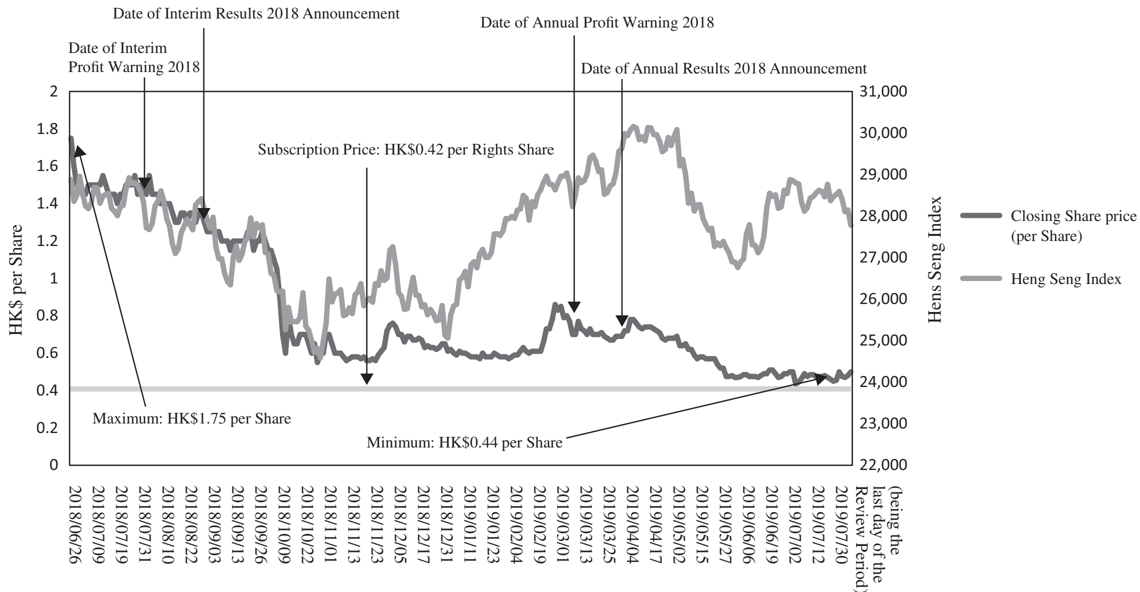
(h) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 9.60% represented by the theoretical diluted price of HK$0.452 per Share to the benchmarked price of approximately HK$0.500 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK$0.500 per Share and the average closing prices of the Shares as quoted on the Stock Exchange in the five (5) consecutive trading days immediately prior to the Last Trading Day of approximately HK$0.491 per Share).

Each Qualifying Shareholder will be entitled to subscribe for the Rights Shares at the same Subscription Price in proportion to his/her/its shareholding held on the Record Date.

a. Historical Share price performance and trading volume of the Shares

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the daily closing prices of the Shares on the Stock Exchange for the period from 26 June 2018 (being approximately twelve-month period prior to the Last Trading Day, i.e. 3 July 2019), up to and including the Latest Practicable Date (the "**Review Period**"). We consider that such period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison between the historical closing prices of the Shares and the Subscription Price. On 8 November 2018, the Company completed a share consolidation which became effective from 8 November 2018. In comparison of the Subscription Price to the historical closing price of the Shares, the historical daily closing prices of the Shares as quoted from the Stock Exchange prior to the effective date of the share consolidation and within the Review Period have been adjusted to reflect the closing Share prices on consolidated basis.

Chart 1: Daily closing price of the Shares during the Review Period



Source: The official website of the Stock Exchange (https://www.hkex.com.hk/)

As shown in Chart 1 above, the closing prices of the Shares during the Review Period ranged from HK$0.44 per Share to HK$1.75 per Share, with an average closing price of HK$0.81 per Share. The Subscription Price of HK$0.42 per Rights Share represents a discount of approximately 76.00% and 3.45% to the highest and lowest closing price of the Shares respectively and represents a discount of approximately 48.39% to the average closing price of the Shares during the Review Period.

The closing price of the Shares exhibited a generally decreasing trend since June 2018 from the highest position of HK$1.75 per Share to a low position of HK$0.55 per Share on 29 October 2018, and then surged to HK$0.72 per Share on 30 November 2018, HK$0.86 per Share on 28 February 2019 and HK$0.77 per Share on 12 March 2019. On 3 August 2018, the Company issued a profit warning announcement pursuant to which the Group expected to record a loss for the six months ended 30 June 2018 (the "**Interim Profit Warning 2018**"). On 28 August 2018, the Company issued an interim results announcement pursuant to which the Group recorded a loss for the six months ended 30 June 2018 (the "**Interim Results 2018 Announcement**"). On 1 March 2019, the Company issued another profit warning announcement pursuant to which the Group expected to record a loss for the year ended 31 December 2018 (the "**Annual Profit Warning 2018**"). On 20 March 2019, the Company issued an annual results announcement pursuant to which the Group recorded a loss for the year ended 31 December 2018 (the "**Annual Results 2018 Announcement**"). We have discussed with the management of the Company regarding the possible reason of the general declining trend in Share prices and we were advised that save for the above-mentioned profit warning announcements, the Interim Results 2018

Announcement and the Annual Results 2018 Announcement, they were not aware of any matters which might have an impact on the closing prices of the Shares. We are also advised that they are not aware of any reason of the respective rebounds in the closing prices of the Shares on 30 November 2018, 28 February 2019 and 12 March 2019.

We have also compared the performance of Hong Kong Heng Seng Index (the "**HSI**") with the closing price of the Shares during the Review Period, for most of the time, we noted that fluctuation of the closing price of the Shares is in line with the HSI.

Apart from the daily closing price of the Shares, we have also reviewed the average daily trading volume per month of the Shares for the Review Period as set out in the following Table 1.

Table 1: Average daily trading volume of the Shares

	Number of trading days	**Average daily trading volumes**	**Average daily trading volumes to total number of Shares in issue**	**Average daily trading volumes to total number of Shares held by Independent Shareholders**
		(Approximate number of Shares) *(Note 1)*	*(Approximate %)* *(Note 2)*	*(Approximate %)* *(Note 3)*
2018				
June (from 26 June 2018)	4	219,625	0.07	0.12
July	21	208,263	0.07	0.11
August	23	141,831	0.05	0.08
September	19	71,646	0.02	0.04
October	21	924,750	0.31	0.50
November	22	536,962	0.18	0.29
December	19	333,230	0.11	0.18
2019				
January	22	120,939	0.04	0.07
February	17	725,924	0.24	0.40
March	21	157,592	0.05	0.09
April	19	190,131	0.06	0.10
May	21	226,929	0.08	0.12
June	19	51,000	0.02	0.03
July (up to and including the Latest Practicable Date)	21	557,273	0.18	0.30

Source: The official website of the Stock Exchange (https://www.hkex.com.hk/)

Notes:

1. Computed by dividing the monthly trading volumes of the Shares by the total number of trading days of the respective corresponding months/periods.

2. Computed by dividing the average daily trading volumes of the Shares by the total issued Share capital of the Company of 301,277,070 Shares as at the Latest Practicable Date.

3. Computed by dividing the average daily trading volumes of the Shares by the total issued Share capital of the Company held by the Independent Shareholders of 183,762,152 Shares as at the Latest Practicable Date.

As shown in the Table 1 above, the highest average daily trading volume to total number of Shares in issue held by Independent Shareholders of 0.50% appeared in October 2018, of which 5 out of 21 trading days was over 0.50% of the total number of Shares in issue held by Independent Shareholders. The second and third highest average daily trading volume to total number of Shares in issue held by Independent Shareholders of 0.40% and 0.30% appeared in February and July 2019, of which 5 out of 17 trading days and 6 out of 21 trading days were over 0.40% and 0.30% of the total number of Shares in issue held by Independent Shareholders, respectively. The particularly high volatility in October 2018 and February 2019 was in line with the fluctuation as seen from the above analysis of the closing price of the Shares during the corresponding period and hence more active trading in the Shares. In respect of the particularly high volatility in July 2019, considering that the Announcement in relation to, among others, the Rights Issue was published on 3 July 2019 and that the Subscription Price represents a discount to the then closing price of the Shares, it is anticipated that the active trading of the Shares was due to the market sentiment arising from the Rights Issue. The average daily trading volume of Shares in each month/period as a percentage of the total number of Shares in issue held by Independent Shareholders ranged from approximately 0.03% to 0.50%, which indicates a relatively thin trading liquidity. Given the relatively thin trading liquidity of the Share during the Review Period, it would be difficult for the Shareholders to acquire a substantial block of the Shares in the open market, without exerting impact on the Share price. Accordingly, we consider that it is reasonable for the Subscription Price to be set at a discount to the prevailing historical closing prices of the Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue, and to maintain their respective shareholding interests in the Company.

b. Comparison with other rights issues

We have also compared the terms of the Rights Issue to those of other rights issues conducted by other companies listed in Hong Kong. We have identified an exhaustive list of 8 fully-underwritten rights issue exercises with underwriter(s) as connected person(s) and/or independent third parties both of which we consider appropriate as the principal terms such as subscription price and underwriting commission rate have been agreed after arm's length negotiation between the relevant parties as announced by companies listed on the Stock Exchange (the "**Comparables**") during the six-month period prior to and including the Last Trading Day ("**Analysis Period**"). We consider the Analysis Period is adequate and appropriate given that (i) such period would provide us with the recent and relevant information to demonstrate the prevailing market practice prior to the Last Trading Day; and (ii) we were able to identify sufficient samples for comparison within the Analysis Period. The exhaustive list with aforesaid selection criteria is a fair and representative sample to be taken as a general reference of the recent market practices in relation to rights issues. Although the businesses, operations, financial positions and prospects of the Company may not be the same as those of the subject companies of the Comparables, it can still demonstrate the recent market practices of rights issue exercises in the market conducted by Hong Kong listed companies. We have not conducted any independent verification with regard to the businesses and operations of the subject companies of the Comparables. Set out below is a summary of the Comparables.

Table 2: Summary of the Comparables

Company Name (Stock Code)	Date of Announcement	Principal businesses	Premium/ (discount) of the subscription price over/to the closing price per share/H share (as the case may be) on the last trading day prior to/on the date of the respective underwriting agreements *(Approximate)* %	Premium/ (discount) of the subscription price over/to the theoretical ex-rights price per share/H share (as the case may be) on the last trading day prior to/on the date of the respective underwriting agreements *(Approximate)* %	Premium/ (discount) of the subscription price over/to the consolidated net asset value per share *(Approximate)* % *(Note 1)*	Maximum dilution *(Approximate)* % *(Note 2)*	Underwriting commission %	Involved connected person(s) as underwriter(s) *(Yes/No)*
International Standard Resources Holdings Limited (91)	13/6/2019	Exploitation of natural gases and sale of electronic components	(32.96)	(34.07)	33.78	33.33	2.50	No
Xinjiang Goldwind Science & Technology Co., Ltd. (2208)	18/3/2019	Manufacture and distribution of wind turbine generator sets and spare parts, provision of wind power services, investment and development of wind farms	(20.75)	(18.04)	(82.16) *(Note 3)*	15.97	0 *(Note 4)*	No

Company Name (Stock Code)	Date of Announcement	Principal businesses	Premium/ (discount) of the subscription price over/to the closing price per share/H share (as the case may be) on the last trading day prior to/on the date of the respective underwriting agreements *(Approximate)* %	Premium/ (discount) of the subscription price over/to the theoretical ex-rights price per share/H share (as the case may be) on the last trading day prior to/on the date of the respective underwriting agreements *(Approximate)* %	Premium/ (discount) of the subscription price over/to the consolidated net asset value per share *(Approximate)* % *(Note 1)*	Maximum dilution *(Approximate)* % *(Note 2)*	Underwriting commission %	Involved connected person(s) as underwriter(s) *(Yes/No)*
APAC Resources Limited (1104)	11/3/2019	Trading of commodities and provision of financial and investment services	(14.73)	(10.35)	(70.72)	33.33	2.50	No
Birmingham Sports Holdings Limited (2309)	28/2/2019	Operation of football club	(43.18)	(33.63)	1.20	33.33	1.50	No
Southwest Securities International Securities Limited (812)	20/2/2019	Provision of brokerage, asset management and corporate finance services	(20.61)	(14.94)	111.30	33.33	2.50	No
Victory City International Holdings Limited (539)	19/2/2019	Manufacture and sale of garment products	(14.78)	(10.09)	(91.90)	33.33	1.00	No
GT Group Holdings Limited (263)	15/1/2019	Trading of goods, property development, brokerage and securities investment	(27.27)	(6.98)	(85.42)	80.00	3.00	No
Chen Xing Development Holdings Limited (2286)	11/1/2019	Residential and commercial properties development	(5.66)	(5.06)	7.68	16.67	0.25 *(Note 5)*	No
Maximum			(5.66)	(5.06)	111.30	80.00	3.00	
Minimum			(43.18)	(34.07)	(91.90)	15.97	0	
Average			(22.49)	(16.64)	(22.03)	34.91	1.66	
The Company			(16.00)	(7.08)	(86.16)	60	2	

Source: The official website of the Stock Exchange (https://www.hkex.com.hk/)

Notes:

1. The consolidated net asset value per share was based on the latest available audited net asset value attributable to equity holders of the respective companies and the then outstanding number of shares in issue as at the last trading day prior to/on the date of the underlying underwriting agreements.

2. Maximum dilution on the shareholding of each of the Comparables is calculated as:

   ((number of rights shares to be issued under the basis of entitlement)/(number of existing shares held for the entitlement for the rights shares under the basis of entitlement + number of rights shares to be issued under the basis of entitlement) x 100%), e.g. for a rights issue with basis of one rights share for every one existing share, the maximum dilution effect is calculated as: (1/(1+1)*100%) = 50.0%.

3. For illustrative purpose, an approximate translation rate of RMB1.00=HK$1.13 was used in computing the discount.

4. As the details of the underwriting commission have not been disclosed in its announcement/circular, the underwriting commission was deemed to be zero for analytical purpose.

5. The underwriter will receive a fixed underwriting commission of HK$1.3 million, plus a discretionary bonus of 0.25% on the total amount to be raised.

Based on the above Table 2, we noted that:

(i) the subscription prices to the closing prices on the respective last trading day prior to the rights issue announcements of the Comparables ranged from a discount of approximately 5.66% to a discount of approximately 43.18% (the "**Comparable LTD Range**"), with an average discount of approximately 22.49% (the "**Comparable LTD Average**"). The discount of 16.00% to the closing price per Share on the Last Trading Day as represented by the Subscription Price (the "**LTD Discount**") is within the Comparable LTD Range and has a less discount than the Comparable LTD Average;

(ii) the subscription prices to the theoretical ex-rights prices per share based on the respective last trading day prior to the rights issue announcements of the Comparables ranged from a discount of approximately 5.06% to a discount of approximately 34.07% (the "**Comparable TERP Range**"), with an average discount of approximately 16.64% (the "**Comparable TERP Average**"). The discount of the Subscription Price of the Rights Issue to the theoretical ex-rights price per Share on the Last Trading Day (the "**TERP Discount**") is approximately 7.08%, which is within the Comparable TERP Range and has a less discount than the Comparable TERP Average;

(iii) the subscription prices to the consolidated net asset value (the "**NAV**") per share ranged from a premium of approximately 111.30 % to a discount of approximately 91.9% (the "**Comparable Price-to-NAV Range**"), with an average of discount of approximately 22.03% (the "**Comparable Price-to-NAV Average**"). The Subscription Price as compared to the NAV per Share (the "**Price-to-NAV Discount**") and the Adjusted NAV per Share (the "**Price-to-Adjusted NAV Discount**") as at 31 December 2018 is at a discount of approximately 86.16% and 86.47%, respectively, which are both within the Comparable Price-to-NAV Range and have a higher discount than the Comparable Price-to-NAV Average; and

(iv) the underwriting commissions ranged from 0% to 3% (the "**Commission Range**"), with an average of approximately 1.66% (the "**Commission Average**") and the underwriting commissions payable to the Underwriter is within the Commission Range and higher than the Commission Average.

While we noted that each of the Price-to-NAV Discount and Price-to-Adjusted NAV Discount falls within the Comparable Price-to-NAV Range and is higher than the Comparable Price-to-NAV Average, given that (1) the respective subscription price of all the Comparables was determined with reference to the then market price of the shares, but not the consolidated net asset value per share; and(2) the Comparable Price-to-NAV Range is wide and scattered, from a premium of approximately 111.30% to a discount of approximately 91.9%, we considered that the Comparable Price-to-NAV Range and the Comparable Price-to-NAV Average may not be appropriate indicators for assessing the Subscription Price, and despite the underwriting commission payable to the Underwriter is higher than the Commission Average, which is less favorable as compared to other Comparables, taking into account that (i) each of the LTD Discount and the TERP Discount under the Rights Issue has lesser discount than the respective Comparable LTD Average and Comparable TERP Average, (ii) the overall declining trend of the closing prices of the Shares during the Review Period; and (iii) the generally thin liquidity of the Shares during the Review Period, we are of the view that the principal terms, including the Subscription Price and the underwriting commission payable to the Underwriter, are on normal commercial term, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

3.2 The Placing Agreement

Pursuant to Rule 7.21(2) of the Listing Rules, as the Underwriter, being the Shareholder and indirectly wholly-owned by Mr. Ng, acts as an underwriter of the Rights Issue, the Company must make arrangements described in Rule 7.21(1)(b) of the Listing Rules to dispose the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue as required by Rule 7.21(2) of the Listing Rules.

The Company therefore appointed the Bookrunner to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance to independent placees on a best-effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Bookrunner (including any other related expenses/fees), that is realised, will be paid to those No Action Shareholders. The Bookrunner will, on a best-effort basis, procure acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares if a premium over the Subscription Price and the expenses of procuring such acquirers (including any related commissions and any other related expenses/fees) can be obtained. Any unsold Unsubscribed Rights Shares and the NQS Unsold Rights Shares will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

On 3 July 2019 (after trading hours), the Company and the Bookrunner entered into the Placing Agreement, pursuant to which the Bookrunner has conditionally agreed to procure independent placees, on a best-effort basis, to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Details of the principal terms of the Placing Agreement are set out in the Letter from the Board. Pursuant to the Placing Agreement, a fixed fee of HK$100,000 shall be payable to the Bookrunner and the Bookrunner shall be reimbursed for the expenses in relation to the placing (including but not limited to all out-of-pocket expenses actually incurred by the Bookrunner for placing the Unsubscribed Rights Shares and the NQS Unsold Rights Shares), which the Bookrunner is authorised to deduct from the payment to be made by it to the Company at the Placing Completion Date.

In assessing the fairness and reasonableness of the principal terms of the Placing Agreement, including the commission fees payable to the Bookrunner, we have primarily made reference to recent placing exercises ("**Placing Comparables**") conducted as a result of the compensatory arrangement as required under the Listing Rules in connection with rights issue/open offer exercises conducted by other listed issuers in Hong Kong, as announced on the Stock Exchange since 3 July 2018, the date on which amendments to the Listing Rules in respect of rights issue/open offer came into effect, up to and including the date of the Announcement, which in our view represents a reasonable and appropriate time period given that such period would provide us with relevant comparable transactions which are conducted under the Listing Rules requirements with respect to rights issue/open offer as the Rights

Issue. We therefore consider that the Placing Comparables are fair and representative samples. We have identified an exhaustive list of 6 Placing Comparables which are set out in Table 3 below:

Table 3: Summary of the Placing Comparables

Company (Stock code)	Date of announcement	Commission fee/ rate payable to the bookrunner
i-CABLE COMMUNICATIONS LIMITED (1097)	9 November 2018	The higher of HK$200,000 or 1.75% of the gross proceeds from the subscription of the unsubscribed rights shares and reimbursed for the expenses in relation to the placing
i-CABLE COMMUNICATIONS LIMITED (1097)	25 January 2019	The higher of HK$200,000 or 1.75% of the gross proceeds from the subscription of the unsubscribed/unsold rights shares and reimbursed for the expenses in relation to the placing
Sing Lee Software (Group) Limited (8076)	13 March 2019	The higher of HK$100,000 or 2% of the gross proceeds from the subscription of the unsubscribed/unsold rights shares and reimbursed for the expenses in relation to the placing
Prosperity International Holdings (H.K.) Limited (803)	2 April 2019	5% of the gross proceeds from the subscription of the unsubscribed/unsold rights shares and reimbursed for the expenses in relation to the placing
JTF International Holdings Limited (8479)	3 April 2019	The higher of HK$100,000 or 1% of the gross proceeds from the subscription of the unsubscribed/unsold rights shares, subject to a maximum of HK$200,000
Food Idea Holdings Limited (8179)	11 June 2019	HK$150,000 will be reimbursed for the expenses in relation to the placing

Based on our review, we noted that the commission fees payable to the respective bookrunners under the Placing Comparables are either a fixed fee or based on certain proportion of the gross proceeds from the subscription of the unsubscribed/unsold shares, and/or reimbursed for the expenses in relation to the placing which the bookrunner is authorised to deduct from the payment to be made by it at completion. Hence, we consider that the fixed fee of HK$100,000 payable to the Bookrunner is not uncommon, and is comparable to those under the Placing Comparables. Further, we have reviewed other principal terms of the Placing

Comparables including the determination basis of the placing price of the unsubscribed/unsold shares and termination clauses thereof and are of the view that the principal terms of the Placing Agreement are generally consistent with the market practice. Given that (a) the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company; and (ii) a compensatory mechanism for No Action Shareholders; and (b) the terms of the Placing Agreement and in particular the fixed commission fee payable to the Bookrunner are generally consistent with the market practice, we concur with the Company that the Compensatory Arrangements are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole, and would safeguard the interest of the Independent Shareholders.

4. Potential dilution effect on the interests of the Independent Shareholders

The changes in shareholding structure of the Company arising from completion of the Rights Issue is set out in the section headed "SHAREHOLDING STRUCTURE OF THE COMPANY" in the Letter from the Board. It is noted that, the shareholding interest of the public Shareholders will be diluted from approximately 61.00% as at the Latest Practicable Date to approximately 25% immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Shareholders and Directors who have provided Irrevocable Undertakings and no placement made under the Compensatory Arrangement, representing a maximum potential dilution of 59.02%.

Notwithstanding the potential dilution impact to the public Shareholders who do not participate in the Rights Issue, taking into consideration that (i) all Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares so as to maintain their respective proportionate shareholding interest in the Company; (ii) the shareholding interest of the Qualifying Shareholders would not be diluted if they elect to subscribe for in full their assured entitlements; (iii) the dilution effect of the Rights Issue is within the range of that of the Comparables; (iv) the Rights Issue is the most appropriate financing alternative under present circumstances of the Company; and (v) a substantial portion of the net proceeds from the Rights Issue would be applied to the margin financing business of the Group which we consider fair and reasonable, we are of the opinion that the Rights Issue is in the interest of the Company and the Shareholders as a whole.

5. Financial effects of the Rights Issue

Net tangible assets

Based on the Annual Report 2018, the consolidated net tangible assets of the Group per Share was approximately HK$2.70, computed by dividing the total consolidated net tangible assets of the Group of approximately HK$813.50 million by the total number of issued Shares of 301,277,070. With reference to "Unaudited pro forma financial information of the Group" as set out in Appendix II of the Circular, assuming that completion of the Rights Issue took place on 31 December

2018, the unaudited pro forma adjusted consolidated net tangible assets of the Group was approximately HK$998.20 million as at 31 December 2018, while the unaudited pro forma adjusted consolidated net tangible assets of the Group per Share was approximately HK$1.33 as at 31 December 2018.

Liquidity

Based on the Annual Report 2018, the cash and bank balances of the Group amounted to approximately HK$108.46 million as at 31 December 2018. Immediately upon completion of the Rights Issue, the cash and bank balances of the Group is expected to increase by the estimated net proceeds of the Rights Issue of approximately HK$184.7 million. As such, the liquidity of the Group will be enhanced following completion of the Rights Issue.

Gearing ratio

As at 31 December 2018, the Group's gearing ratio, which is computed as net debt (which includes interest-bearing bank borrowings, other borrowings, less cash and bank balances) divided by capital plus net debt, was approximately 36.76%. Assuming the level of borrowings of the Group remains unchanged, the capital base of the Group would be enlarged and the cash and bank balances of the Group will increase upon completion of the Rights Issue. Accordingly, the gearing ratio of the Group will be improved as a result of the Rights Issue.

Notwithstanding that the consolidated net tangible assets per Share of the Company would decrease as a result of the Rights Issue, the liquidity and gearing ratio of the Group would be enhanced. As such, we consider that the overall financial effect to the Group upon completion of the Rights Issue is positive.

Shareholders should note that the above analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon completion of the Rights Issue.

6. The Whitewash Waiver

As at the Latest Practicable Date, Mr. Ng, the Substantial Shareholder of the Company, an executive Director, the Chairman of the Board and the beneficial owner of the entire interests in the Underwriter, is interested in 88,461,607 Shares, representing approximately 29.36% of the total number of issued Shares. Also, Ms. Cheung and Mr. Gorges, each a party acting in concert with the Underwriter, owns 12,300,311 Shares and 5,000,000 Shares as at the Latest Practicable Date, representing approximately 4.08% and 1.66% of the Shares currently in issue respectively. Each of Mr. Paul Ng and Ms. Jessica Ng, the son and the daughter of Mr. Ng, is presumed to be a party acting in concert with Mr. Ng and, hence, the Underwriter under the Takeovers Code by virtue of being a close relative of Mr. Ng. As at the Latest Practicable Date, Mr. Paul Ng owns 11,700,000 Shares, representing approximately 3.88% of the Shares currently in issue, and Ms. Jessica Ng does not hold any Share and other relevant securities (as defined in Note 4 to

Rule 22 of the Takeovers Code) of the Company. Accordingly, the Underwriter and the parties acting in concert with it are interested in 117,461,918 Shares in aggregate, representing approximately 38.98% of the Shares currently in issue.

Pursuant to the Underwriting Agreement, the Underwriter will subscribe for and take up 301,673,195 Rights Shares (including 18,450,466 Rights Shares and 7,500,000 Rights Shares that Ms. Cheung and Mr. Gorges are entitled to subscribe respectively) that are not subscribed for under the Rights Issue in the event that no Qualifying Shareholder (other than the Shareholders and Directors who have provided the Irrevocable Undertakings) takes up any Rights Share under the Rights Issue and no placement made under the Compensatory Arrangements.

If the Underwriter takes up the Underwritten Shares in full, it will result in an increase in the aggregate shareholding of the Underwriter and parties acting in concert with it (including but not limited to Mr. Ng and his close associates, Mr. Paul Ng, Ms. Cheung and Mr. Gorges) in the Company from approximately 38.98% of the existing issued share capital of the Company to approximately 75.59% of the then enlarged issued share capital of the Company immediately after completion of the Rights Issue. As the Underwriter and parties acting in concert with it, currently as at the Latest Practicable Date hold not less than 30%, but not more than 50%, of the voting rights of the Company collectively, if any one or more of them (including the Underwriter) acquires additional voting rights and such acquisition has the effect of increasing their collective holding of voting rights of the Company by more than 2% from the lowest collective percentage holding of such persons in the 12 month period ending on and inclusive of the date of the relevant acquisition, the Underwriter and parties acting in concert with it would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it unless the Whitewash Waiver is granted.

In this regard, we note that the Underwriter has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive has indicated that the Whitewash Waiver, will be granted and will be conditional upon, among others, the approval of the Whitewash Waiver by at least 75% of the Independent Shareholders voting in person or by proxy at the EGM by way of poll. The Underwriter (holding 7,178,761 Shares, representing approximately 2.38% of the Shares currently in issue as at the Latest Practicable Date) and parties acting in concert with it, namely Mr. Ng, Mr. Paul Ng, Ms. Cheung, Mr. Gorges, Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited (holding 11,133,264 Shares, 11,700,000 Shares, 12,300,311 Shares, 5,000,000 Shares, 23,526,030 Shares, 44,623,680 Shares and 1,999,872 Shares, representing approximately 3.70%, 3.88%, 4.08%, 1.66%, 7.81%, 14.81% and 0.66% of the Shares currently in issue as at the Latest Practicable Date, respectively), and any Shareholder who is involved in, or interested in, the Underwriting Agreement, the Rights Issue and/or the Whitewash Waiver shall abstain from voting on the relevant resolutions at the EGM. In the event that such an approval is not granted by the Executive or approved by the Independent Shareholders, the Rights Issue will not proceed.

Having considered (i) the reasons for and benefits of the Rights Issue and that it is the preferred method for fund raising for the Group as explained in the section headed "2. Reasons for the Rights Issue and the proposed use of proceeds" above; (ii) the Subscription Price is fair and reasonable and is in the interest of the Company and the Shareholders having regards to the historical market price of the Share during the Review Period and the subscription prices of the Comparables as discussed in the sub-section headed "3.1.1 Assessment of the Subscription Price" above; (iii) the aforementioned assessment that the maximum possible dilution effect to the Qualifying Shareholders is acceptable as discussed in the section headed "4. Potential dilution effect on the interests of the Independent Shareholders" above; and (iv) the overall positive expected financial effects as a result of the Rights Issue, in particular, the expected improvement in the liquidity and the gearing ratio of the Group, we are of the opinion that the granting and approval of the Whitewash Waiver, being a condition precedent to each of the Underwriting Agreement and the Placing Agreement, is in the interests of the Company and the Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Rights Issue.

RECOMMENDATIONS

Taking into consideration of the principal factors and reasons as set out in this letter, and in particular that:

(a) it is necessary for SCS to increase its share capital in compliance with the Guidelines in order to continue its margin financing business under the existing scale;

(b) the proposed utilisation of the net proceeds and the allocation amount is consistent with the requirements as stipulated under the Guidelines which shall become effective late this year;

(c) the Rights Issue is the most preferred option over the other financing alternatives considered by the Company under present circumstances taking into account the recent financial performance of the Group, among others;

(d) the principal terms of the Underwriting Agreement (including the commission rate, the Subscription Price and the subscription ratio) is in line with the market and, in particular, the LTD Discount and the TERP Discount has lesser discount than the respective Comparable LTD Average and Comparable TERP Average;

(e) the terms of the Placing Agreement are in line with the market and the Compensatory Arrangements would safeguard the interest of the Independent Shareholders; and

(f) the overall positive financial effects as a result of the Rights Issue, in particular, the expected improvement in liquidity and gearing ratio of the Group;

we are of the view that, although the entering into of the Underwriting Agreement and the Placing Agreement was not in the ordinary and usual course of business of the Group, the terms of the Rights Issue are normal commercial terms, fair and reasonable so far as the

Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Billy Tang
Managing Director

Mr. Billy Tang is a licensed person registered with the SFC and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in the corporate finance advisory profession.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the three years ended 31 December 2018 together with the relevant notes thereto are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.com.hk) and the website of the Company (http://www.sctrade.com):

- pages 65 to 188 in the annual report of the Company for the year ended 31 December 2018 published on 26 April 2019;
- pages 55 to 158 in the annual report of the Company for the year ended 31 December 2017 published on 26 April 2018; and
- pages 36 to 119 in the annual report of the Company for the year ended 31 December 2016 published on 27 April 2017.

Set out below is a summary of the audited financial results of the Group for each of the three years ended 31 December 2016, 2017 and 2018 as extracted from the annual reports of the Company for the years ended 31 December 2016, 2017 and 2018. No dividend was declared or paid by the Group and there were no extraordinary items or exceptional items in respect of the consolidated income statement of the Group for each of the aforesaid years. The Company's auditors, Ernst & Young, have not issued any modified opinion, emphasis of matter or material uncertainty related to going concern contained in the Group's financial statements for each of the three years ended 31 December 2016, 2017 and 2018.

	For the year ended 31 December		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	121,366	254,335	143,913
Profit/(loss) before tax from continuing operations	(55,867)	53,417	(227,138)
Income tax expense	(836)	(878)	(894)
Profit/(loss) for the year from continuing operations	(56,703)	52,539	(228,032)
Loss for the year from a discontinuing operation	—	—	(11,734)
Profit/(loss) for the year	(56,703)	52,539	(239,766)
Profit/(loss) attributable to:			
Equity holders of the Company			
— For profit/(loss) from continuing operations	(56,703)	52,539	(228,016)
— For loss from a discontinuing operation	—	—	(11,734)
	(56,703)	52,539	(239,750)
Non-controlling interests	—	—	(16)
	(56,703)	52,539	(239,766)
Total comprehensive income/(loss) attributable to:			
— Equity holders of the Company	(66,957)	72,865	(252,010)
— Non-controlling interest	—	—	(16)
	(66,957)	72,865	(252,026)
Earnings/(loss) per share attributable to equity holders of the Company			
Basic and diluted (HK cents)	(restated)	(restated)	
— For profit/(loss) for the year	(26.3 cents)	17.4 cents	(79.6 cents)
— For profit/(loss) from continuing operations	(26.3 cents)	17.4 cents	(75.7 cents)
	(Note 1)	*(Note 2)*	

There were no items of income or expense which are material recorded in the consolidated financial statements of the Group for each of the three years ended 31 December 2018.

Notes:

1. According to HKAS 33 Appendix A, the basic and diluted loss per share for the year ended 31 December 2016 was adjusted to reflect the share consolidation completed in the year ended 31 December 2018.

2. As disclosed in the notes to the audited consolidated financial statements of the Company for the year ended 31 December 2018, the basic and diluted loss per share for the year ended 31 December 2017 was adjusted to reflect the share consolidation of the Company during the year ended 31 December 2018.

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE TWO YEARS ENDED 31 DECEMBER 2018

Set out below are the audited financial statements of the Group for the two years ended 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	143,913	254,335
Other income		2,613	3,521
Fair value gain on investment properties		49,000	40,000
Fair value gain/(loss) on financial assets at fair value through profit or loss		(146,911)	10,985
Impairment of goodwill		—	(351)
Impairment of intangible assets		—	(2,265)
Impairment of loans and trade receivables, net		(8,165)	(3,503)
Other operating expenses		(249,545)	(239,181)
Profit/(loss) from operating activities		(209,095)	63,541
Finance costs	7	(18,043)	(10,124)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	6	(227,138)	53,417
Income tax expense	10	(894)	(878)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		(228,032)	52,539
DISCONTINUING OPERATION			
Loss for the year from a discontinuing operation	11	(11,734)	—
PROFIT/(LOSS) FOR THE YEAR		(239,766)	52,539

	Notes	2018 HK$'000	2017 HK$'000
Attributable to:			
Equity holders of the Company			
— For profit/(loss) from continuing operations		(228,016)	52,539
— For loss from a discontinuing operation		(11,734)	—
For profit/(loss) for the year		(239,750)	52,539
Non-controlling interests		(16)	—
		(239,766)	52,539
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12		(Restated)
Basic and diluted			
— For profit/(loss) for the year		(HK79.6 cents)	HK17.4 cents
— For profit/(loss) from continuing operations		(HK75.7 cents)	HK17.4 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	3,591	3,132
Investment properties	14	529,000	480,000
Intangible assets	16	10,916	4,242
Investments in associates	18	—	—
Available-for-sale investments	20	—	42,135
Equity investments designated at fair value through other comprehensive income	20	30,520	—
Debt investments at fair value through other comprehensive income	20	3,080	—
Other assets	17	7,514	17,675
Goodwill	15	89,948	13,714
Long term loans receivable	19	11,849	9,981
Long term prepayment and deposits	25	608	1,588
Total non-current assets		687,026	572,467
CURRENT ASSETS			
Inventories	22	13,432	—
Financial assets at fair value through profit or loss	23	431,167	625,183
Loans receivable	19	285,428	378,195
Trade receivables	24	167,580	147,293
Contract assets	26	3,352	—
Prepayments, other receivables and other assets	25	41,348	47,638
Derivative financial instruments	27	541	615
Tax recoverable		227	227
Pledged time deposits	28	—	500
Cash held on behalf of clients	29	541,617	597,368
Cash and bank balances	28	108,456	241,298
		1,593,148	2,038,317
Assets of a disposal group classified as held for sale	11	7,225	—
Total current assets		1,600,373	2,038,317

	Notes	2018 HK$'000	2017 HK$'000
CURRENT LIABILITIES			
Client deposits	30	485,171	719,728
Trade payables	31	170,473	53,823
Other payables and accruals	32	33,174	23,853
Derivative financial instruments	27	197	289
Interest-bearing bank and other borrowings	33	486,978	430,620
Tax payable		2,898	2,820
		1,178,891	1,231,133
Liabilities directly associated with the assets classified as held for sale	11	6,605	—
Total current liabilities		1,185,496	1,231,133
NET CURRENT ASSETS		414,877	807,184
TOTAL ASSETS LESS CURRENT LIABILITIES		1,101,903	1,379,651
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	33	152,919	181,057
Deposits received		3,672	1,260
Deferred tax liabilities	21	30,952	30,638
Total non-current liabilities		187,543	212,955
Net assets		914,360	1,166,696
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	34	1,085,474	1,085,474
Reserves	36	(171,945)	81,222
		913,529	1,166,696
Non-controlling interests		831	—
Total equity		914,360	1,166,696

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

		Attributable to equity holders of the Company								
	Notes	Share capital HK$'000	Property revaluation reserve# HK$'000	Available-for-sale investment revaluation/ Fair value reserve HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017		1,086,680	120,145	7,447	2,633	(2,386)	(120,059)	1,094,460	—	1,094,460
Profit for the year		—	—	—	—	—	52,539	52,539	—	52,539
Other comprehensive income for the year		—	—	15,077	—	5,249	—	20,326	—	20,326
Total comprehensive income for the year		—	—	15,077	—	5,249	52,539	72,865	—	72,865
Share repurchased	34	(1,206)	—	—	—	—	—	(1,206)	—	(1,206)
Equity-settled share option arrangements	35	—	—	—	577	—	—	577	—	577
Transfer of share option reserve upon the forfeiture of share options		—	—	—	(429)	—	429	—	—	—
At 31 December 2017		1,085,474	120,145*	22,524*	2,781*	2,863*	(67,091)*	1,166,696	—	1,166,696
Effect of adoption of HKFRS 9	2.2	—	—	—	—	—	(1,313)	(1,313)	—	(1,313)
At 1 January 2018 (restated)		1,085,474	120,145	22,524	2,781	2,863	(68,404)	1,165,383	—	1,165,383
Loss for the year		—	—	—	—	—	(239,750)	(239,750)	(16)	(239,766)
Other comprehensive loss for the year		—	—	(8,535)	—	(3,725)	—	(12,260)	—	(12,260)
Total comprehensive loss for the year		—	—	(8,535)	—	(3,725)	(239,750)	(252,010)	(16)	(252,026)
Acquisition of subsidiaries	38	—	—	—	—	—	—	—	847	847
Equity-settled share option arrangements	35	—	—	—	156	—	—	156	—	156
Transfer of share option reserve upon the forfeiture of share options		—	—	—	(859)	—	859	—	—	—
At 31 December 2018		1,085,474	120,145*	13,989*	2,078*	(862)*	(307,295)*	913,529	831	914,360

The property revaluation reserve arose from a change in use from owner-occupied properties to investment properties carried at fair value on 30 June 2012.

* These reserve accounts comprise the debit consolidated reserves of HK$171,945,000 (2017: reserves of HK$81,222,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
PROFIT/(LOSS) FOR THE YEAR		(239,766)	52,539
OTHER COMPREHENSIVE INCOME/ (LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	*37*	(3,020)	20,326
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	*37*	(9,240)	—
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		(12,260)	20,326
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR		(252,026)	72,865
Attributable to:			
Equity holders of the Company		(252,010)	72,865
Non-controlling interests		(16)	—
		(252,026)	72,865

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:			
From continuing operations		(227,138)	53,417
From a discontinuing operation	11	(11,734)	—
Adjustments for:			
Finance costs	7	18,043	10,124
Dividend income from listed investments	5	(14,779)	(9,824)
Fair value gain on investment properties		(49,000)	(40,000)
Fair value loss/(gain) on financial assets at fair value through profit or loss		146,911	(10,985)
Impairment of loans and trade receivables, net	6	8,165	3,503
Depreciation		2,160	1,568
Amortisation of intangible assets	6	1,379	626
Impairment of intangible assets	6	—	2,265
Impairment of goodwill	6	—	351
Write-off of items of property, plant and equipment	6	23	—
Equity-settled share option expense	6, 35	156	577
		(125,814)	11,622
Decrease/(increase) in financial assets at fair value through profit or loss		47,000	(199,957)
Movements in derivative financial instruments		87	(48,947)
Increase in inventories		(2,142)	—
Decrease/(increase) in loans receivable		81,661	(67,944)
Decrease/(increase) in trade receivables		(14,264)	91,565
Increase in contract assets		(2,054)	—
Decrease/(increase) in prepayments, other receivables and other assets		7,761	(10,059)
Decrease/(increase) in cash held on behalf of clients		55,751	(117,944)
Decrease/(increase) in amounts due from related companies		499	(1,597)
Increase/(decrease) in client deposits		(234,557)	188,865
Increase in trade payables		104,008	23,712
Increase in other payables and accruals		7,256	2,887
Decrease in amounts due to related companies		—	(137)
Cash used in operations		(74,808)	(127,934)
Interest paid		(17,990)	(10,124)
Hong Kong profits tax paid		—	(1,686)
Overseas taxes paid		(649)	(342)
Net cash flows used in operating activities		(93,447)	(140,086)

	Notes	**2018** *HK$'000*	**2017** *HK$'000*
Net cash flows used in operating activities		(93,447)	(140,086)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income received from listed investments		14,779	9,824
Acquisitions of subsidiaries	*38*	(56,044)	(22,008)
Purchases of items of property, plant and equipment	*13*	(6,568)	(1,456)
Additions to intangible assets	*16*	(287)	(87)
Decrease/(increase) in other assets		10,161	(10,439)
Net cash flows used in investing activities		(37,959)	(24,166)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		13,379,000	4,170,689
Repayment of bank loans		(13,382,904)	(4,138,387)
New other loans		2,040	—
Repurchase of shares	*34*	—	(1,206)
Net cash flows from/(used in) financing activities		(1,864)	31,096
NET DECREASE IN CASH AND CASH EQUIVALENTS		(133,270)	(133,156)
Cash and cash equivalents at beginning of year		168,659	297,486
Effect of foreign exchange rate changes, net		(2,755)	4,329
CASH AND CASH EQUIVALENTS AT END OF YEAR		32,634	168,659
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	*28*	108,456	241,298
Pledged time deposits with original maturity of less than three months when acquired	*28*	—	500
Bank overdrafts	*33*	(75,995)	(73,139)
Cash and bank balances attributable to a discontinuing operation	*11*	173	—
Cash and cash equivalents as stated in the consolidated statement of cash flows		32,634	168,659

NOTES TO FINANCIAL STATEMENTS

31 December 2018

1. CORPORATE AND GROUP INFORMATION

South China Financial Holdings Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

During the year, the Group was involved in the following principal activities:

- securities, commodities, bullion and forex broking and trading
- margin financing and money lending
- provision of corporate advisory and underwriting services
- asset and wealth management
- property investment
- media publications and financial public relation services
- sales of jewellery products
- investment holding

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ paid up share capital	Percentage of equity attributable to the Company	Principal activities
Car Plus Limited**	Hong Kong	HK$2	100	Media publication
Capital Publishing Limited#^^	Hong Kong	HK$2	100	Media publication and financial public relation services
Capital CEO Limited#^^	Hong Kong	HK$2	100	Media publication and financial public relation services
Capital Entrepreneur Limited#^^	Hong Kong	HK$1	100	Media publication and financial public relation services
Golden Ways Limited#^^	Hong Kong	HK$1	100	Media publication and financial public relation services
Jessica Limited**	Hong Kong	HK$2	100	Media publication

Name	Place of incorporation/ registration and business	Issued ordinary/ paid up share capital	Percentage of equity attributable to the Company	Principal activities
Jessicacode Limited**	Hong Kong	HK$2	100	Provision of event and video production services
JMEN Limited**	Hong Kong	HK$2	100	Media publication
Polyluck Trading Limited#	Hong Kong	HK$2	100	Property investment
South China Bullion Company Limited*	Hong Kong	HK$30,000,000	100	Bullion dealing
South China Capital Limited	Hong Kong	HK$25,000,000	100	Provision of corporate advisory services
South China Forex Limited	Hong Kong	HK$50,000,000	100	Forex dealing
South China Commodities Limited	Hong Kong	HK$91,000,000	100	Commodities broking
South China Finance Company Limited*	Hong Kong	HK$1,000,000	100	Provision of loan financing
South China Finance and Management Limited	Hong Kong	HK$2	100	Share dealing and provision of management services
South China Finance (Nominees) Limited	Hong Kong	HK$2	100	Provision of nominee services
South China Properties Credits Limited	Hong Kong	HK$1	100	Money lending
South China Investment Management Limited	Hong Kong	HK$10,000,001	100	Asset management
South China Precious Metal Limited*	Hong Kong	HK$2	100	Futures trading
South China Research Limited	Hong Kong	HK$600,000	100	Research publication
South China Securities Limited	Hong Kong	HK$170,000,000	100	Securities broking, margin financing and provision of underwriting services
Kingwise Secretarial Services Limited*	Hong Kong	HK$2	100	Securities and futures trading
South China Finance Lease Holdings Limited*	Hong Kong	HK$1	100	Investment holding
South China Wealth Management Limited	Hong Kong	HK$7,000,000	100	Insurance broking

Name	Place of incorporation/ registration and business	Issued ordinary/ paid up share capital	Percentage of equity attributable to the Company	Principal activities
South China Securities (UK) Limited*	United Kingdom	GBP200,000	100	Securities broking
Whiz Kids Express Weekly Limited**	Hong Kong	HK$2	100	Media publication
ZYC Holding No.1 Limited**	Hong Kong	HK$2	100	Media publication
藍華投資諮詢(上海)有限公司*^#	The People's Republic of China ("PRC")/ Mainland China	US$100,000	100	Provision of corporate advisory services and investment holding
Nanjing South China Baoqing Jewellery Co., Ltd. ("Nanjing Baoqing")*&#^	PRC/Mainland China	RMB5,500,000	65.45	Trading and retail of jewellery
Nanjing Southchina Leasing Co., Ltd*^#	PRC/Mainland China	RMB100,000,000	100	Provision of loan financing

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

** Acquired during the year ended 31 December 2018. Further details of this acquisition are included in notes 38 and 43(b) to the financial statements.

& Acquired during the year ended 31 December 2018. Further details of this acquisition are included in notes 38 and 43(b) to the financial statements.

^^ Acquired during the year ended 31 December 2017. Further details of this acquisition are included in notes 38 and 43(b) to the financial statements.

\# Indirectly held by the Company.

^ Registered as wholly-foreign-owned enterprises under PRC law.

Except for the indirectly held subsidiaries listed above, all principal subsidiaries are directly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention, except for investment properties, equity investments, debt investments and derivative financial instruments which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair value less cost to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the ''Group'') for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (that is, existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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

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

(a) HKFRS 9

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: classification and measurement, impairment and hedge accounting.

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 Group continues to measure at fair value for all financial assets currently held at fair value. Equity investments currently held as available-for-sale are measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group applies the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

The following information sets out the impacts of adopting HKFRS 9 on the 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:

		HKAS 39 measurement				HKFRS 9 measurement	
		Category	Amount	Re-classification	ECL	Amount	Category
	Notes		*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
Financial assets							
Equity investments designated at fair value through other comprehensive income		N/A	—	39,690	—	39,690	FVOCI[1] (equity)
From: Available-for-sale investments	*(i)*			39,690	—		
Available-for-sale investments		AFS[2]	42,135	(42,135)	–	–	N/A
To: Equity investments designated at fair value through other comprehensive income	*(i)*			(39,690)	—		
To: Debt investments at fair value through other comprehensive income	*(ii)*			(2,445)	—		
Debt investments at fair value through other comprehensive income		N/A	—	2,445	—	2,445	FVOCI[1] (debt)
From: Available-for-sale investments	*(ii)*			2,445	—		
Other assets		L&R[3]	17,675	—	—	17,675	AC[4]
Loans receivable		L&R[3]	388,176	—	(1,313)	386,863	AC[4]
Trade receivables		L&R[3]	147,293	—	—	147,293	AC[4]
Derivative financial instruments		FVPL[5]	615	—	—	615	FVPL[5] (mandatory)
Financial assets at fair value through profit or loss		FVPL[5]	625,183	—	—	625,183	FVPL[5] (mandatory)
Financial assets included in prepayments, other receivables and other assets		L&R[3]	31,494	—	—	31,494	AC[4]
Pledged time deposits		L&R[3]	500	—	—	500	AC[4]
Cash held on behalf of clients		L&R[3]	597,368	—	—	597,368	AC[4]
Cash and bank balances		L&R[3]	241,298	—	—	241,298	AC[4]
			2,091,737	—	(1,313)	2,090,424	
Financial liabilities							
Client deposits		AC[4]	719,728	—	—	719,728	AC[4]
Trade payables		AC[4]	53,823	—	—	53,823	AC[4]
Derivative financial instruments		FVPL[5]	289	—	—	289	FVPL[5] (mandatory)
Financial liabilities included in other payables and accruals		AC[4]	19,512	—	—	19,512	AC[4]
Deposits received		AC[4]	1,260	—	—	1,260	AC[4]
Interest-bearing bank and other borrowings		AC[4]	611,677	—	—	611,677	AC[4]
			1,406,289	—	—	1,406,289	

1 FVOCI: Financial assets at fair value through other comprehensive income
2 AFS: Available-for-sale investments
3 L&R: Loans and receivables
4 AC: Financial assets or financial liabilities at amortised cost
5 FVPL: Financial assets or financial liabilities at fair value through profit or loss

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

(ii) As of 1 January 2018, the Group has assessed its liquidity portfolio of debt investments which had previously been classified as AFS debt investments. These debt investments represent the club debentures which are held for the purpose of business operations and the Group has no intention to dispose them in the foreseeable future. Accordingly, the Group has classified these investments as debt investments measured at fair value through other comprehensive income.

Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applies the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables and contract assets. Furthermore, the Group applies the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months.

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 19 to the financial statements.

	Impairment allowances under HKAS 39 at 31 December 2017	**Re-measurement**	**ECL allowances under HKFRS 9 at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Loans receivable	24,348	1,313	25,661

Impact on accumulated losses

The impact of transition to HKFRS 9 on the Group's accumulated losses is as follows:

	HK$'000
Accumulated losses	
Balance as at 31 December 2017 under HKAS 39	(67,091)
Recognition of expected credit losses for loans receivable under HKFRS 9	(1,313)
Balance as at 1 January 2018 under HKFRS 9	(68,404)

(b) HKFRS 15 and its amendments

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract assets and liabilities account balances between periods and key judgements and estimates. The disclosures are included in note 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was not significant to the Group's consolidated financial statements. The comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of HKFRS 15:

	Notes	Increase *HK$'000*
Assets		
Contract assets	*(i)*	1,298
Liabilities		
Other payables and accruals	*(i), (ii)*	1,298

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts have been had HKFRS 15 not been adopted.

Consolidated statement of profit or loss for the year ended 31 December 2018:

		Amounts prepared under		
			Previous	Increase/
		HKFRS 15	HKFRS	(decrease)
	Note	*HK$'000*	*HK$'000*	*HK$'000*
CONTINUING OPERATIONS				
Revenue	*(i)*	143,913	143,973	(60)
Loss for the year from continuing operations		(228,032)	(227,972)	60
Loss for the year		(239,766)	(239,706)	60
Attributable to:				
Equity holders of the Company		(239,750)	(239,690)	60
Non-controlling interests		(16)	(16)	—
		(239,766)	(239,706)	60
Loss per share attributable to equity holders of the Company				
Basic and diluted				
— For loss for the year		(HK79.6 cents)	(HK79.6 cents)	—
— For loss from continuing operations		(HK75.7 cents)	(HK75.7 cents)	—

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
			Previous	
		HKFRS 15	HKFRS	Increase
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets	*(i)*	3,352	–	3,352
Other payables and accruals	*(i), (ii)*	33,174	29,762	3,412
Accumulated losses	*(i)*	307,295	307,235	60

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the consolidated statement of financial position as at 31 December 2018 and the statement of profit or loss for the year ended 31 December 2018 are described below:

(i) Provision of corporate advisory services

Before the adoption of HKFRS 15, receivables were recognised as assets provided the services have been rendered. Such balances represented trade receivables in the consolidated statement of financial position after the corporate advisory services were billed to customers.

Upon the adoption of HKFRS 15, a contract asset is recognised when the Group renders services to customers and the Group's right to consideration is conditional. Accordingly, the Group recognised contract assets and contract liabilities of HK$1,298,000 as at 1 January 2018.

As at 31 December 2018, the adoption of HKFRS 15 resulted in an increase in contract assets and contract liabilities of HK$3,352,000 and HK$3,412,000, respectively, and resulting in a net increase in accumulated losses of HK$60,000. Revenue was also decreased by HK$60,000 for the year ended 31 December 2018.

(ii) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

Therefore, upon the adoption of HKFRS 15, the Group reclassified HK$3,372,000 from other payables to contract liabilities as at 1 January 2018 in relation to the considerations received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, HK$2,966,000 was reclassified from other payables to contract liabilities in relation to the consideration received from customers in advance for the provision of handling services and media publications and financial public relation services.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective for the accounting year ended 31 December 2018, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019.

The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application.

As disclosed in note 41(b) to the financial statements, at 31 December 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$13,000,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash- generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, equity investments, debt investments and derivative financial instruments at fair value at the end of each reporting period. 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, goodwill, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash- generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group 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 Group or an entity related to the Group;
- (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); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms
Furniture and equipment	10% to 25%
Motor vehicles	20%
Machinery	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Disposal groups held for sale

Disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment classified as held for sale are not depreciated.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Trademarks, customer relationships and subscription databases

Purchased trademarks, customer relationships and subscription databases are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 3 to 13 years.

Trading rights

Trading rights, representing eligibility rights to trade on or through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Futures Exchange Limited (the "Futures Exchange"), have indefinite useful lives and are tested for impairment annually either individually or at the cash-generating unit level. Such trading rights are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continued to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date: whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as a lessee

Rentals payable under the operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease term.

(ii) Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. The Group leases out its investment properties under operating leases, and rentals receivable are credited to the statement of profit or loss on the straight-line basis over the lease terms.

The amounts due from the lessees under finance leases are recorded in the consolidated statement of financial position as "Loans receivable". The amount comprises the gross investment in the finance leases less gross earnings allocated to future accounting periods. The total gross earnings under finance leases are allocated to the accounting periods over the duration of the underlying agreements so as to produce an approximately constant periodic rate of return on the net cash investment for each accounting period.

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other operating expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (that is, removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ''pass-through'' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for expected credit losses (''ECLs'') for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

For financial assets, except for margin loans receivable included in loans receivable, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The Group considers these financial assets in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For margin loans receivable, the Group considers there has been a significant increase in credit risk when clients cannot meet margin call requirement and uses the loan-to-collateral value ("LTV") to make its assessment. The Group considers a margin loans receivable is in default when payments under the margin call requirement are not settled. However, in certain cases, the Group may also consider a margin loan receivable to be in default when there is a margin shortfall which indicates that the Group is unlikely to receive the outstanding contractual amounts in full taking into the pledged securities held by the Group. A margin loans receivable is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12- month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities and fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss (policies under HKFRS 9 applicable from 1 January 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at fair value through profit or loss (policies under HKAS 39 applicable before 1 January 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts (policies under HKFRS 9 applicable from 1 January 2018)

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in ''Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018)''; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Financial guarantee contracts (policies under HKAS 39 applicable before 1 January 2018)

A financial guarantee contract is recognised initially as a liability at its fair vale, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with interests in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with interests in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Provision of brokerage services

Revenue from the provision of brokerage services is recognised at a point in time when the customer has obtained control of the service, generally when the trades are executed.

(b) Provision of services

Revenue from the provision of consultancy and financial advisory services is recognised at a point in time when all the relevant duties of a financial advisor as stated in the contract are completed.

Revenue from sponsoring fee is recognised over time as services are rendered if the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from handling fee is recognised at a point in time when the customer has obtained control of the service, generally when the services are rendered.

(c) Provision of media publications and financial public relation services

Revenue from advertising and circulation is recognised at a point in time when control of the asset or service is transferred to the customer, generally on delivery of magazines or publication of advertisements.

Revenue from the provision of services is recognised over time as the services are provided.

(d) Sale of jewellery products

Revenue from the sale of jewellery products is recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the jewellery products.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Revenue recognition (applicable before 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) commission and brokerage income, accrued on all broking transactions on a trade date basis;

(b) profit or loss on the trading of securities, forex, bullion and futures contracts, on a trade date basis;

(c) service and handling fee income, when the underlying services have been provided;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset;

(f) dividend income, when the shareholders' right to receive payment has been established;

(g) advertising income, when the advertisements have been published; and

(h) circulation income, when the magazines have been delivered.

Contract assets (applicable from 1 January 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual has to be made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance in Hong Kong for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' relevant income 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 Group in an independently administered fund.

The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal governments. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

Share-based payments

The Company operates a share options scheme and a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (''equity-settled transactions'').

In respect of share options, the cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a trinomial model, further details of which are given in note 35 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of the reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirements are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (that is, translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation 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 described below.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the financial services, media and retail sectors, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 24 and 26 to the financial statements, respectively.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2018 was HK$89,948,000 (2017: HK$13,714,000). Further details are given in note 15 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimation of fair value of investment properties

Investment properties are carried in the statement of financial position at their fair value. The fair value was based on valuation on these properties conducted by an independent firm of professionally qualified valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the gain or loss recognised in the statement of profit or loss.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services. The Group has nine reportable operating segments as follows:

(a) the broking segment engages in securities, commodities and futures contracts broking;

(b) the trading and investment segment engages in securities, forex, bullion and futures contracts trading and investment holding;

(c) the margin financing and money lending segment engages in the provision of margin, mortgage and personal loan financing and finance lease operations;

(d) the corporate advisory and underwriting segment engages in the provision of corporate advisory and underwriting services;

(e) the asset and wealth management segment engages in insurance broking and asset management;

(f) the property investment segment;

(g) the media publications and financial public relation services segment engages in publishing and distribution of magazines, media advertising and marketing services (''Media Services'');

(h) the jewellery business segment engages in the retail of jewellery products and operates retail stores in Nanjing; and

(i) the other business segment engages in the provision of clearing and custodian services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is measured consistently with the Group's profit/(loss) before tax from continuing operations except that finance costs relating to the Group's treasury function, head office and corporate expenses are excluded from such measurement.

Segment assets exclude unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment transactions are conducted with reference to the prices charged to third parties at the then prevailing market prices.

Following the acquisition of the King Link Investments Limited during the current year, the Group has increased its focus on the sales of jewellery products. A change on the reporting structure of operating segments was made for facilitating management to make decisions about operating matters, resources allocation and performance assessment. Accordingly, an additional reportable operating segment of ''Jewellery business'' was separately disclosed.

Year ended 31 December 2018

	Broking HK$'000	Trading and investment HK$'000	Margin financing and money lending HK$'000	Corporate advisory and underwriting HK$'000	Asset and wealth management HK$'000	Property investment HK$'000	Media publications and financial public relation services HK$'000	Jewellery business HK$'000	Other business HK$'000	Consolidated HK$'000
Segment revenue: *(note 5)*										
Revenue from external customers	42,497	(37,225)	28,911	30,014	2,790	11,939	54,889	9,092	1,006	143,913
Segment results:	(24,287)	(188,032)	3,830	471	(15,521)	59,719	(29,085)	65	315	(192,525)
Reconciliation:										
Corporate and other unallocated expenses, net#										(16,570)
Finance costs										(18,043)
Loss before tax from continuing operations										(227,138)
Segment assets:	748,603	479,671	329,596	18,502	8,590	529,777	127,595	18,958	1,109	2,262,401
Reconciliation:										
Corporate and other unallocated assets										17,773
Assets related to a discontinuing operation										7,225
Total assets										2,287,399
Segment liabilities:	(645,500)	(140,800)	(193,038)	(6,023)	(1,486)	(4,479)	(21,283)	(25,816)	(2,084)	(1,040,509)
Reconciliation:										
Corporate and other unallocated liabilities										(325,925)
Liabilities related to a discontinuing operation										(6,605)
Total liabilities										(1,373,039)
Other segment information:										
Fair value loss on financial assets at fair value through profit or loss##	—	141,012	—	—	—	—	—	—	—	141,012
Fair value gain on investment properties	—	—	—	—	—	(49,000)	—	—	—	(49,000)
Impairment of loans and trade receivables, net	198	—	7,911	—	—	—	56	—	—	8,165
Depreciation and amortisation	580	10	150	255	395	3	1,742	22	—	3,157
Capital expenditure*	114	2	26	41	34	1	85,236	226	—	85,680

Year ended 31 December 2017

	Broking	Trading and investment	Margin financing and money lending	Corporate advisory and under-writing	Asset and wealth management	Property investment	Media publications and financial public relation services	Other business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:									
Revenue from external customers	52,707	114,713	28,069	26,124	3,288	10,606	17,609	1,219	254,335
Segment results:	(25,414)	105,840	9,330	(5,399)	(24,952)	49,857	(33,247)	630	76,645
Reconciliation:									
Corporate and other unallocated expense, net#									(13,104)
Finance costs									(10,124)
Profit before tax									53,417
Segment assets:	812,667	721,251	460,299	14,967	5,324	483,272	22,520	1,613	2,521,913
Reconciliation:									
Corporate and other unallocated assets									88,871
Total assets									2,610,784
Segment liabilities:	(774,225)	(134,464)	(212,149)	(1,544)	(1,733)	(3,757)	(4,984)	(3,150)	(1,136,006)
Reconciliation:									
Corporate and other unallocated liabilities									(308,082)
Total liabilities									(1,444,088)
Other segment information:									
Fair value gain on financial assets at fair value through profit or loss##	—	(15,234)	—	—	—	—	—	—	(15,234)
Fair value gain on investment properties	—	—	—	—	—	(40,000)	—	—	(40,000)
Impairment of loans and trade receivables, net	275	—	3,228	—	—	—	—	—	3,503
Impairment of goodwill	—	—	—	—	—	—	351	—	351
Impairment of intangible assets	—	—	—	—	—	—	2,265	—	2,265
Depreciation and amortisation	616	68	155	248	468	—	639	—	2,194
Capital expenditure*	386	43	87	725	189	—	20,037	—	21,467

* Capital expenditure consists of additions to property, plant and equipment, goodwill and intangible assets including those arising from the acquisitions of subsidiaries.

Corporate and other unallocated expenses include fair value loss on financial assets at fair value through profit or loss designated for the Group's Employees' Share Award Scheme amounting to HK$5,899,000 (2017: HK$4,249,000).

Fair value gain/loss on financial assets at fair value through profit or loss includes fair value gain on derivative financial instruments of HK$105,000 (2017: HK$174,000).

Geographical information

(a) Revenue from external customers

	2018 *HK$'000*	2017 *HK$'000*
Hong Kong	122,639	247,050
Mainland China	14,570	2,265
Other countries	6,704	5,020
	143,913	254,335

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	2018 *HK$'000*	2017 *HK$'000*
Hong Kong	647,835	529,832
Other jurisdictions	5,591	500
	653,426	530,332

The non-current asset information above is based on the locations of the assets and excludes equity investments designated at fair value through other comprehensive income, debt investments at fair value through other comprehensive income and available-for-sale investments.

5. REVENUE

An analysis of revenue is as follows:

	2018 *HK$'000*	2017 *HK$'000*
Revenue from contracts with customers:		
Commission and brokerage income	42,396	53,386
Rendering of services	32,295	26,238
Handling fee income	3,334	3,891
Media publications and financial public relation services* ("Media Services")	54,889	17,609
Sales of jewellery products	9,092	—
	142,006	101,124
Revenue from other sources:		
Profit/(loss) on the trading of securities, forex, bullion and future contracts, net	(52,724)	104,217
Interest income from loans and trade receivables	24,896	24,901
Interest income from forex and bullion contracts trading	695	550
Interest income from banks and financial institutions	2,322	3,113
Dividend income from listed investments	14,779	9,824
Gross rental income	11,939	10,606
	1,907	153,211
	143,913	254,335

* Including advertising income, service income and circulation income

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

	Broking *HK$'000*	Corporate advisory and underwriting *HK$'000*	Jewellery business *HK$'000*	Other business *HK$'000*	Media publications and financial public relation services *HK$'000*	Total *HK$'000*
Type of goods or services						
Commission and brokerage income	42,396	—	—	—	—	42,396
Underwriting service income	—	3,557	—	—	—	3,557
Corporate advisory fee income	—	27,732	—	—	—	27,732
Handling fee income	3,334	—	—	—	—	3,334
Sales of jewellery products	—	—	9,092	—	—	9,092
Other business income	—	—	—	1,006	—	1,006
Media publications and financial public relation services	—	—	—	—	54,889	54,889
Total revenue from contracts with customers	45,730	31,289	9,092	1,006	54,889	142,006
Geographical markets						
Hong Kong	45,730	22,189	—	1,006	54,889	123,814
Mainland China	—	2,396	9,092	—	—	11,488
Other countries	—	6,704	—	—	—	6,704
Total revenue from contracts with customers	45,730	31,289	9,092	1,006	54,889	142,006
Timing of revenue recognition						
Goods or services transferred at a point in time	45,730	6,026	9,092	1,006	35,532	97,386
Services transferred over time	—	25,263	—	—	19,357	44,620
Total revenue from contracts with customers	45,730	31,289	9,092	1,006	54,889	142,006

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2018 *HK$'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Corporate advisory services	1,298
Handling services	3,151
Media publications and financial public relation services	221
	4,670

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Commission and brokerage income

The performance obligation is satisfied at a point in time when the customer has obtained control of the service, generally when the trade is executed. Commission and broking income are generally due within two days after the trade date.

Rendering of services

The performance obligation is satisfied over time or point in time as services are rendered.

Media publications and financial public relation services

The performance obligation is satisfied upon delivery of magazines or publications of advertisements or over time as services are rendered.

Sale of jewellery products

The performance obligation is satisfied upon delivery of goods, and payment is mainly on cash and credit card settlement.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) which amounted to HK$42,348,000 as at 31 December 2018 are expected to be recognised within one year.

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax from continuing operations is arrived at after charging/(crediting):

	Notes	**2018** *HK$'000*	**2017** *HK$'000*
Cost of services provided		33,357	47,715
Cost of media publications and financial public relation services		37,352	21,193
Cost of inventories sold		6,959	—
Depreciation		1,778	1,568
Amortisation of intangible assets	*16*	1,379	626
Auditor's remuneration		2,333	1,750
Minimum lease payments under operating leases		17,682	16,025
Employee benefit expense (including directors' remuneration *(note 8)):*			
Wages, salaries and benefits in kind		116,083	115,242
Pension scheme contributions, net		3,267	2,954
Equity-settled share option expense		156	577
		119,506	118,773
Interest expense for margin financing and money lending operations:			
Bank loans and overdrafts		6,460	3,944
Impairment of goodwill	*15*	—	351
Impairment of intangible assets	*16*	—	2,265
Foreign exchange differences, net		2,840	(1,766)
Impairment of loans receivable, net	*19*	6,985	3,228
Impairment of trade receivables, net	*24*	1,180	275
Write-off of items of property, plant and equipment	*13*	23	—
Direct operating expenses arising from rental-earning investment properties		1,539	1,528

7. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on bank loans, overdrafts and other borrowings	18,043	10,124

8. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S REMUNERATION

Directors' and senior management's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2018 HK$'000	2017 HK$'000
Fees	478	478
Other emoluments:		
Salaries, allowances and benefits in kind	6,696	7,320
Pension scheme contributions	129	132
	6,825	7,452
	7,303	7,930

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2018 HK$'000	2017 HK$'000
Hon. Raymond Arthur William Sears Q.C.	240	240
Mr. Tung Woon Cheung Eric	100	100
Mrs. Tse Wong Siu Yin Elizabeth	100	100
	440	440

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

(b) Executive directors

	Fees	Salaries allowances and benefits in kind	Pension scheme contributions
	HK$'000	*HK$'000*	*HK$'000*
2018			
Executive directors:			
Mr. Ng Hung Sang	10	1,920	96
Ms. Ng Yuk Mui, Jessica	10	2,400	18
Ms. Cheung Choi Ngor	10	—	—
Dr. Wang Wei Hsin*	8	2,376	15
	38	6,696	129
2017			
Executive directors:			
Mr. Ng Hung Sang	10	1,920	96
Ms. Ng Yuk Mui, Jessica	10	2,400	18
Ms. Cheung Choi Ngor	10	—	—
Dr. Wang Wei Hsin	8	3,000	18
	38	7,320	132

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

* Dr. Wang Wei Hsin resigned as an executive director of the Company on 17 October 2018.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include three (2017: three) directors, details of whose remuneration are disclosed in note 8 above. Details of the remuneration for the year of the remaining two (2017: two) non-director highest paid employees for the year are as follows:

	2018	2017
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	5,140	3,750
Pension scheme contributions	36	36
	5,176	3,786

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees 2018	2017
HK$1,500,001 to HK$2,000,000	—	1
HK$2,000,001 to HK$2,500,000	1	1
HK$2,500,001 or above	1	—
	2	2

10. INCOME TAX

No provision for the Hong Kong profits tax has been made as the Group either had no estimated assessable profit or had available tax losses carried forward to offset the assessable profits arising in Hong Kong during the year (2017: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2018 *HK$'000*	2017 *HK$'000*
Current — Elsewhere		
Charge for the year	559	283
Underprovision in prior years	21	103
Deferred *(note 21)*	314	492
Total tax charge for the year	894	878

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rate in Hong Kong where the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the statutory tax rate to the effective tax rate, are as follows:

	2018 *HK$'000*	*%*	2017 *HK$'000*	*%*
Profit/(loss) before tax from continuing operations	(227,138)		53,417	
Tax at the statutory tax rate	(37,478)	16.5	8,814	16.5
Higher tax rates on profit arising elsewhere	425	(0.2)	171	0.3
Adjustments in respect of current tax of previous periods	21	0.0	103	0.2
Income not subject to tax	(11,077)	4.9	(10,982)	(20.6)
Expenses not deductible for tax	2,552	(1.2)	3,764	7.0
Tax losses not recognised	46,811	(20.6)	8,782	16.4
Tax losses utilised from previous periods	(530)	0.2	(10,185)	(19.1)
Others	170	0.0	411	0.9
Tax charge at the Group's effective rate	894	(0.4)	878	1.6

11. DISCONTINUING OPERATION

Year Blossom Limited, a wholly-owned subsidiary of the Company, together with its subsidiaries (the "Disposal Group") were principally engaged in food and beverage operations in Nanjing, the PRC. During the year ended 31 December 2018, the Group had decided to cease its food and beverage operations business after periodic performance assessment for better allocation of the Group's resources. As at 31 December 2018, final negotiations for the sale were in progress and the Disposal Group was classified as a disposal group held for sale and as a discontinuing operation. On 1 February 2019, the Company entered into a conditional sale and purchase agreement with South China Industries (BVI) Limited, a wholly-owned subsidiary of South China Holdings Company Limited, pursuant to which the Company agreed to dispose of the entire issued share capital of Year Blossom Limited. The Disposal Group is subject to the completion of internal restructuring.

The results of the Disposal Group for the year are presented below:

	2018	**2017**
	HK$'000	*HK$'000*
Revenue	2,478	—
Cost of inventories consumed	(1,762)	—
Gross profit	716	—
Other operating expenses*	(12,450)	—
Loss before tax from the discontinuing operation	(11,734)	—
Income tax	—	—
Loss for the year from the discontinuing operation	(11,734)	—

* The depreciation of property, plant and equipment from discontinuing operation of HK$382,000 for the year is included in "Other operating expenses" above.

The major classes of assets and liabilities of the Disposal Group classified as held for sale as at 31 December are as follows:

	2018	**2017**
	HK$'000	*HK$'000*
Assets		
Property, plant and equipment	4,716	—
Inventories	236	—
Trade receivables	43	—
Prepayments, other receivables and other assets	2,057	—
Cash and bank balances	173	—
Assets classified as held for sale	7,225	—
Liabilities		
Trade payables	(2,663)	—
Other payables and accruals#	(3,942)	—
Liabilities directly associated with the assets classified as held for sale	(6,605)	—
Net assets directly associated with the Disposal Group	620	—

Included in the balance was an amount due to a related company, 南京微分電機有限公司(“南京微分”), of HK$991,000, which is unsecured, bears interest at 12% per annum and is repayable in 2021. 南京微分 is a subsidiary of South China Holdings Company Limited, a director of which is also a director of the Company.

The net cash flows incurred by the Disposal Group are as follows:

	2018	**2017**
	HK$'000	*HK$'000*
Operating activities	(8,073)	—
Investing activities	(5,089)	—
Financing activities	1,852	—
Net cash outflow	(11,310)	—
Loss per share:		
Basic and diluted, from the discontinuing operation	(HK3.89 cents)	—

The calculations of basic and diluted loss per share from the discontinuing operation are based on:

	2018	**2017**
Loss attributable to ordinary equity holders of the Company from the discontinuing operation	(HK$11,734,000)	—
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation (note 12)	301,277,070	—

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on the loss for the year attributable to equity holders of the Company of HK$239,750,000 (2017: profit of HK$52,539,000) and the weighted average number of 301,277,070 (2017: 301,434,007 (Restated)) ordinary shares in issue during the year.

The calculation of the basic earnings/(loss) per share amounts from continuing operations is based on the loss for the year from continuing operations attributable to equity holders of the Company of HK$228,016,000 (2017: profit of HK$52,539,000) and the weighted average number of 301,277,070 (2017: 301,434,007 (Restated)) ordinary shares in issue during the year.

The basic and diluted earnings per share amounts for the year ended 31 December 2017 had been adjusted to reflect the share consolidation of the Company during the year ended 31 December 2018.

No adjustment has been made to the basic earnings/(loss) per share amount presented for the years ended 31 December 2018 and 2017 in respect of a dilution as the impact of the share options outstanding during the year had no dilutive effect on the basic earnings/(loss) per share amount presented.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and equipment *HK$'000*	Motor vehicles *HK$'000*	Machinery *HK$'000*	Total *HK$'000*
At 31 December 2018					
At 31 December 2017 and 1 January 2018:					
Cost	17,620	46,687	3,316	—	67,623
Accumulated depreciation	(15,946)	(45,229)	(3,316)	—	(64,491)
Net carrying amount	1,674	1,458	—	—	3,132
At 1 January 2018, net of accumulated depreciation	1,674	1,458	—	—	3,132
Additions	3,302	3,181	85	—	6,568
Acquisitions of subsidiaries *(note 38)*	90	392	278	50	810
Assets included in a discontinuing operation *(note 11)*	(3,056)	(1,582)	(78)	—	(4,716)
Write-off	—	(3)	—	(20)	(23)
Depreciation provided during the year	(688)	(1,358)	(110)	(4)	(2,160)
Exchange realignment	(9)	(11)	—	—	(20)
At 31 December 2018, net of accumulated depreciation	1,313	2,077	175	26	3,591
At 31 December 2018:					
Cost	26,194	67,363	4,302	337	98,196
Accumulated depreciation	(24,881)	(65,286)	(4,127)	(311)	(94,605)
Net carrying amount	1,313	2,077	175	26	3,591

	Leasehold improvements *HK$'000*	Furniture and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
At 31 December 2017				
At 1 January 2017:				
Cost	16,478	43,085	3,316	62,879
Accumulated depreciation	(15,141)	(41,652)	(3,316)	(60,109)
Net carrying amount	1,337	1,433	—	2,770
At 1 January 2017, net of accumulated depreciation	1,337	1,433	—	2,770
Additions	728	728	—	1,456
Acquisition of subsidiaries *(note 38)*	—	11	—	11
Depreciation provided during the year	(407)	(1,161)	—	(1,568)
Exchange realignment	16	447	—	463
At 31 December 2017, net of accumulated depreciation	1,674	1,458	—	3,132
At 31 December 2017:				
Cost	17,620	46,687	3,316	67,623
Accumulated depreciation	(15,946)	(45,229)	(3,316)	(64,491)
Net carrying amount	1,674	1,458	—	3,132

14. INVESTMENT PROPERTIES

	2018 *HK$'000*	2017 *HK$'000*
Carrying amount as at 1 January	480,000	440,000
Net gain from a fair value adjustment	49,000	40,000
Carrying amount at 31 December	529,000	480,000

The Group's investment properties consist of commercial office premises in Hong Kong. The directors of the Company have determined that the investment properties consist of one class of asset, that is, commercial, based on the nature, characteristics and risks of these properties. The Group's investment properties were revalued on 31 December 2018 based on valuations performed by Ravia Global Appraisal Advisory Limited, independent professionally qualified valuers, at HK$529,000,000. Each year, the Group's chief financial officer decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's chief executive officer and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 41(a) to the financial statements.

On 31 December 2018, the Group's investment properties with a carrying value of HK$529,000,000 (2017: HK$480,000,000) were pledged to secure general banking facilities granted to the Group (note 33).

Details of the Group's investment properties are as follows:

Location	Existing use
26th Floor, Tower one, Lippo Centre, 89 Queensway, Admiralty, Hong Kong	Office building

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December using significant unobservable inputs (Level 3)	
	2018	**2017**
	HK$'000	*HK$'000*
Recurring fair value measurement for:		
Commercial properties	529,000	480,000

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

The fair value of investment properties is determined using the market comparison approach by reference to recent sales prices of comparable properties on a price per square foot basis. Below is a summary of the significant inputs to the valuation of investment properties:

	2018	**2017**
Price per square foot	HK$36,021	HK$32,684

A significant increase/decrease in the price per square foot would result in a significant increase/decrease in the fair value of the investment properties.

15. GOODWILL

	2018	**2017**
	HK$'000	*HK$'000*
Cost at 1 January, net of accumulated impairment	13,714	—
Acquisition of subsidiaries *(note 38)*	76,234	14,065
Impairment during the year *(note 6)*	—	(351)
Net carrying amount at 31 December	89,948	13,714
At 31 December:		
Cost	90,299	14,065
Accumulated impairment	(351)	(351)
Net carrying amount	89,948	13,714

Impairment testing of goodwill and intangible assets

Goodwill acquired through business combinations is allocated to the following cash-generating units ("CGU") for impairment testing:

- Weekly publication CGU;
- Monthly publication CGU;
- Jade Fountain CGU;
- Perfect Riches CGU; and
- Great Ready Assets CGU.

The carrying amounts of goodwill, net of impairment, allocated to each of the cash-generating units are as follows:

	Monthly publication CGU	Weekly publication CGU	Jade Fountain CGU	Perfect Riches CGU	Great Ready Asset CGU	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2018						
Carrying amount of goodwill	13,714	—	52,758	17,569	5,907	89,948
At 31 December 2017						
Carrying amount of goodwill	13,714	—	—	—	—	13,714

Assumptions were used in the value in use calculation of the weekly publication, monthly publication, Jade Fountain, Perfect Riches and Great Ready Asset CGUs for 31 December 2018 and 31 December 2017. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted revenue — The basis used to determine the value assigned to the budgeted revenue is the average revenue achieved in the year immediately before the budget year, taking into account the expected growth rate.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

Inflation — The basis used to determine the value assigned to inflation is the forecast price indices during the budget year for Hong Kong from where the consumer price are sourced.

Growth rate — The growth rate used is with reference to the long term average growth rates for the relevant markets and expected market development.

The values assigned to the key assumptions on market development of media and public relations industries, discount rates and inflation are consistent with external information sources.

The recoverable amount of the weekly publication, monthly publication, Jade Fountain, Perfect Riches and Great Ready Asset CGUs has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections and the growth rate used to extrapolate the cash flows of these CGUs beyond the five-year period are set out as follows:

	Monthly publication CGU	Weekly publication CGU	Jade Fountain CGU	Perfect Riches CGU	Great Ready Asset CGU
At 31 December 2018					
Discount rate	17%	—	17%	17%	17%
Growth rate *(note)*	3%	—	3%	3%	3%
At 31 December 2017					
Discount rate	19%	19%	—	—	—
Growth rate *(note)*	3%	3%	—	—	—

Note: The growth rate is consistent with the average growth rate of the industry.

In light of intensified competition and unexpected employee attrition which resulted in dismal performance of the weekly magazine, it was concluded that the value in use of the weekly publication CGU was lower than its carrying amount. As a result of this analysis, management had recognised a full impairment against goodwill with a carrying amount of HK$351,000 as at 31 December 2017. The impairment loss was recorded in the statement of profit or loss for the year ended 31 December 2017.

16. INTANGIBLE ASSETS

	Trademarks *HK$'000*	Trading rights *HK$'000* *(note)*	Customer relationships *HK$'000*	Subscription databases *HK$'000*	Total *HK$'000*
31 December 2018					
Cost at 31 December 2017 and 1 January 2018, net of accumulated amortisation and impairment	3,045	836	294	67	4,242
Additions	287	—	—	—	287
Acquisition of subsidiaries *(note 38)*	1,863	—	5,903	—	7,766
Amortisation provided during the year	(542)	—	(823)	(14)	(1,379)
At 31 December 2018	4,653	836	5,374	53	10,916
At 31 December 2018:					
Cost	7,997	836	6,303	81	15,217
Accumulated amortisation and impairment	(3,344)	—	(929)	(28)	(4,301)
Net carrying amount	4,653	836	5,374	53	10,916

	Trademarks *HK$'000*	Trading rights *HK$'000* *(note)*	Customer relationships *HK$'000*	Subscription databases *HK$'000*	Total *HK$'000*
31 December 2017					
Cost at 1 January 2017, net of accumulated amortisation and impairment	275	836	—	—	1,111
Additions	87	—	—	—	87
Acquisition of subsidiaries *(note 38)*	5,454	—	400	81	5,935
Amortisation provided during the year	(506)	—	(106)	(14)	(626)
Impairment during the year *(note 6)*	(2,265)	—	—	—	(2,265)
At 31 December 2017	3,045	836	294	67	4,242
At 31 December 2017:					
Cost	5,847	836	400	81	7,164
Accumulated amortisation and impairment	(2,802)	—	(106)	(14)	(2,922)
Net carrying amount	3,045	836	294	67	4,242

Note: The trading rights have no expiry dates and, in the opinion of the directors, have indefinite useful lives.

Pursuant to the restructuring of the Stock Exchange and the Futures Exchange effective on 6 March 2000, the Group received four Stock Exchange Trading Rights, five Futures Exchange Trading Rights and 10,187,500 ordinary shares of HK$1 each in Hong Kong Exchanges and Clearing Limited (the "HKEC Shares") in exchange for its four shares previously held in the Stock Exchange and five shares previously held in the Futures Exchange.

The carrying costs of the previously held shares in the Stock Exchange and the Futures Exchange have been apportioned to the Stock Exchange Trading Rights, the Futures Exchange Trading Rights and the HKEC Shares on the basis of the respective estimated fair values on 6 March 2000.

In light of intensified competition and unexpected employee attrition which resulted in dismal performance of the weekly magazine, it was concluded that the value in use of the weekly publication CGU was lower than its carrying amount. As a result of this analysis, management had recognised a full impairment against intangible assets with a carrying amount of HK$2,265,000 as at 31 December 2017. The impairment loss was recorded in the statement of profit or loss for the year ended 31 December 2017.

17. OTHER ASSETS

	2018 *HK$'000*	2017 *HK$'000*
Membership in Chinese Gold and Silver Exchange	1,280	1,280
Statutory deposits in respect of securities and commodities dealings	6,234	16,395
	7,514	17,675

Other assets are non-interest-bearing and have no fixed terms of repayment.

18. INVESTMENTS IN ASSOCIATES

	2018	2017
	HK$'000	*HK$'000*
Share of net assets	1,804	1,804
Provision for impairment#	(1,804)	(1,804)
	—	—

In prior years, full provisions were recognised for investments in associates with aggregate carrying amounts of HK$1,804,000 because the recoverable amounts were expected to be zero.

Particulars of the associates are as follows:

Name	Registered capital	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
嘉田文化發展(天津)有限公司	RMB20,000,000	PRC/Mainland China	45	Media and entertainment
上海華威創富股權投資管理有限公司	RMB20,000,000	PRC/Mainland China	50	Provision of fund management services

The above companies are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above associates are indirectly held by the Company and have been accounted for using the equity method in these financial statements.

19. LOANS RECEIVABLE

The Group's loans receivable mainly arose from the margin financing, finance lease and money lending operations during the year.

Loans receivable bear interest at rates with credit periods mutually agreed between the contracting parties. Each customer has a credit limit. The Group maintains strict control over its outstanding loans receivable, and a credit control department has been established to monitor potential credit risk. Margin loans receivable are secured by the pledge of customers' securities as collateral. Overdue balances are reviewed regularly by senior management and are handled closely by the credit control department. The Group's loans receivable relate to a large number of diversified customers and there is no significant concentration of credit risk.

	2018	**2017**
	HK$'000	*HK$'000*
Loans receivable		
— Margin loans receivable	290,500	395,942
— Finance leases receivable	22,954	—
— Mortgage loans receivable	4,240	—
— Other loans receivable	12,229	16,582
	329,923	412,524
Impairment	(32,646)	(24,348)
	297,277	388,176
Portion classified as current assets	(285,428)	(378,195)
Portion classified as non-current assets	11,849	9,981
Market value of collateral at 31 December	726,144	1,185,151

At the end of the reporting period, certain listed equity securities provided by clients of approximately HK$296,398,000 (2017: HK$265,863,000) were pledged as collateral to banks to secure banking facilities granted to the Group (note 33).

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

	2018	**2017**
	HK$'000	*HK$'000*
Repayable:		
On demand	265,800	375,283
Within 3 months	15,954	869
3 months to 1 year	14,390	2,043
1 to 5 years	1,133	9,981
	297,277	388,176

Impairment under HKFRS 9 for the year ended 31 December 2018

Loans receivable are categorised into excellent, good and individually impaired. Excellent refers to exposures which margin obligation can be met and payment of interest and principal is not in doubt, with good quality and liquidity of collateral. Good refers to exposures which principal and interest are partially or fully secured but at a relatively low level. Individually impaired refers to exposures which loss, partial or full, has incurred and with insufficient collateral.

Analysis of the gross carrying amount as at 31 December 2018 by the Group's internal credit rating and year end classification:

2018

	12-months ECL (Stage 1) *HK$'000*	Lifetime ECL not credit-impaired (Stage 2) *HK$'000*	Lifetime ECL credit-impaired (Stage 3) *HK$'000*	Total *HK$'000*
Internal rating grade				
Excellent	242,559	—	—	242,559
Good	—	34,159	—	34,159
Individually impaired	—	—	53,205	53,205
	242,559	34,159	53,205	329,923

The movements in the expected credit loss ("ECL") impairment allowance on loans receivable are as follows:

	12-months ECL (Stage 1) *HK$'000*	Lifetime ECL not credit-impaired (Stage 2) *HK$'000*	Lifetime ECL credit-impaired (Stage 3) *HK$'000*	Total *HK$'000*
Impairment allowance as at 31 December 2017	14	692	23,642	24,348
Effect of adoption of HKFRS 9 *(note 2.2)*	298	1,008	7	1,313
ECL allowance as at 1 January 2018 (restated)	312	1,700	23,649	25,661
Loss allowance recognised/(reversed)	(13)	561	(1,098)	(550)
Loss allowance recognised arising from transfer of stage	—	831	6,704	7,535
Transfer from stage 2 to stage 3	—	(47)	47	—
ECL allowance as at 31 December 2018	299	3,045	29,302	32,646
ECL rate	0.12%	8.56%	56.10%	9.90%

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above impairment of loans receivable, which was measured based on incurred credit losses under HKAS 39, as at 31 December 2017 was a provision for individually impaired loans receivable of HK$32,646,000 (2017: HK$24,348,000) with a carrying amount before provision of HK$57,906,000 (2017: HK$26,040,000). The individually impaired loans receivable as at 31 December 2017 related to customers that were in default or delinquency in payments and only a portion of the receivables is expected to be recovered. The Group holds certain listed equity securities of clients as collateral over these individually impaired loans receivable.

The ageing analysis of the loans receivable as at 31 December 2017 that were neither individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2018	2017
	HK$'000	*HK$'000*
Neither past due nor impaired	272,017	386,484

Loans receivable that were neither past due nor impaired related to large number of diversified customers for whom there was no recent history of default.

Finance leases receivable

Included in loans receivable were receivables in respect of assets leased under finance leases as set out below:

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	2018	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts receivable under finance leases:				
Within one year	19,502	—	17,721	—
In the second to fifth years, inclusive	5,414	—	5,233	—
	24,916	—		
Less: Unearned finance income	(1,962)	—	22,954	—
Present value of minimum lease payment receivable	22,954	—		
Portion classified as current assets	(17,721)	—		
Non-current portion	5,233	—		

During the year, the Group entered into several finance lease arrangements with customers in respect of items of equipment, with terms from one year to two years.

Included in the Group's finance leases receivable are receivable from a related company, 滄州南華房地產開發有限公司("滄州南華"), of HK$3,541,000, 滄州南華 is a subsidiary of South China Assets Holdings Limited, a directors of which is also a director of the Company.

Mortgage loans receivable

Included in loans receivable were receivables of HK$4,240,000 (2017: Nil) in respect of secured mortgage loans. In general, mortgage loans are granted on a secured basis with sufficient amount of collateral provided by the borrower. The main types of collateral obtained are mortgages over residential properties or commercial properties.

In respect of secured mortgage loans to mortgage loan customers with the carrying amount of HK$4,240,000 (2017: Nil), the fair value of collateral of such mortgage loans can be objectively ascertained to cover the outstanding amount of the loan balances based on quoted prices of collateral.

20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENTS

	2018	2017
	HK$'000	*HK$'000*
Equity investments designated at fair value through other comprehensive income		
Listed equity investments in Hong Kong, at fair value	30,520	—
Debt investments at fair value through other comprehensive income		
Club debentures, at fair value	3,080	—
Available-for-sale investments		
Listed equity investments in Hong Kong, at fair value	—	39,690
Club debentures, at fair value	—	2,445
	—	42,135

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year ended 31 December 2017, the net gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$15,077,000 (note 37).

As at 31 December 2018, the Group's listed equity investments with a carrying value of HK$30,520,000 (2017: HK$39,690,000) were pledged as security for the Group's bank borrowings, as further detailed in note 33 to the financial statements.

21. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Losses available for offsetting against future taxable profits *HK$'000*	Depreciation allowance in excess of related depreciation *HK$'000*	Fair value adjustments arising from transfer of owner-occupied properties to investment properties *HK$'000*	Fair value adjustments arising from acquisitions of subsidiaries *HK$'000*	Total *HK$'000*
2018					
At 1 January 2018	(8,626)	14,955	23,800	509	30,638
Acquisitions of subsidiaries *(note 38)*	(1,339)	—	—	1,339	—
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	392	201	—	(279)	314
At 31 December 2018	(9,573)	15,156	23,800	1,569	30,952
2017					
At 1 January 2017	(8,408)	14,754	23,800	—	30,146
Acquisition of subsidiaries *(note 38)*	(979)	—	—	979	—
Deferred tax charged/(credited) to profit or loss during the year *(note 10)*	761	201	—	(470)	492
At 31 December 2017	(8,626)	14,955	23,800	509	30,638

Deferred tax assets have not been recognised in respect of the following items:

	2018 *HK$'000*	**2017** *HK$'000*
Tax losses	1,390,779	886,753
Deductible temporary differences	171	198
	1,390,950	886,951

The above tax losses of the Group included tax losses arising in Hong Kong of HK$1,372,483,000 (2017: HK$869,199,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$18,296,000 (2017: HK$17,554,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. These subsidiaries have recorded accumulated losses since 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

22. INVENTORIES

	2018	**2017**
	HK$'000	*HK$'000*
Raw materials	1,015	—
Finished goods	12,417	—
	13,432	—

At 31 December 2018, the Group's inventories with a carrying amount of HK$9,109,000 were pledged as security for the Group's bank loans, as further detailed in note 33 to the financial statements.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	**2017**
	HK$'000	*HK$'000*
Listed equity investments, at market value	431,167	625,183

The financial assets at the end of the reporting period were classified as:

	2018	**2017**
	HK$'000	*HK$'000*
Held for trading	421,568	609,685
Designated upon initial recognition *(note)*	9,599	15,498
	431,167	625,183

Note: On 10 June 2015, the board approved the establishment of the Company's Employees' Share Award Scheme (the "Share Award Scheme"). Pursuant to the rules of the Share Award Scheme, the Company has set up a trust (the "Trust") to hold the shares purchased by the Group pursuant to the terms of the Share Award Scheme before transferring to employees upon vesting.

In 2015, the Group purchased certain shares of South China Holdings Company Limited, a company listed on the Stock Exchange, which is also a connected party of the Company, at a total consideration of HK$11,800,000. The Group designated these shares as financial assets at fair value through profit or loss upon initial recognition, as they are managed and their performance is evaluated on a fair value basis, which will be awarded to employees of the Group under the Share Award Scheme.

During the year ended 31 December 2017, the Group awarded 8,000 shares of South China Holdings Company Limited of approximately HK$2,000 to an employee of the Group under the Share Award Scheme.

As of 31 December 2018, listed securities of approximately HK$351,411,000 (2017: HK$463,489,000) were pledged to banks to secure banking facilities granted to the Group (note 33).

The market value of the Group's listed equity investments at the date of approval of these financial statements was approximately HK$527,886,000 (2017: HK$591,454,000).

24. TRADE RECEIVABLES

	2018	**2017**
	HK$'000	*HK$'000*
Trade receivables	169,437	147,970
Impairment	(1,857)	(677)
	167,580	147,293

The Group's trade receivables arose from securities, forex, bullion and commodities dealings, insurance broking, the provision of corporate advisory and underwriting services, Media Services and jewellery business during the year.

The Group allows a credit period up to the respective settlement dates of securities, forex, bullion and commodities transactions (normally two business days after the respective trade dates for Hong Kong stocks) or a credit period mutually agreed between the contracting parties. The credit period for Media Services is generally one month, extending up to four months for major customers. The credit period for corporate advisory services is generally within two weeks. The Group's trading terms with its jewellery retail customers are mainly on cash and credit card settlement. The Group maintains strict control over its outstanding receivables and a credit control department has been established to monitor the potential credit risk. Overdue balances are reviewed regularly by senior management and are handled closely by the credit control department. The Group's trade receivables relate to a large number of diversified customers, and there is no significant concentration of credit risk. Overdue trade receivables bear interest by reference to the prime rate except that overdue receivables in respect of Media Services, corporate advisory services and jewellery business are non-interest-bearing.

Included in the Group's trade receivables are amount due from a related company, Hong Kong Four Seas Tours Limited ("HKFS") of HK$1,500,000, which is repayable on credit term similar to those offered to the major corporate advisory customers of the Group. A director of HKFS is a director of the Company.

An ageing analysis of the Group's trade receivables at the end of the reporting period, based on the settlement due date and net of loss allowance, is as follows:

	2018	**2017**
	HK$'000	*HK$'000*
Current to 90 days	159,523	144,798
Over 90 days	8,057	2,495
	167,580	147,293

The movement in the loss allowance for impairment of trade receivables are as follows:

	2018	**2017**
	HK$'000	*HK$'000*
At 1 January	677	454
Impairment losses recognised *(note 6)*	1,217	295
Impairment losses reversed *(note 6)*	(37)	(20)
Amount written off as uncollectible	—	(52)
At 31 December	1,857	677

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

		Past due		
	Current	**Less than 90 days**	**Over 90 days**	**Total**
Expected credit loss rate	0.20%	0.38%	18.79%	1.10%
Gross carrying amount *(HK$'000)*	148,381	12,999	8,057	169,437
Expected credit losses *(HK$'000)*	293	50	1,514	1,857

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under HKAS 39, as at 31 December 2017 was a provision for individually impaired trade receivables of HK$677,000 with a carrying amount before provision of HK$1,211,000. The individually impaired trade receivables related to customers that were in default or delinquency in payments. The Group held certain listed equity securities of clients as collateral over these individually impaired trade receivables.

The individually impaired trade receivables as at 31 December 2017 related to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade receivables as at 31 December 2017 that were neither individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017
	HK$'000
Neither past due nor impaired	140,928
Less than 1 month past due	1,374
1 to 3 months past due	1,962
3 months to 1 year past due	2,346
Over 1 year past due	149
	146,759

Trade receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2018	2017
	HK$'000	*HK$'000*
Prepayment	21,556	17,732
Deposits	2,705	18,377
Other receivables	17,695	13,117
	41,956	49,226
Portion classified as current assets	(41,348)	(47,638)
Portion classified non-current assets	608	1,588

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Particulars of amounts due from related companies included in other receivables, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	At 31 December 2018	Maximum amount outstanding during the year	At 31 December 2017 and 1 January 2018	Maximum amount outstanding during the year	At 1 January 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
South China Asset Holdings Limited ("SCAH")##	747	747	—	—	—
South China Asset Management Limited ("SCA")#	335	559	559	963	963
South China Financial Credits Limited ("SCFCL")#	460	460	374	386	349
South China Strategic Limited ("SCSL")*	118	1,399	1,399	1,540	—
South China Media Limited ("SCML")^	—	—	261	261	—
South China Media Management Limited ("SCMML")^	659	659	225	225	—
ZYC Holdings No.1 Limited ("ZYC")**	—	—	91	91	-
	2,319		2,909		1,312

SCA and SCFCL are subsidiaries of South China Assets Holdings Limited, a director of which is also a director of the Company.

* SCSL is a subsidiary of South China Holdings Company Limited, a director of which is also a director of the Company.

^ A director of SCML and SCMML is also a director of the Company.

** A director of ZYC was a director of the Company. ZYC became a subsidiary of the Company upon the acquisition of Lifestyle Group as set out in note 38 to the financial statements.

A director of SCAH is also a director of the Company.

The amounts are unsecured, non-interest-bearing and are repayable on demand.

26. CONTRACT ASSETS

	31 December 2018 *HK$'000*	1 January 2018 *HK$'000*
Contract assets arising from:		
Corporate advisory services	3,352	1,298

Contract assets are initially recognised for revenue earned from the provision of sponsoring services as the receipt of consideration is conditional on successful completion of milestones in relation to the sponsoring fee. Upon completion of milestones in relation to the sponsoring fee, the amounts recognised as contract assets are reclassified to trade receivables. During the year ended 31 December 2018, no allowance for expected credit losses is recognised on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 24 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December 2018 is as follows:

	HK$'000
Within one year	3,352

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The financial impact of ECLs for contract assets under HKFRS 9 was insignificant for the year ended 31 December 2018.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	2018		2017	
	Assets *HK$'000*	Liabilities *HK$'000*	Assets *HK$'000*	Liabilities *HK$'000*
Foreign exchange contracts	541	197	615	289

The Group has entered into various leveraged foreign exchange contracts for trading and investment purpose. These contracts are not designated for hedge purpose and are measured at fair value through profit and loss.

28. CASH AND BANK BALANCES AND PLEDGED TIME DEPOSITS

	2018 *HK$'000*	2017 *HK$'000*
Cash and bank balances	108,456	241,298
Time deposits	—	500
	108,456	241,798
Less: Pledged time deposits:		
Pledged for a guarantee provided to Hong Kong Exchanges and Clearing Limited for securities dealings	—	(500)
Cash and bank balances	108,456	241,298

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$32,175,000 (2017: HK$66,649,000). The RMB held in Mainland China is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. Bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

29. CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated trust accounts with licensed banks to hold securities, futures and forex clients' monies arising from its normal course of business. The Group has classified the clients' monies as "Cash held on behalf of clients" under the current assets section of the consolidated statement of financial position and recognised the corresponding accounts payable to respective clients on the grounds that the Group is liable for any loss or misappropriation of the clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

30. CLIENT DEPOSITS

The Group's client deposits arose from securities, forex, bullion and commodities dealings during the year.

The client deposits are unsecured, bear interest at the bank deposit savings rate or rates that are mutually agreed and are repayable on demand.

Included in client deposits as at 31 December 2018 are deposits from directors, the directors' close family members and companies in which certain directors have beneficial interests totalling HK$14,089,000 (2017: HK$40,091,000), which are subject to similar terms offered by the Group to its major clients.

31. TRADE PAYABLES

The Group's trade payables arose from securities, forex, bullion, commodities dealings, Media Services and jewellery business during the year.

An ageing analysis of the Group's trade payables at the end of the reporting period, based on the settlement due date, is as follows:

	2018	**2017**
	HK$'000	*HK$'000*
Within 1 month	162,180	53,539
1 to 2 months	1,512	71
2 to 3 months	1,613	33
Over 3 months	5,168	180
	170,473	53,823

The trade payables are non-interest-bearing and repayable on the settlement day of the relevant trades or upon demand from customers.

In respect of Media Services and jewellery business, the credit period granted by the creditors ranges from 0 to 90 days and the trade payables are non-interest-bearing.

32. OTHER PAYABLES AND ACCRUALS

	Notes	2018 HK$'000	2017 HK$'000
Contract liabilities	*(a)*	6,378	—
Other payables	*(b)*	16,733	14,755
Accruals		10,063	9,098
		33,174	23,853

Notes:

(a) Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018 HK$'000	1 January 2018 HK$'000
Short-term advances received from customers		
Corporate advisory services	3,412	1,298
Handling services	2,084	3,151
Media publications and financial public relation services	882	221
Total contract liabilities	6,378	4,670

The increase in contract liabilities in 2018 was mainly due to the increase in advances received from customers in relation to the corporate advisory services at the end of the year.

(b) Other payables are non-interest-bearing and have an average term of two months.

Particulars of amounts due to related companies included in other payables are as follows:

Name	2018 HK$'000	2017 HK$'000
Jessica Limited ("Jessica")#	—	214
Car Plus Limited ("Car Plus")#	—	7
	—	221

A director of Jessica and Car Plus was also a director of the Company. Jessica and Car Plus became subsidiaries of the Company upon the acquisition of the Lifestyle Group as set out in note 38 to the financial statements.

The amounts were unsecured, non-interest-bearing and repayable on demand.

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018			2017		
	Effective interest rate (%)	**Maturity**	**HK$'000**	**Effective interest rate (%)**	**Maturity**	**HK$'000**
Current						
Bank overdrafts — secured	HIBOR +2.5%	On demand	75,995	HIBOR +2.5%	On demand	73,139
Bank loans — secured	HIBOR +1.25% to HIBOR +2.75%	On demand	369,000	HIBOR +1.45% to HIBOR +2.75%	On demand	338,000
	HIBOR +2.5%	2019	20,215	HIBOR +2.5%	2018	19,481
	4.35% to 5.7%	On demand	4,554	—	—	—
Bank loans — unsecured	HIBOR +3.5% to HIBOR +3.75%	On demand	12,500	—	—	—
Other loans — unsecured	6.5% to 7%	On demand	4,714	—	—	—
			486,978			430,620
Non-current						
Bank loans — secured	HIBOR +2.5%	2020-2023	152,919	HIBOR +2.5%	2019–2023	181,057
			639,897			611,677

	2018	**2017**
	HK$'000	*HK$'000*
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	482,264	430,620
In the second year	29,001	28,211
In the third to fifth years, inclusive	123,918	139,286
Beyond five years	—	13,560
	635,183	611,677
Other borrowings repayable:		
Within one year or on demand	4,714	—
	639,897	611,677

Notes:

(i) HIBOR represents the Hong Kong Interbank Offered Rate.

(ii) The Group's overdraft facilities amounting to HK$182,000,000 (2017: HK$185,000,000), of which HK$75,995,000 (2017: HK$73,139,000) had been utilised at the end of the reporting period. Certain bank overdraft was secured by the pledge of certain of the Group's listed equity investments amounting to HK$134,343,000 (2017: HK$146,736,000) (note 23).

(iii) Certain of the Group's bank loans are secured by the Group's:

(a) investment properties situated in Hong Kong, which had a fair value at the end of the reporting period of approximately HK$529,000,000 (2017: HK$480,000,000) (note 14);

(b) time deposit amounting to HK$500,000 as at 31 December 2017 (note 28);

(c) Listed equity investments belonging to the Group and clients totalling approximately HK$543,986,000 (2017: HK$622,306,000) were pledged to banks to secure bank loans granted to a subsidiary of the Group at the end of the reporting period (notes 19, 20 and 23); and

(d) floating charges over the Group's inventories totalling HK$9,109,000 (note 22).

In addition, Nanjing Minxing Credit Guarantee Co., Ltd, a third party, has guaranteed certain of the Group's bank loans of HK$4,554,000 as at the end of the reporting period.

(iv) The Group's other loans are unsecured, bear interest at rates ranging from 6.5% to 7% per annum and are repayable on demand.

(v) Except for other loans of HK$4,714,000 and bank loans of HK$4,554,000 which are denominated in Renminbi, all borrowings are denominated in Hong Kong dollars.

34. SHARE CAPITAL

Shares

	2018 *HK$'000*	**2017** *HK$'000*
Issued and fully paid:		
301,277,070 (2017: 15,084,253,500) ordinary shares	1,085,474	1,085,474

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

	Number of shares in issue	**Share capital** *HK$'000*
At 1 January 2017	15,084,253,500	1,086,680
Share repurchased *(note (a))*	(20,400,000)	(1,206)
At 31 December 2017 and 1 January 2018	15,063,853,500	1,085,474
Share Consolidation *(note (b))*	(14,762,576,430)	—
At 31 December 2018	301,277,070	1,085,474

Notes:

(a) With respect of the repurchase and cancellation of a total of 20,400,000 ordinary shares as disclosed in note 31(b) in the annual report 2017 of the Company, the Companies Registry and the Company reached settlement of the aforesaid incident by taking out of a consent summons dated 2 August 2018 for an order by consent that the action of appeal of the Company against the decision of the Registrar of Companies be discontinued; the hearing of the appeal and court application scheduled in August 2018 be vacated; the Company pays the Companies Registry 50% of the costs of and occasioned by the action of appeal in an amount not exceeding HK$150,000; and no order as to the Company's costs of the application for the order and the action of appeal.

(b) On 8 November 2018, the Company implemented the share consolidation on the basis that every fifty issued shares in the share capital of the Company were consolidated into one consolidated share in the share capital of the Company (the ''Share Consolidation''). The issued ordinary shares of the Company were decreased from 15,063,853,500 shares to 301,277,070 shares as a result of the Share Consolidation.

35. SHARE OPTION SCHEME

The Company operates a share option scheme (the ''Scheme'') which became effective on 11 June 2012. Under the Scheme, the directors of the Company may grant options to eligible persons to subscribe for the Company's shares subject to the terms and conditions stipulated therein. Unless otherwise cancelled or amended, the Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective.

The directors and employees of the Company and its subsidiaries are entitled to participate in the share option schemes operated by the Company. Details of the Scheme are as follows:

(1) Purpose of the Scheme

In order to provide incentives or rewards to the participants for their contribution to the Group and to enable the Group to attract and retain employees with relevant qualifications and experience to work for the Group and any entity in which any member of the Group holds any equity interest (the ''Invested Entity''), the shareholders of the Company approved the adoption of the Scheme at the annual general meeting held on 5 June 2012.

(2) Participants of the Scheme

According to the Scheme, the board may, at its discretion, grant share options to any person in any of the following classes of participants:

(i) any executive director, employee or proposed employee (whether full time or part time) of any member of the Group or any Invested Entity or substantial shareholder;

(ii) any non-executive director (including any independent non-executive director) of any member of the Group or any Invested Entity or substantial shareholder;

(iii) any individual for the time being seconded to work for any member of the Group or any Invested Entity or substantial shareholder;

(iv) any shareholder of any member of the Group or any Invested Entity or substantial shareholder or any holder of any securities issued by any member of the Group or any Invested Entity or substantial shareholder;

(v) any business partner, agent, consultant, contractor or representatives of any member of the Group or any Invested Entity or substantial shareholder;

(vi) any supplier of goods or services to any member of the Group or any Invested Entity or substantial shareholder;

(vii) any customer of any member of the Group or any Invested Entity or substantial shareholder;

(viii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group or any Invested Entity or substantial shareholder;

(ix) any other group or classes of participants from time to time determined by the directors as having contributed or may contribute to the development and growth of any member of the Group (including any discretionary object of a participant which is a discretionary trust); and

(x) any company wholly owned by one or more persons belonging to any of the above classes of participants.

(3) Total number of shares available for issue under the Scheme

The maximum number of shares in respect of which share options may be granted under the Scheme and any other share option scheme of the Company shall not exceed 10% of the total number of shares in issue as at the date of approval of the 2012 Share Option Scheme, that is, a total of 10,056,669 with adjustment to the Share Consolidation (note 34(b)) implemented during the year. Options which lapsed in accordance with the terms of the Scheme or any other share option scheme of the Company under which such options are granted shall not be counted for the purpose of calculating whether the abovementioned scheme mandate limit has been exceeded.

As at 31 December 2018, the total number of ordinary shares available for issue pursuant to the grant of share options under the 2012 Share Option Scheme was 10,056,669, representing approximately 3.34% of the ordinary shares in issue as at 31 December 2018 and the date of this Annual Report.

(4) Maximum entitlement of each participant

No participant shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant to such participant would exceed in aggregate 1% (or such other percentage as may be permitted under the Listing Rules and all other applicable law and regulations) of the shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the Listing Rules) abstaining from voting.

Any grant of share option to a connected person (as defined in the Listing Rules) or his associates (as defined in the Listing Rules) must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is the Grantee of the Option).

Where a grant of share options is to a substantial shareholder (as defined in the Listing Rules) of the Company or an independent non-executive director of the Company or any of their respective associates (as defined in the Listing Rules) and the proposed grant of share options, when aggregated with the share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person(s) in the past twelve (12) months period up to and including the date of such grant, would result in the shares issued and to be issued upon exercise of all the share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person(s) representing in aggregate over 0.1% of the total issued share capital of the Company for the time being (or such other amount or percentage or on such other date as the relevant provisions of the Listing Rules may specify) and having an aggregate value, based on the closing price of the share at the date of each grant, in excess of HK$5 million (or such other amount or on such other price or date as the relevant provisions of the Listing Rules may specify), then the proposed grant of share options must be subject to the approval of the shareholders of the Company on a poll in a general meeting where all connected persons of the Company must abstain from voting (except where such connected person(s) intends to vote against the proposed grant of share options and his intention to do so has been stated in the circular).

(5) Period within which the shares must be taken up under an option

The board may, at its absolute discretion, determine the period during which a share option may be exercised. Such period should expire no later than 10 years from the date of grant. The board may also impose restrictions on the exercise of a share option during the period a share option may be exercised.

(6) Minimum period, if any, for which an option must be held before it can be exercised

There is no specific requirement under the 2012 Share Option Scheme that an option must be held for any minimum period before it can be exercised. However, the terms of the 2012 Share Option Scheme provide that the board has the discretion to impose a minimum period at the time of grant of any particular option.

(7) Amount payable upon acceptance of the option and the period within which payment must be made

An amount of HK$1 for each lot of share options granted is payable upon acceptance of the options within 28 days from the date of offer of the options.

(8) Basis of determining the exercise price of the option

The exercise price is determined by the board, and shall be at least the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of grant; (ii) the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of grant; and (iii) the nominal value of the Company's shares.

(9) Remaining life of the Scheme

Subject to early termination of the Scheme pursuant to the terms thereof, the Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective on 11 June 2012.

The following share options were outstanding under the Scheme during the year:

	2018			2017	
	Weighted average exercise price per share	Adjusted weighted average exercise price per share#	Number of options	Weighted average exercise price per share	Number of options
	HK$	*HK$*	*'000*	*HK$*	*'000*
At 1 January	0.195	9.750	31,077	0.195	36,256
Lapsed during the year	0.195	9.750	(10,359)	0.195	(5,179)
Adjustment as a result of the Share Consolidation			(20,304)		—
At 31 December			414		31,077

As a result of the Share Consolidation, an adjustment has been made, among others, to the number of share options granted to employees and exercise price per share.

Particulars of the outstanding share options granted under the Scheme and the movements of such share options during the year are as follows:

Name or category of participant	Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Lapsed during the year	Adjustment as a result of the Share Consolidation	Outstanding as at 31 December 2018	Number of ordinary shares issuable upon the exercise of the outstanding share options *(note a)*	Exercise price per share HK$ *(notes b and c)*	Date of grant of share options	Exercise periods of share options
	Number of share options									
Employees	10,358,974	—	—	(10,358,974)	—	—	—	0.195	09/06/2015	09/06/2016–08/06/2018
	10,358,975	—	—	—	(10,151,798)	207,177	207,177	9.750	09/06/2015	09/06/2017–08/06/2019
	10,358,975	—	—	—	(10,151,795)	207,180	207,180	9.750	09/06/2015	09/06/2018–08/06/2020
	31,076,924	—	—	(10,358,974)	(20,303,593)	414,357				

Name or category of participant	Outstanding as at 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2017	Number of ordinary shares issuable upon the exercise of the outstanding share options *(note a)*	Exercise price per share HK$ *(notes b and c)*	Date of grant of share options	Exercise periods of share options
	Number of share options								
Employees	15,538,462	—	—	(5,179,488)	10,358,974	10,358,974	0.195	09/06/2015	09/06/2016–08/06/2018
	10,358,975	—	—	—	10,358,975	10,358,975	0.195	09/06/2015	09/06/2017–08/06/2019
	10,358,975	—	—	—	10,358,975	10,358,975	0.195	09/06/2015	09/06/2018–08/06/2020
	36,256,412	—	—	(5,179,488)	31,076,924				

Notes:

(a) Representing 0.1% and 0.2% of the total issued voting shares in the Company as at 31 December 2018 and 2017, respectively.

(b) The share price immediately preceding the grant date of share options on 9 June 2015 was HK$0.2.

(c) As a result of rights issue and the Share Consolidation, an adjustment has been made, among others, to the number of share options granted to employees and exercise price per share.

On 9 June 2015, the Company granted 60,000,000 share options to certain employees. The fair value of these share options granted was HK$5,875,000, of which the Group recognised a share option expense of HK$156,000 (2017: HK$577,000) during the year ended 31 December 2018.

The fair value of equity-settled share options granted on 9 June 2015 was estimated as at the date of grant using a trinomial model, taking into account the terms and conditions upon which such share options were granted. The following table lists the inputs to the model used:

Share price (at grant date)	HK$0.194
Exercise price#	HK$0.202
Expected volatility	76.09% to 85.61%
Expected dividend yield	Nil
Contractual option life	3 to 5 years
Risk-free interest rate	0.813% to 1.286%
Early exercise multiple	2.2
Exit rate	43.216%

HK$0.195 after adjusting for the effect of the Company's right issue in 2016 and HK$9.750 after adjusting for the effect of the Share Consolidation in 2018.

The expected volatility reflects the assumptions that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The values of the share options calculated using the trinomial model are subject to certain fundamental limitations due to the inherent limitations of the model itself and the subjective nature of and uncertainty relating to the assumptions adopted for the inputs to the model in respect of expected future performance. Any change in the assumptions and, hence, inputs to the model may materially affect the estimation of fair value of a share option.

At the end of the reporting period, the Company had 414,357 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 414,357 additional ordinary shares in the Company and give rise to proceeds receivables of HK$4,040,000 (before issue expenses).

36. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 68 of the financial statements.

37. OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	—	15,077
Debt investments at fair value through other comprehensive income:		
Changes in fair value	705	—
Exchange differences on translation of foreign operations	(3,725)	5,249
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	(3,020)	20,326
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	(9,240)	—
Other comprehensive income/(loss) for the year	(12,260)	20,326

38. BUSINESS COMBINATIONS

During the year ended 31 December 2018, the Group has carried out the following business combinations.

(a) Acquisition of Lifestyle Group

On 29 March 2018, the Group acquired 100% equity interests in Perfect Riches Limited, Super Bellax Ltd., Great Ready Assets Limited and Jade Fountain Limited from Nicemate Investments Limited, Jessica Publication (BVI) Limited, Win Gain Investments Limited and Ace Market Investments Limited, respectively, which were wholly owned by Mr. Ng Hung Sang, a director, the Chairman of the Board and a substantial shareholder of the Company, for an aggregate cash consideration of HK$52,020,000, comprising the cash consideration of HK$15,000,000 and a cash adjustment to consideration of HK$37,020,000 that was paid pursuant to the adjustment to consideration clause contemplated in the relevant sales and purchase agreement. Perfect Riches Limited, Super Bellax Ltd., Great Ready Assets Limited, Jade Fountain Limited and its respective subsidiaries ("Lifestyle Group") are principally engaged in media publications and public relation services.

The acquisition was in line with the Group's overall strategy to make investments that would create synergy with its existing operations and diversify its revenue stream as well as implement a consumer oriented-business platform in the future.

(b) Acquisition of King Link

On 18 September 2018, the Group acquired 85% equity interests in King Link Investments Limited ("King Link") from Orient Victory Travel Group Company Limited, of which 15% equity interests of King Link were indirectly held by Mr. Ng Hung Sang, a director, the Chairman of the Board and a substantial shareholder of the Company, for an aggregate cash consideration of HK$4,800,000. King Link is an investment holding company which holds 65.5% equity interests in Nanjing Baoqing which is principally engaged in sales and distribution of jewellery products through flagship store and counters of large department stores in Nanjing.

The acquisition was made as part of the Group's strategy to expand in luxury goods market in the PRC and diversify the income of the Group.

Year ended 31 December 2018

The fair values of the identifiable assets and liabilities of the Lifestyle Group and King Link as at the date of acquisitions were as follows:

		Fair value recognised on acquisitions					
		Lifestyle Group					
	Notes	Perfect Riches Limited *HK$'000*	Super Bellax Limited *HK$'000*	Great Ready Assets Limited *HK$'000*	Jade Fountain Limited *HK$'000*	King link Investments Limited *HK$'000*	Total *HK$'000*
Property, plant and equipment	*13*	575	—	—	9	226	810
Intangible assets	*16*	1,581	—	282	5,903	—	7,766
Trade receivables		1,682	—	10	5,328	225	7,245
Prepayments, deposits and other receivables		408	—	217	4,129	1,219	5,973
Inventories		—	—	—	—	11,518	11,518
Cash and bank balances		15	—	1	4,980	2,455	7,451
Deferred tax assets	*21*	261	—	47	974	57	1,339
Trade payables		(5,190)	—	(31)	(11,313)	(66)	(16,600)
Other payables and accruals		(963)	—	(761)	(4,389)	(2,569)	(8,682)
Tax payable		(12)	—	—	—	(141)	(153)
Interest-bearing bank and other borrowings		—	—	—	(26,675)	(7,220)	(33,895)
Deferred tax liabilities	*21*	(261)	—	(47)	(974)	(57)	(1,339)
Total identifiable net assets/ (liabilities) at fair value		(1,904)	—	(282)	(22,028)	5,647	(18,567)
Non-controlling interests		—	—	—	—	(847)	(847)
		(1,904)	—	(282)	(22,028)	4,800	(19,414)
Goodwill on acquisitions	*15*	17,569	—	5,907	52,758	—	76,234
Satisfied by cash		15,665	—	5,625	30,730	4,800	56,820

Goodwill arose from the above acquisitions represented premium paid for the benefits of expected synergies from combining above operations to the Group. None of the goodwill recognised is expected to be deductible for tax purposes.

The fair values of the trade receivables and other receivables as at the date of acquisitions amounted to HK$7,245,000 and HK$3,866,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$7,245,000 and HK$3,866,000, respectively.

The Group incurred transaction costs of HK$3,575,000 for these acquisitions. These transaction costs have been expensed and are included in other operating expenses in the consolidated statement of profit or loss.

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

	HK$'000
Cash consideration	(56,820)
Cash and bank balance acquired	7,451
Cash and bank balance overdrafted	(6,675)
Net outflow of cash and cash equivalents included in cash flows of investing activities	(56,044)
Transaction costs of the acquisitions included in cash flows from operating activities	(3,575)
	(59,619)

Since the acquisitions, the Lifestyle Group and King Link contributed HK$43,410,000 to the Group's revenue and loss of HK$4,605,000 to the consolidated loss for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the loss of the Group for the year would have been HK$179,323,000 and HK$239,853,000, respectively.

During the year ended 31 December 2017, the Group had carried out the following business combination.

Acquisition of Capital Group

On 18 January 2017, the Group acquired 100% equity interest in Media Bonus Limited and Golden Ways Limited from Win Gain Investments Limited and Surge Fast Assets Limited, respectively, which were wholly-owned by a director who is also a director of the Company, for an aggregate cash consideration of HK$22,039,000, comprising the cash consideration of HK$20,000,000 and a cash adjustment to consideration of HK$2,039,000 that was paid pursuant to the adjustment to consideration clause contemplated in the relevant sales and purchase agreement, of which HK$18,224,000 was paid for the acquisition of Media Bonus Limited and HK$3,815,000 for the acquisition of Golden Ways Limited, respectively. Media Bonus Limited and its subsidiaries, and Golden Ways Limited (''Capital Group'') are engaged in the financial media business, event management, marketing services and other related business. The acquisition was in line with the Group's overall mission as a distinctive ''one-stop services'' financial institution and was expected to create synergy to the financial public relation business and current businesses of the Group by offering value-added marketing communication solutions to existing and potential customers with the renowned media platform.

The fair values of the identifiable assets and liabilities of the Capital Group as at the date of acquisition were as follows:

		Fair value recognised on acquisition		
		Media Bonus Limited	**Golden Ways Limited**	**Total**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	*13*	11	—	11
Intangible assets	*16*	3,481	2,454	5,935
Trade receivables		2,393	1,202	3,595
Other receivables		894	368	1,262
Cash and bank balances		26	5	31
Deferred tax assets	*21*	574	405	979
Trade payables		(387)	(108)	(495)
Other payables and accruals		(1,908)	(457)	(2,365)
Deferred tax liabilities	*21*	(574)	(405)	(979)
Total identifiable net assets at fair value		4,510	3,464	7,974
Goodwill on acquisition	*15*	13,714	351	14,065
Satisfied by cash		18,224	3,815	22,039

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$3,595,000 and HK$1,262,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$3,595,000 and HK$1,262,000, respectively.

The Group incurred transaction costs of HK$1,074,000 for this acquisition. These transaction costs have been expensed and are included in other operating expenses in the consolidated statement of profit or loss.

None of the goodwill recognised is expected to be deductible for tax purposes.

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

	HK$'000
Cash consideration	(22,039)
Cash and bank balance acquired	31
Net outflow of cash and cash equivalents included in cash flows of investing activities	(22,008)
Transaction costs of the acquisition included in cash flows from operating activities	(1,074)
	(23,082)

Since the acquisition, the Capital Group contributed HK$17,609,000 to the Group's revenue and loss of HK$33,247,000 to the consolidated profit for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been HK$255,669,000 and HK$53,754,000, respectively.

39. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Change in liabilities arising from financing activities

2018

	Interest-bearing bank and other borrowings less bank overdrafts
	HK$'000
At 1 January 2018	538,538
Changes from financing cash flows	(1,864)
Foreign exchange movement	8
Increase arising from acquisitions of subsidiaries	27,220
At 31 December 2018	563,902

2017

	Interest-bearing bank and other borrowings less bank overdrafts
	HK$'000
At 1 January 2017	506,236
Changes from financing cash flows	32,302
At 31 December 2017	538,538

40. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and overdrafts are included in note 33 to the financial statements.

41. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms of two to three years. The terms of the leases generally also require the tenants to pay security deposits.

At 31 December 2018, the Group had total future minimum lease receivables under non- cancellable operating leases with its tenants falling due as follows:

	2018	**2017**
	HK$'000	*HK$'000*
Within one year	12,899	10,297
In the second to fifth years, inclusive	13,311	3,694
	26,210	13,991

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements, with leases negotiated for terms ranging from two to six years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	6,546	5,322
In the second to fifth years, inclusive	6,454	4,338
	13,000	9,660

42. COMMITMENTS

In addition to the operating lease commitments detailed in note 41(b) above, the Group had the following capital commitments at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Capital contributions to a subsidiary	11,386	11,995
Capital contributions to an associate	7,970	8,397
	19,356	20,392

43. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties, directors and/or companies in which certain directors have beneficial interests during the year:

		2018	2017
	Notes	*HK$'000*	*HK$'000*
Commission and brokerage income*	*(i)*	967	1,410
Interest income arising from margin financing*	*(ii)*	1,368	47
Rental and building management fee expenses*	*(iii)*	17,389	10,959
Colour separation expenses*	*(iv)*	659	430
Advertising and promotion expenses*	*(v)*	500	2,500
Loan interest income*	*(vi)*	100	—
Sponsorship fee income*	*(vii)*	1,500	—

* The related party transactions also constitute exempted connected transactions as defined in Chapter 14A of the Listing Rules.

Notes:

(i) Commission and brokerage income relating to the Group's securities broking business and the rate was determined by reference to commission and brokerage fees charged to third parties.

(ii) Interest income related to the Group's margin financing business and the amount was calculated based on the Hong Kong dollar prime rate per annum which is similar to the rate offered to the Group's major clients.

(iii) Rental and building management expenses relating to the leasing of the Group's office premises were charged on a cost reimbursement basis and the leasing of the Group's restaurants and staff quarters were charged at terms stipulated in the respective consolidated management services agreements, property management services agreement and tenancy agreements.

(iv) Colour separation expenses relating to the Group's media publications business were charged on terms mutually agreed between the relevant parties.

(v) Advertising and promotion expenses were charged on terms mutually agreed between the relevant parties.

(vi) Loan interest income relating to the finance lease was charged on terms mutually agreed between the relevant parties.

(vii) Sponsorship fee income was determined by reference to sponsorship fee charged to third parries.

(b) Other transactions with related/connected parties:

Year ended 31 December 2018

On 29 March 2018, the Group completed the acquisition of the entire equity interest in Perfect Riches Limited, Super Bellax Ltd., Great Ready Assets Limited and Jade Fountain Limited for a consideration of HK$52,020,000. Further details of the acquisition are contained in the Company's circular dated 9 March 2018 and note 38 to the financial statements.

On 18 September 2018, the Group completed the acquisition of 85% equity interests in King Link Investments Limited for a consideration of HK$4,800,000. Further details of the acquisition are contained in the Company's circular dated 23 July 2018 and note 38 to the financial statements.

Year ended 31 December 2017

On 18 January 2017, the Group completed the acquisition of the entire equity interest in Golden Ways Limited and Media Bonus Limited for a consideration of HK$22,039,000. Further details of the acquisition are contained in the Company's circular dated 29 December 2016 and note 38 to the financial statements.

(c) Compensation of key and senior management personnel of the Group:

The executive directors are the key and senior management personnel of the Group. Details of their remuneration are disclosed in note 8 to the financial statements.

44. 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:

2018

Financial assets

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income			
	Designated upon initial recognition *HK$'000*	**Held for trading** *HK$'000*	**Debt investments** *HK$'000*	**Equity investments** *HK$'000*	**Financial assets at amortised cost** *HK$'000*	**Total** *HK$'000*
Other assets	—	—	—	—	7,514	7,514
Equity investments designated at fair value though other comprehensive income	—	—	—	30,520	—	30,520
Debt investments at fair value through other comprehensive income	—	—	3,080	—	—	3,080
Loans receivable	—	—	—	—	297,277	297,277
Trade receivables	—	—	—	—	167,580	167,580
Derivative financial instruments	—	541	—	—	—	541
Financial assets at fair value through profit or loss	9,599	421,568	—	—	—	431,167
Financial assets included in prepayments, other receivables and other assets *(note 25)*	—	—	—	—	20,400	20,400
Cash held on behalf of clients	—	—	—	—	541,617	541,617
Cash and bank balances	—	—	—	—	108,456	108,456
	9,599	422,109	3,080	30,520	1,142,844	1,608,152

Financial liabilities

	Financial liabilities at fair value through profit or loss — held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Client deposits	—	485,171	485,171
Trade payables	—	170,473	170,473
Derivative financial instruments	197	—	197
Financial liabilities included in other payables and accruals	—	26,117	26,117
Deposits received	—	3,672	3,672
Interest-bearing bank and other borrowings	—	639,897	639,897
	197	1,325,330	1,325,527

2017

Financial assets

	Financial assets at fair value through profit or loss				
	Designated upon initial recognition HK$'000	Held for trading HK$'000	Available-for-sale investments HK$'000	Loans and receivables HK$'000	Total HK$'000
Other assets	—	—	—	17,675	17,675
Available-for-sale investments	—	—	42,135	—	42,135
Loans receivable	—	—	—	388,176	388,176
Trade receivables	—	—	—	147,293	147,293
Derivative financial instruments	—	615	—	—	615
Financial assets at fair value through profit or loss	15,498	609,685	—	—	625,183
Financial assets included in prepayments, other receivables and other assets *(note 25)*	—	—	—	31,494	31,494
Pledged time deposits	—	—	—	500	500
Cash held on behalf of clients	—	—	—	597,368	597,368
Cash and bank balances	—	—	—	241,298	241,298
	15,498	610,300	42,135	1,423,804	2,091,737

Financial liabilities

	Financial liabilities at fair value through profit or loss — held for trading	Financial liabilities at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*
Client deposits	—	719,728	719,728
Trade payables	—	53,823	53,823
Derivative financial instruments	289	—	289
Financial liabilities included in other payables and accruals	—	19,512	19,512
Deposits received	—	1,260	1,260
Interest-bearing bank and other borrowings	—	611,677	611,677
	289	1,406,000	1,406,289

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, cash held on behalf of clients, pledged time deposits, other assets, the current portion of loans receivable, trade receivables, financial assets included in prepayments, other receivables and other assets, clients deposits, trade payables, financial liabilities included in other payables and accruals, deposits received and balances with subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of loans receivable, interest-bearing bank and other borrowings, deposits and a subordinated loan to a subsidiary have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2018 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted debt investments in which represented club debentures have been estimated based on market transaction prices. The fair values of derivative financial instruments are measured based on quoted market prices.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Equity investments designated at fair value through other comprehensive income	30,520	—	—	30,520
Debt investments at fair value through other comprehensive income	—	3,080	—	3,080
Derivative financial instruments	—	541	—	541
Financial assets at fair value through profit or loss	431,167	—	—	431,167
	461,687	3,621	—	465,308

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investments:				
Equity investments	39,690	—	—	39,690
Debt investments	—	2,445	—	2,445
Derivative financial instruments	—	615	—	615
Financial assets at fair value through profit or loss	625,183	—	—	625,183
	664,873	3,060	—	667,933

Liabilities measured at fair value:

	Fair value measurement using significant observable inputs (Level 2)
	HK$'000
As at 31 December 2018	
Derivative financial instruments	197
As at 31 December 2017	
Derivative financial instruments	289

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2017: Nil).

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and overdrafts, cash and short term deposits, and listed equity investments. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as loans receivable, trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's net debt obligations with floating interest rates. The majority of the bank borrowings bear interest at interest rates with reference to the HIBOR whereas loans to customers bear interest at interest rates with reference to the prime rate. As the prime rate in Hong Kong basically changes in line with the HIBOR, the Group's exposure to the risk of changes in market interest rates is minimal.

The following table demonstrates the sensitivity to a reasonably possible change in the Hong Kong dollar interest rate, with all other variables held constant, of the Group's profit/(loss) before tax (through the impact on floating rate net borrowings).

	Change in basis points	Change in profit/ (loss) before tax
		HK$'000
2018		
Hong Kong dollar	50	3,153
2017		
Hong Kong dollar	50	3,058

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

The Group's concentration of credit risk is mainly in Hong Kong by geographical location. The Group's credit risk exposure is spread over a number of counterparties and customers. Hence, it has no significant concentration of credit risk by a single debtor.

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. For listed debt investments, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets*	—	—	—	3,352	3,352
Other assets					
— Normal**	7,514	—	—	—	7,514
Debt investments at fair value through other comprehensive income					
— Normal**	3,080	—	—	—	3,080
Loans receivable					
— Normal**	297,277	—	—	—	297,277
Trade receivables*	—	—	—	167,580	167,580
Financial assets included in prepayments, other receivables and other assets					
— Normal**	20,400	—	—	—	20,400
Cash held of behalf of clients					
— No yet past due	541,617	—	—	—	541,617
Cash and bank balances					
— No yet past due	108,456	—	—	—	108,456
	978,344	—	—	170,932	1,149,276

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 24 and 26 to the financial statements, respectively.

** The credit quality of the financial assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Maximum exposure as at 31 December 2017

The credit risk of the Group's other financial assets, which comprise other assets, available-for-sale investments, loans receivables, trade receivables, derivative financial instruments, financial assets at fair value through profit or loss, financial assets included in prepayments, other receivables and other assets, pledged time deposits, cash held on behalf of clients and cash and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from loans and trade receivables are disclosed in notes 19 and 24 to the financial statements, respectively.

Liquidity risk

The Group 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., loans and trade receivables) and projected cash flows from operations.

The Group's borrowings from banks during the year are mainly for the provision of financing and loans to customers for their purchases and continuous holding of securities. The maturity of bank borrowings of the Group usually ranges from overnight to one month, and they are either rolled over or repaid by the Group's own funding. In addition, for those clients who are unable to settle their settlement obligations or margin deficits, the Group may dispose of the securities collateral pledged by the customers to the Group. The Group always ensures that the securities collateral pledged by customers are able to be realised in the market within a reasonable period of time.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2018					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Client deposits	485,171	—	—	—	—	485,171
Interest-bearing bank and other borrowings	393,317	73,054	26,805	168,484	—	661,660
Trade payables	—	165,305	5,168	—	—	170,473
Derivative financial instruments	197	—	—	—	—	197
Financial liabilities included in other payables and accruals	—	26,117	—	—	—	26,117
Deposits received	—	—	—	3,672	—	3,672
	878,685	264,476	31,973	172,156	—	1,347,290

	2017					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Client deposits	719,728	—	—	—	—	719,728
Interest-bearing bank and other borrowings	345,245	66,761	26,068	209,045	13,727	660,846
Trade payables	—	53,643	180	—	—	53,823
Derivative financial instruments	289	—	—	—	—	289
Financial liabilities included in other payables and accruals	—	19,512	—	—	—	19,512
Deposits received	—	—	—	1,260	—	1,260
	1,065,262	139,916	26,248	210,305	13,727	1,455,458

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through profit or loss (note 23) and equity investments designated at fair value through other comprehensive income/available-for-sale investments (note 20) at the end of the reporting period. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to every 10% change in the fair value of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the equity investments designated at fair value through other comprehensive income/the available-for-sale investments, the impact is deemed to be on the fair value reserve and the available-for-sale revaluation reserve, respectively.

		Carrying amount of equity investments	Change in profit/(loss) before tax	Change in equity*
		HK$'000	*HK$'000*	*HK$'000*
2018				
Investments listed in:				
Hong Kong	— Equity investments designated at fair value through other comprehensive income	30,520	—	3,052
	— Held-for-trading	421,568	42,157	—
	— Designated upon initial recognition	9,599	960	—
2017				
Investments listed in:				
Hong Kong	— Available-for-sale	39,690	—	3,969
	— Held-for-trading	609,685	60,969	—
	— Designated upon initial recognition	15,498	1,550	—

* Excluding accumulated losses

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Certain subsidiaries of the Group are regulated by the Securities and Futures Commission (the "SFC") and are required to comply with certain minimum capital requirements according to the rules of the SFC. The Group has established a compliance department which is operated by experienced compliance officers and is monitored by management. The principal roles of the legal and compliance department are to monitor the daily financial status and to review internal control of the Group regularly to ensure that the Company's regulated subsidiaries are in compliance with related regulations. No changes were made in the objectives, policies or processes for managing capital during the two years ended 31 December 2018 and 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group's policy is to maintain the gearing ratio below 50%. Net debt is interest-bearing bank and other borrowings less cash and bank balances. Capital represents total equity. The gearing ratios at the end of the reporting periods were as follows:

	2018	**2017**
	HK$'000	*HK$'000*
Interest-bearing bank and other borrowings	639,897	611,677
Less: Cash and bank balances	(108,456)	(241,298)
Net debt	531,441	370,379
Capital	914,360	1,166,696
Capital and net debt	1,445,801	1,537,075
Gearing ratio	36.8%	24.1%

47. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following tables represent details of financial instruments subject to offsetting:

2018

Assets	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position: Financial instruments	Related amounts not set off in the statement of financial position: Cash collateral pledged	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	215,013	(47,433)	167,580	—	—	167,580
Loans receivable	305,802	(8,525)	297,277	—	—	297,277
Derivative financial instruments	558	(17)	541	—	(541)	—
	521,373	(55,975)	465,398	—	(541)	464,857

2018

Liabilities	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position: Financial instruments	Related amounts not set off in the statement of financial position: Cash collateral pledged	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	226,431	(55,958)	170,473	—	—	170,473
Derivative financial instruments	214	(17)	197	—	(197)	—
	226,645	(55,975)	170,670	—	(197)	170,473

			2017			
		Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		
Assets	Gross amounts of recognised financial assets			Financial instruments	Cash collateral pledged	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	213,545	(66,252)	147,293	—	—	147,293
Loans receivable	404,305	(16,129)	388,176	—	—	388,176
Derivative financial instruments	615	—	615	—	(615)	—
	618,465	(82,381)	536,084	—	(615)	535,469

			2017			
		Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not set off in the statement of financial position		
Liabilities	Gross amounts of recognised financial liabilities			Financial instruments	Cash collateral pledged	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	136,204	(82,381)	53,823	—	—	53,823
Derivative financial instruments	289	—	289	—	(289)	—
	136,493	(82,381)	54,112	—	(289)	53,823

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries		473,318	697,004
Subordinated loan to a subsidiary	*(a)*	100,000	100,000
Intangible assets		569	322
Total non-current assets		573,887	797,326
CURRENT ASSETS			
Prepayments, other receivables and other assets		145	16,054
Cash and bank balances		627	39,042
Total current assets		772	55,096
CURRENT LIABILITIES			
Other payables		760	383
NET CURRENT ASSETS		12	54,713
TOTAL ASSETS LESS CURRENT LIABILITIES		573,899	852,039
NON-CURRENT LIABILITIES			
Amounts due to subsidiaries		652	9,669
Net assets		573,247	842,370
EQUITY			
Share capital		1,085,474	1,085,474
Reserves	*(b)*	(512,227)	(243,104)
Total equity		573,247	842,370

Notes:

(a) The Company's subordinated loan to a subsidiary, South China Securities Limited, is unsecured, bears interest at a rate of 2% below the Hong Kong dollar prime rate (2017: 2% below the Hong Kong dollar prime rate) per annum, and is repayable on a date as agreed between the Company and the subsidiary, subject to the overriding provision of the subordinated loan agreement that, if the subsidiary becomes insolvent or unable to meet the liquid capital requirements set out in the Hong Kong Securities and Futures (Financial Resources) Rules, the repayment of the loan will be subordinated to the prior repayment of all other creditors of the subsidiary. In the opinion of the directors, the balance is not repayable within one year.

(b) A summary of the Company's reserves is as follows:

	Share option reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2017	2,633	(500,881)	(498,248)
Total comprehensive profit for the year	—	254,567	254,567
Equity-settled share option arrangements	577	—	577
Transfer of share options reserve upon the forfeiture of share options	(429)	429	—
At 31 December 2017 and at 1 January 2018	2,781	(245,885)	(243,104)
Total comprehensive loss for the year	—	(269,279)	(269,279)
Equity-settled share option arrangements	156	—	156
Transfer of share options reserve upon the forfeiture of share options	(859)	859	—
At 31 December 2018	2,078	(514,305)	(512,227)

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to accumulated losses should the related options are exercised, or expire or lapse.

49. EVENT AFTER THE REPORTING PERIOD

On 1 February 2019, the Company (as vendor) and South China Industries (BVI) Limited (as purchaser), a wholly-owned subsidiary of South China Holdings Company Limited entered into a conditional sale and purchase agreement (the "S&P Agreement"), pursuant to which the Company has agreed to dispose of one share of US$1.00 in the capital of Year Blossom Limited, a wholly-owned subsidiary of the Company (the "Sale Share") and the purchaser has agreed to acquire the Sale Share subject to and in accordance with the terms and conditions of the S&P Agreement.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 March 2019.

3. INDEBTEDNESS STATEMENT

Borrowings

At the close of business on 30 June 2019, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had outstanding borrowings of approximately HK$588.4 million, which represented (i) bank loans and overdrafts of the Group of approximately HK$482.8 million secured by certain of the Group's inventories, listed equity investments of the Group and its margin clients and shares to be allotted to its clients; (ii) mortgage loans of approximately HK$89.2 million secured by the Group's investment properties; (iii) unsecured bank loans of the Group of approximately HK$11.5 million; and (iv) unsecured other borrowings of approximately HK$4.9 million.

An aggregate of approximately HK$567.5 million of the bank loans and mortgage loans of the Group as at 30 June 2019 denoted (i) and (ii) in the above was guaranteed by the Company. The bank loans of approximately of HK$4.5 million of the Group as at 30 June 2019 denoted in (i) were guaranteed by Nanjing Minxing Credit Guarantee Co. Ltd, an Independent Third Party. The bank loans of approximately of HK$11.5 million of the Group as at 30 June 2019 denoted in (iii) were guaranteed by certain members of the Group and a director of the Group.

Lease liabilities

The Group has adopted HKFRS 16 *Leases* using a modified retrospective approach on 1 January 2019. The Group applies HKFRS 16 to contracts that were previously identified as leases under Hong Kong Accounting Standard 17 *Leases* and uses the exemptions allowed by the standard on short-term leases and lease contracts whose lease terms end within 12 months as of the date of the initial application. The Group measures the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate and measures the right-of-use asset at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payments. As at 30 June 2019, the Group has current and non-current lease liabilities amounted to HK$2.3 million and HK$5.2 million, respectively.

Save as aforesaid and apart from normal accruals and payables in the ordinary course of business, the Group did not have any debt securities, issued or authorised or otherwise created but unissued or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptance (other than normal trade bills), acceptance credits and hire purchase commitments and other mortgages and charges as at the close of business of 30 June 2019.

Contingent liabilities

As at the close of business on 30 June 2019, the Company had contingent liabilities relating to corporate guarantees provided in respect of banking facilities granted to certain members of the Group, of which approximately HK$579 million was utilised.

4. WORKING CAPITAL

The Directors, after due and careful enquiry are of the opinion that, after taking into account the present financial resources and the estimated net proceeds from the Rights Issue, the available banking facilities and the Group's internally generated funds, the Company will have sufficient working capital to satisfy its present requirements for at least twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

Due to the US-China trade war, there is high uncertainty clouded over the stock market. Most of the investors are taking wait-and-see attitude and the stock market turnover is keeping at a relatively low level. The world economy is also under pressure due to the trade and political tensions among US and other countries. It is the general expectation in various countries that the interest rates will be kept in a low level so as to maintain an ample liquidity for boosting the world economy.

Such an anticipated low interest rate environment has triggered a demand of fixed income products. The Company has launched its bond financing business in the second quarter of 2019, and will continue to do marketing and promotion campaigns for this new product to those high net worth clients. In addition, the Company noted an upward trend of futures and options trading from its existing clients due to the volatility of the stock market. In order to grasp this upward trend, the Company keeps on organising seminars both on-line and off-line to educate the existing and potential clients the trading strategies of futures and options so as to compensate the decrease of revenue caused by low turnover in stock market.

In order to establish the Company's brand name and network in the PRC, the Company signed a memorandum of understanding (the "MOU") with a state-owned futures company in about February 2019 for the purpose of exploration of opportunities in cooperation in futures trading business. Under the framework of the MOU, a wholly-owned subsidiary of the Company subsequently appointed the state-owned futures company as an execution broker to trade certain commodities on Shanghai Energy Exchange, Dalian Commodity Exchange and Zhenzhou Commodity Exchange for the clients of the wholly-owned subsidiary of the Company. In addition to the aforesaid commodities trading business, another brand building campaign is that the Company is in the stage of discussion with a radio station in Greater Bay Area for the purpose of arranging the Company's analysts to attend to some radio programs regarding financial market in Hong Kong. The aforesaid business alliance campaigns are the stepping stones for the Group to expand its clientele in the PRC. Leveraging on the recent technology advancement, the Company plans to offer a new non-face-to-face account opening mobile application in about September 2019 for the purpose of maximise convenience of opening accounts with the Company for prospective clients in the PRC, as well as organising seminars having financial topics in the PRC, particularly the Greater Bay Area, which is expected to expand the Company's clientele and widen the source of revenue.

In addition, the Company is also discussing with various business partners to set up private funds having an expectation that this will not only increase the Group's revenue in asset management business but also facilitate its investment banking business by soliciting deals and investors. The Company believes that this strategy will create synergy across these two business units. On the one hand, Group can build its track record in assets-under-management which provides stable management fee revenue to the Group, but on the other hand, this can strengthen its deals pipeline in investment banking business, which in turn may minimise fluctuation in revenue in this business unit.

6. MATERIAL CHANGE

Save as disclosed below, as of the Latest Practicable Date, the Directors were not aware of any material change in the financial or trading position or outlook of the Group since 31 December 2018, being the date of which the latest published audited consolidated financial statements of the Company were made up.

As disclosed in the Positive Profit Alert Announcement, based on the unaudited condensed consolidated results of the Group for the six months ended 30 June 2018 and 30 June 2019, the Group recorded (i) a fair value gain on the listed equity investments for the six months ended 30 June 2019 of not less than approximately HK$21 million against the fair value loss on the listed equity investments of not more than approximately HK$99 million in the corresponding period in 2018; and (ii) gain on the trading of securities, forex and futures contracts for the six months ended 30 June 2019 of not less than HK$37 million against the loss on the trading of securities, forex and futures contracts of not more than approximately HK$20 million in the corresponding period in 2018, which may together positively affect the unaudited consolidated profit before tax from continuing operations of the Group for the six months ended 30 June 2019.

The following is the text of a letter received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, in respect of the estimate of the unaudited consolidated profit before tax from continuing operations of the Group for the six months ended 30 June 2019 for the purpose of incorporation in this circular.

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Board of Directors
South China Financial Holdings Limited

Dear Sirs,

SOUTH CHINA FINANCIAL HOLDINGS LIMITED (THE "COMPANY") AND ITS SUBSIDIARIES (THE "GROUP")

Profit estimate for the six months ended 30 June 2019

We refer to the estimate of the unaudited consolidated profit before tax from continuing operations of the Group for the six months ended 30 June 2019 (the "Profit Estimate") set forth in the section headed "Material Change" in Appendix IA to the circular of the Company dated 2 August 2019 (the "Circular") in connection with the Company's rights issue on the basis of three rights shares for every two shares. The Profit Estimate is required to be reported on under Rule 10 of the Code on Takeovers and Mergers issued by the Securities and Futures Commission.

Directors' responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the unaudited consolidated results of the Group for the six months ended 30 June 2019 as shown in the management accounts of the Group for the six months ended 30 June 2019.

The Company's directors are solely responsible for the Profit Estimate.

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors as set out in Note 2.1 headed "Basis of Preparation" on pages IA-14 to IA-15 of the Circular and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Note 2.1 headed "Basis of Preparation" on pages IA-14 to IA-15 of the Circular and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2018.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong
2 August 2019

The following is the text of a letter on the positive profit alert statement of the Group received from Lego Corporate Finance Limited for the purpose of incorporation in this Circular.

Lego Corporate Finance Limited
力高企業融資有限公司

The Board of Directors
South China Financial Holdings Limited
28th Floor,
Bank of China Tower,
1 Garden Road,
Central, Hong Kong

2 August 2019

**SOUTH CHINA FINANCIAL HOLDINGS LIMITED
(THE "COMPANY", TOGETHER WITH ITS SUBSIDIARIES, THE "GROUP")**

**(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY TWO SHARES HELD ON THE RECORD DATE; AND
(II) APPLICATION FOR WHITEWASH WAIVER**

Dear Sirs,

Reference is made to the circular (the "**Circular**") issued by South China Financial Holdings Limited (the "**Company**") dated 2 August 2019, of which this letter forms part. Unless otherwise specified, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

We refer to the section headed "Material Change" in Appendix IA to the Circular which states that, as disclosed in the Positive Profit Alert Announcement, based on the unaudited condensed consolidated results of the Group for the six months ended 30 June 2018 and 30 June 2019, the Group recorded (i) a fair value gain on the listed equity investments for the six months ended 30 June 2019 of not less than approximately HK$21 million against the fair value loss on the listed equity investments of not more than approximately HK$99 million in the corresponding period in 2018; and (ii) gain on the trading of securities, forex and futures contracts for the six months ended 30 June 2019 of not less than approximately HK$37 million against the loss on the trading of securities, forex and futures contracts of not more than approximately HK$20 million in the corresponding period in 2018, which may together positively affect the unaudited consolidated profit before tax from continuing operations of the Group for the six months ended 30 June 2019 ("**Positive Profit Alert Statement**").

The Positive Profit Alert Statement constitutes a profit forecast under Rule 10 of the Takeovers Code and must be reported on by the financial adviser and the auditors or consultant accountants of the Company.

We have reviewed the Positive Profit Alert Statement and other relevant information and documents (in particular, the unaudited consolidated management account of the Group for the six months ended 30 June 2019 (the "**Management Account**") which you as the Directors are solely responsible for, and discussed with you and the senior management of the Company the information and documents (in particular, the Management Account) provided by you which formed the key bases upon which the Positive Profit Alert Statement has been made. In respect of the accounting policies and calculations concerned, upon which the Positive Profit Alert Statement has been made, we have relied upon the report as contained in Appendix IB to the Circular addressed to the Board from Ernst & Young, the auditor of the Company, who is of the opinion that so far as the accounting policies and calculations are concerned, the Positive Profit Alert Statement has been properly compiled on a basis consistent with the accounting policies normally adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2018.

On the basis of the foregoing, we are of the opinion that the Positive Profit Alert Statement for which the Directors are solely responsible, has been made by the Directors with due care and consideration.

Yours faithfully,
For and on behalf of,
Lego Corporate Finance Limited
Billy Tang
Managing Director

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group (the "**Unaudited Pro Forma Financial Information**") which has been prepared to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group as if the Rights Issue had been completed on 31 December 2018.

The Unaudited Pro Forma Financial Information is prepared based on the consolidated net assets of the Group as at 31 December 2018 as extracted from the annual report of the Company for the year ended 31 December 2018 and is adjusted for the effect of the Rights Issue as if the Rights Issue had been completed on 31 December 2018.

The Unaudited Pro Forma Financial Information is prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group immediately after completion of the Rights Issue or any future date after completion of the Rights Issue.

	Consolidated net tangible assets of the Group as at 31 December 2018	**Estimated net proceeds from the Rights Issue**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group immediately after completion of the Rights Issue**	**Consolidated net tangible assets of the Group per Share as at 31 December 2018**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share immediately after completion of the Rights Issue**
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$*	*HK$*
Based on 451,915,605 Rights Shares at Subscription Price of HK$0.42 per Rights Share	813,496	184,705	998,201	2.70	1.33

Notes:

1. The consolidated net tangible assets of the Group as at 31 December 2018 is calculated based on the consolidated net assets of the Group of approximately HK$914,360,000 as at 31 December 2018 after deducting intangible assets and goodwill of approximately HK$10,916,000 and HK$89,948,000.

2. The estimated net proceeds from the Rights Issue of approximately HK$184,705,000 is calculated based on 451,915,605 Rights Shares assuming to be issued on the completion of the Rights Issue (based on 301,277,070 Shares in issue as at the Latest Practicable Date) at the Subscription Price of HK$0.42 per Rights Share and after deduction of estimated related expenses of approximately HK$5,100,000.

3. The number of Shares used for the calculation of the consolidated net tangible assets of the Group per Share as at 31 December 2018 is based on 301,277,070 Shares of the Company in issue as at 31 December 2018.

4. The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share immediately after completion of the Rights Issue is calculated based on 753,192,675 Shares which comprise 301,277,070 Shares in issue as at 31 December 2018 and 451,915,605 Rights Shares assumed to be issued on completion of the Rights Issue.

5. Save as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2018.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, in respect of the unaudited pro forma financial information of the Group for the purpose of incorporation in this circular.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of South China Financial Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of South China Financial Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets of the Group as at 31 December 2018 and related notes as set out on pages II-1 to II-2 of the circular of the Company dated 2 August 2019 issued by the Company (the "**Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in the notes as set out on pages II-1 to II-2.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue in the proportion of three rights shares for every existing two shares of the Company held on the record date on the Group's financial position as at 31 December 2018 as if the transaction had taken place at 31 December 2018. As part of this process, information about the Group's consolidated net tangible assets has been derived by the Directors from the consolidated statement of financial position of the Group as at 31 December 2018, on which an audit report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 ("**AG 7**") *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the circular is solely to illustrate the impact of the proposed rights issue in the proportion of three rights shares for every existing two shares of the Company held on the record date on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong
2 August 2019

RAVIA GLOBAL
APPRAISAL
ADVISORY LIMITED

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289 Hennessy Road, Wan Chai, Hong Kong
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W: www.raviagroup.com
E: general@raviagroup.com

2 August 2019

South China Financial Holdings Limited
28th Floor,
Bank of China Tower,
1 Garden Road,
Central, Hong Kong

Dear Sirs/Madams,

RE: 26TH FLOOR OF TOWER ONE, LIPPO CENTRE, NO. 89 QUEENSWAY, HONG KONG (THE "PROPERTY")

According to the instructions of South China Financial Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") to value the Property in Hong Kong, we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 May 2019 (the "**Date of Valuation**") for the purpose of incorporation into the circular issued by the Group.

1. BASIS OF VALUATION

Our valuation of the Property is our opinion of the market value of the Property which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. VALUATION METHODOLOGY

We have valued the Property by the direct comparison approach assuming sale of the Property in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

3. TITLE INVESTIGATION

We have carried out land search at the Land Registry of Hong Kong. However, we have not scrutinised all the original documents to verify ownership or to ascertain the existence of any lease amendments which may not appear on the copies handed to us.

4. VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Property in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of the Property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the Property and no allowance has been made for the Property to be sold in one lot or to a single purchaser.

5. SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of Property, particulars of occupation, floor areas, ages of buildings and all other relevant matters which can affect the value of the Property. All documents have been used for reference only.

Dimension, measurements and areas included in the valuation report attached are based on information provided to us and are therefore only approximations. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Property and we have assumed that the areas shown on the documents handed to us are correct. We were also advised by the Group that no material facts have been omitted from the information provided.

6. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of Property. No structural survey has been made in respect of the Property. However, in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the Property is free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

In valuing the Property, we have complied with the HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors and the requirements contained in the relevant provisions of Chapter 5, Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the Code on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission.

7. POTENTIAL TAX LIABILITIES

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and Share Buy-backs and as advised by the Group, the potential tax liabilities which may arises from the sale of the Property include Profit Tax at a rate of 16.5% on the profit amount and Stamp Duty at a rate of maximum 8.5% of the consideration of the Property. As confirmed by the Group, as at the Latest Practicable Date, the Group has no intention to dispose of the Property and therefore the likelihood of the relevant tax liabilities crystallising is remote.

8. REMARKS

Unless otherwise stated, all monetary amounts stated in our valuation are in Hong Kong Dollars (HK$).

Our Valuation Certificate is attached herewith.

Yours faithfully,
For and on behalf of
RAVIA GLOBAL APPRAISAL ADVISORY LIMITED
Dr. Alan Lee
PhD(BA) MFin BCom(Property)
MHKIS RPS(GP) AAPI CPV CPV(Business)
Director

Note: Dr. Alan Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 15 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region, European countries and American countries.

VALUATION CERTIFICATE

Property held by the Group for Investment Purpose in Hong Kong

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 May 2019
26th Floor of Tower One, Lippo Centre, No. 89 Queensway, Hong Kong 1,365/102,750th equal and undivided shares of and in Inland Lot No. 8615	The Property comprises a whole office floor on 26th floor of a 36-storey office building over a commercial podium, completed in 1987. As per building plans obtained from Building Department, the Property has a gross floor area of about 14,686.10 sq.ft. (or about 1,364.4 sq.m.). The Property is held under Conditions of Sale No. UB11720 for a term of 75 years renewable for 75 years commencing on 15 February 1984. The annual government rent payable for the whole lot is HK$1,000.	The Property is subject to various tenancies with the latest term expiring on 15 March 2022 with a total monthly rent of approximately HK$1,077,950 exclusive of management fees, Government Rates and utility charges.	HK$550,000,000

Notes:

1. The registered owner of the Property is Polyluck Trading Limited vide Memorial No. UB6668439 dated 10 June 1996.

2. The property is subject to the following material encumbrances:

   a. Deed of Mutual Covenant vide Memorial No. UB3824584 dated 31 August 1988;

   b. Mortgage in favour of Nanyang Commercial Bank Limited vide Memorial No. UB8906954 dated 17 March 2003; and

   c. Assignment of Rental in favour of Nanyang Commercial Bank Limited vide Memorial No. UB8906955 dated 17 March 2003.

3. As advised by the Group, Polyluck Trading Limited is indirectly wholly-owned by the Company.

4. The inspection of the Property was performed by Dr. Alan Lee in July 2019.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Underwriter and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

The directors of the Underwriter and the ultimate beneficial owner of the Underwriter jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement herein misleading.

2. SHARE CAPITAL

Under the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Company, a company incorporated in Hong Kong, does not have an authorised share capital and the Shares do not have a nominal value. The issued share capital of the Company as at the Latest Practicable Date and immediately upon completion of the Rights Issue (assuming no issue of new Shares other than the Rights Shares and no repurchases of Shares in the period from the Latest Practicable Date to the date of completion of the Rights Issue) are as follows:

	Number of Shares
Shares in issue as at the Latest Practicable Date	301,277,070
Rights Shares to be issued and credited as fully paid	451,915,605
Shares in issue immediately upon completion of the Rights Issue	753,192,675

As at the Latest Practicable Date, the Company has 155,385 outstanding Share Options, which can be exercised from 9 June 2018 to 8 June 2020.

Had such outstanding Share Options been vested and the subscription rights attached thereto been exercised in full, an additional 155,385 Shares (which entitle to 233,077 Rights Shares) would have been issued assuming no further grant of share option by the Company for the period from the Latest Practicable Date to the Record Date.

As at the Latest Practicable Date, each of the holders of the Share Options has signed an Optionholders' Undertaking not to exercise the Share Options granted to him/her prior to completion or, where applicable, lapse of the Rights Issue.

Save for the aforesaid, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

All Shares in issue rank *pari passu* in all respects with each other including, in particular, as to rights to dividends, voting rights and return of capital. The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* with each other and the then existing Shares in issue in all aspects including rights to dividends, voting and return of capital.

Subsequent to 31 December 2018, the end of the last financial year of the Company, and up to the Latest Practicable Date, the Company had not issued any Shares

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests in the Company or its associated corporations

As at the Latest Practicable Date, the interests of the Directors, the chief executives and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or to be recorded in the register referred to under section 352 of the SFO or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of listed issuers were as follows:

Name of Director	Nature of interest	Number of Shares held	Percentage of issued share capital of the Company as at the Latest Practicable Date (%)
Mr. Ng	Interest of a controlled corporation *(Note 1)*	494,994,052	164.30
	Beneficial owner	27,833,160	9.24
Ms. Cheung	Beneficial owner	12,300,311	4.08
Hon. Raymond Arthur William Sears, Q.C.	Interest of spouse *(Note 2)*	53,000	0.02

Notes:

1. Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited, which held 58,815,075 Shares, 111,559,200 Shares and 4,999,680 Shares, respectively, as at the Latest Practicable Date, were wholly-owned by Mr. Ng. The Underwriter, holding 7,178,761 Shares as at the Latest Practicable Date, agreed to conditionally fully underwrite 301,673,195 Rights Shares pursuant to the Underwriting Agreement. The Underwriter, Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited undertook to accept their entitlement of 115,992,514 Rights Shares pursuant to the Irrevocable Undertakings. The Underwriter was wholly-owned by Mr. Ng as at the Latest Practicable Date.

2. Under the SFO, Hon. Raymond Arthur William Sears, Q.C. is deemed to be interested in there 53,000 Shares

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

(b) Substantial shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, interests in the Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and the amount of each of such person's interests in such Shares is as follows:

Name	Nature of interest	Number of Shares held	Percentage of issued share capital of the Company as at the Latest Practicable Date (%)
Fortunate Keen Limited	Interest of a controlled corporation *(Note 1)*	319,620,097	106.09
South China (BVI) Limited	Interest of a controlled corporation *(Note 1)*	319,620,097	106.09

Name	Nature of interest	Number of Shares held	Percentage of issued share capital of the Company as at the Latest Practicable Date (%)
Tek Lee Finance And Investment Corporation Limited	Interest of a controlled corporation *(Note 1)*	319,620,097	106.09
The Underwriter	Beneficial owner	319,620,097	106.09
Fung Shing Group Limited	Beneficial owner	58,815,075	19.52
Parkfield Holdings Limited	Beneficial owner	111,559,200	37.03
Ronastar Investments Limited	Beneficial owner	4,999,680	1.66
Ms. Ng Lai King Pamela	Interest of spouse *(Note 2)*	522,827,212	173.54
Mr. Paul Ng	Beneficial owner	29,250,000	9.71

Notes:

1. The Underwriter, which held 7,178,761 Shares as at the Latest Practicable Date, was wholly-owned by Tek Lee Finance And Investment Corporation Limited. Tek Lee Finance And Investment Corporation Limited was wholly-owned by South China (BVI) Limited, which is in turn wholly-owned by Fortunate Keen Limited as at the Latest Practicable Date. Fortunate Keen Limited was wholly owned by Mr. Ng as at the Latest Practicable Date. In addition, the Underwriter agreed to conditionally fully underwrite 301,673,195 Rights Shares pursuant to the Underwriting Agreement as well as undertook to accept its entitlement of 10,768,141 Rights Shares pursuant to the Irrevocable Undertakings.

2. Under the SFO, Ms. Ng Lai King Pamela, being the spouse of Mr. Ng, is deemed to be interested in there 522,827,212 Shares.

Save as disclosed above, so far as is known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, no other person (other than the Director or the chief executive of the Company) had or deemed or taken to have an interest or a short position in any shares, underlying shares or debentures of the Company or its associated corporations as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or had any option in respect of such capital.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which:

(a) (including both continuous and fixed terms contracts) had been entered into or amended within six months before the date of the Announcement (i.e. 3 July 2019);

(b) was a continuous contract with a notice period of 12 months or more;

(c) was a fixed term contract with more than 12 months to run irrespective of the notice period; or

(d) does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, save for the Underwriting Agreement, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group. As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2018 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. COMPETING INTERESTS

The Company and South China Assets Holdings Limited ("**SCAH**"), a company listed on the GEM of the Stock Exchange, have certain common directors. The principal activities of SCAH include property investment and development in the PRC, money lending, provision of investment advisory and asset management services and dealing in securities.

Mr. Ng, Ms. Cheung and Ms. Jessica Ng, all being executive Directors, are also the executive directors of SCAH. Mr. Gorges, a former Director resigned on 12 November 2015, is an executive director of SCAH.

Mr. Ng is also the chairman of the board and the controlling shareholder of SCAH. Ms. Cheung and Mr. Gorges are the directors and substantial shareholders of a controlled corporation of Mr. Ng which currently holds approximately 10.29% interest in SCAH directly and approximately 9.74% indirect interest in SCAH through its wholly owned subsidiary. Mr. Ng together with his associates currently hold approximately 64.92% interest in SCAH.

The Group undertakes a wide range of financial services businesses of sizable scale in operations and with solid client portfolio while SCAH is in the course of diversifying into the financial services businesses.

The above mentioned common directors declare their interests in competing business and abstain from voting in transactions in which the Company and SCAH compete or is likely to compete with each other and, therefore, do not control the Board as far as transaction in relation to competing business is concerned. As such, the Board is independent from the board of SCAH, which consists of eight (8) members to the best of the knowledge of the Directors, and the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of SCAH. Given the difference in business focus as referred to in the preceding paragraph, the competition between the businesses of the Company and SCAH is considered to be relatively remote.

Save as disclosed above and other than being appointed as directors to represent the interests of the Company and/or the Group, none of the Directors or their respective associates had interest in business which compete or is likely to compete, either directly or indirectly, with the businesses of the Group as at the Latest Practicable Date.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who has given opinion or advice which is contained in this circular:

Name	Qualifications
Ernst & Young	Certified Public Accountants
Ravia Global Appraisal Advisory Limited	Independent property valuer
Lego Corporate Finance Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Ernst & Young, Ravia Global Appraisal Advisory Limited and Lego Corporate Finance Limited have given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of their reports or letters or their names in the form and context in which they respectively appear.

Ernst & Young, Ravia Global Appraisal Advisory Limited and Lego Corporate Finance Limited do not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Ernst & Young, Ravia Global Appraisal Advisory Limited and Lego Corporate Finance Limited do not have any direct or indirect interests in any assets which have been, since 31 December 2018 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

9. MATERIAL CONTRACTS

Save the agreements set out below, no contract (not being contract in the ordinary course of business), which is or may be material, has been entered into by the Company or any of its subsidiaries within the two (2) years immediately preceding the date of the Announcement and up to the Latest Practicable Date:

(a) the Underwriting Agreement;

(b) the Placing Agreement;

(c) the sale and purchase agreement dated 31 March 2017 entered into among Perfect Mind Ventures Limited ("**Perfect Mind**"), a directly wholly owned subsidiary of the Company as purchaser, Nicemate Investments Limited ("**Nicemate**"), Jessica Publications (BVI) Limited ("**Jessica Publications**"), Win Gain Investments Limited ("**Win Gain**"), Ace Market Investments Limited ("**Ace Market**") and Tek Lee Finance And Investment Corporation Limited ("**Tek Lee**"), all of Nicemate, Jessica Publications, Win Gain, Ace Market and Tek Lee are indirectly wholly-owned by Mr. Ng and as vendors, in respect of the acquisition (the "**Original Agreement**") of the entire interest in each of Perfect Riches Limited ("**Perfect Riches**"), a wholly-owned subsidiary of Nicemate, Super Bellax Ltd. ("**Super Bellax**"), a wholly-owned subsidiary of Jessica Publications, Great Ready Assets Limited ("**Great Ready**"), a wholly-owned subsidiary of Win Gain, Jade Fountain Limited, a wholly-owned subsidiary of Ace Market, ("**Jade Fountain**", together with Perfect Riches, Super Bellax and Great Ready, the "**Media Target Companies**") and Super Giant Limited, a wholly-owned subsidiary of Tek Lee, at cash consideration of HK$15,000,000 for the acquisition of the Media Target Companies)(subject to adjustment) and HK$1.00 for the acquisition of Super Giant Limited;

(d) the termination agreement dated 14 July 2017 entered into among Perfect Mind, Nicemate, Jessica Publications, Win Gain, Ace Market and Tek Lee in respect of the termination of the Original Agreement;

(e) the sale and purchase agreement dated 14 July 2017 entered into among Perfect Mind, as purchaser, Nicemate, Jessica Publications, Win Gain and Ace Market, all of Nicemate, Jessica Publications, Win Gain and Ace Market as vendors in respect of the acquisition of the entire interests in each of Media Target Companies at cash consideration of HK$15,000,000 (subject to adjustment);

(f) the sale and purchase agreement dated 23 July 2018 entered into among the Company, as purchaser, Orient Victory Travel Group Company Limited, an independent third party and as vendor, and King Link Investments Limited, as the target company, in respect of the acquisition of 85% of the entire issued share capital of King Link Investments Limited, a company then indirectly owned by Mr. Ng as to approximately 15%, at a cash consideration of HK$4,800,000; and

(g) the sale and purchase agreement dated 1 February 2019 entered into among the Company, as vendor, and South China Industries (BVI) Limited (a direct wholly-owned subsidiary of South China Holdings Company Limited, a company listed on the main board of the Stock Exchange and was indirectly beneficially owned by Mr. Ng as to more than 30%), as purchaser, in respect of the sale of the entire interest in Year Blossom Limited ("**Year Blossom**") at cash consideration of US$1, subject to, among others, completion of change of the direct ownership of the entire equity interest in 南京華鑫餐飲管理有限公司 from 南京華鑫投資管理有限公司 (an indirect wholly-owned subsidiary of the Company) to Year Blossom.

10. EXPENSES

The expenses in connection with the Rights Issue, including underwriting commission, financial advisory fees, printing, registration, translation, legal and accountancy charges payable by the Company are estimated to be approximately HK$5.1 million.

11. CORPORATE INFORMATION OF THE COMPANY AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered office	28th Floor, Bank of China Tower 1 Garden Road, Central Hong Kong
Executive Directors	Mr. Ng Hung Sang 28th Floor, Bank of China Tower 1 Garden Road, Central Hong Kong
	Ms. Cheung Choi Ngor 28th Floor, Bank of China Tower 1 Garden Road, Central Hong Kong
	Ms. Ng Yuk Mui Jessica 28th Floor, Bank of China Tower 1 Garden Road, Central Hong Kong

Independent non-executive Directors	Hon. Raymond Arthur William Sears, Q.C. 28th Floor, Bank of China Tower 1 Garden Road, Central Hong Kong
	Mrs. Tse Wong Siu Yin Elizabeth 28th Floor, Bank of China Tower 1 Garden Road, Central Hong Kong
	Mr. Tung Woon Cheung Eric 28th Floor, Bank of China Tower 1 Garden Road, Central Hong Kong
Authorised representatives	Ms. Cheung Choi Ngor 28th Floor, Bank of China Tower 1 Garden Road, Central Hong Kong
	Ms. Ng Yuk Mui Jessica 28th Floor, Bank of China Tower 1 Garden Road, Central Hong Kong
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
Auditors and Reporting accountants	Ernst & Young *Certified public accountants* 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong

Principal Bankers	Standard Chartered Bank (Hong Kong) Limited Bank of Communications Co., Limited Chong Hing Bank Limited Bank of China (Hong Kong) Ltd. Nanyang Commercial Bank, Limited Hang Seng Bank Limited The Bank of East Asia, Limited Dah Sing Bank, Limited Industrial and Commercial Bank of China (Asia) Limited OCBC Wing Hang Bank Limited China Construction Bank (Asia) Corporation Limited DBS Bank (Hong Kong) Limited The Hongkong and Shanghai Banking Corporation Limited China CITIC Bank International Limited Fubon Bank (Hong Kong) Limited Chiyu Banking Corporation Ltd. CIMB Bank Berhad
Stock code	00619
Website	http://www.sctrade.com
Underwriter and parties acting in concert with it	Uni-Spark Investments Limited 28th Floor, Bank of China Tower 1 Garden Road, Central Hong Kong Ng Hung Sang 12A Belleview Garden 5 Belleview Drive Repulse Bay Hong Kong Cheung Choi Ngor Unit C, Casa Pino 154 Waterloo Road Kowloon Tong, Kowloon Hong Kong Richard Howard Gorges 7th Floor, A2, Wisdom Court 5 Hatton Road Hong Kong

	Ng Yuk Yeung Paul 8th Floor, Repulse Bay Garden 28 Belleview Drive Repulse Bay Hong Kong
	Fung Shing Group Limited Vistra Corporate Services Centre Wickhams Cay II, Road Town Tortola, VG1110 British Virgin Islands
	Parkfield Holdings Limited Vistra Corporate Services Centre Wickhams Cay II, Road Town Tortola, VG1110 British Virgin Islands
	Ronastar Investments Limited Vistra Corporate Services Centre Wickhams Cay II, Road Town Tortola, VG1110 British Virgin Islands
Financial adviser to the Company	Green Park Corporate Finance Co., Limited 10/F. 238 Des Voeux Road Central Hong Kong
Legal advisers to the Company as to Hong Kong laws	Chiu & Partners 40/F. Jardine House 1 Connaught Place Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Lego Corporate Finance Limited Room 1601, 16/F. China Building 29 Queen's Road Central Central, Hong Kong
Bookrunner	Opus Capital Limited 18/F., Fung House 19–20 Connaught Road Central Central, Hong Kong

12. MISCELLANEOUS

(a) The registered office of the Company is situated at 28th Floor, Bank of China Tower, 1 Garden Road, Central Hong Kong.

(b) The share registrar of the Company is Union Registrars Limited which is situated at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

(c) The company secretary of the Company is Mr. Watt Ka Po James, who is a fellow member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

(d) The name, address, controlling shareholder and directors of each of the Underwriter and the principal member of the parties acting concert with it (which are companies) are as follows:

Name	Address	Ultimate controlling shareholder thereof	Director(s)
The Underwriter	28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong	Mr. Ng	Ms. Cheung Mr. Gorges Mr. Ng Yuk Fung Peter
Fung Shing Group Limited	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	Mr. Ng	Mr. Ng
Parkfield Holdings Limited	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	Mr. Ng	Mr. Ng
Ronastar Investments Limited	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110 British Virgin Islands	Mr. Ng	Mr. Ng

(e) In case of any inconsistency, the English text of this circular shall prevail over its Chinese text.

(f) As at the Latest Practicable Date, there was no agreement, arrangement or understanding between the Underwriter (and parties acting in concert with it) and any other person whereby the Shares to be acquired under the Rights Issue will be transferred, charged or pledged to any other persons.

13. MARKET PRICES

The table below shows the closing prices of the Shares on the Stock Exchange (i) on which trading in the Shares took place in each of the calendar months during the Relevant Period, (ii) on the Last Trading Day, and (iii) on the Latest Practicable Date:

	Closing price per Share *HK$*
31 January 2019	0.58
28 February 2019	0.86
29 March 2019	0.69
30 April 2019	0.68
31 May 2019	0.48
28 June 2019	0.49
3 July 2019 (the Last Trading Day)	0.50
30 July 2019 (the Latest Practicable Date)	0.48

The lowest and highest closing prices per Share recorded on the Stock Exchange the period commencing on 3 January 2019 (being the date falling six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date were HK$0.435 on 4 July 2019 and HK$0.86 on 28 February 2019 respectively.

14. PARTICULAR OF THE DIRECTORS

Executive Directors

Mr. Ng Hung Sang, aged 69, is an executive Director, the chairman and a member of the executive committee of the Company. He is actively involved in the overall corporate policies, strategic planning and business development of the Group. Mr. Ng is also an executive director and the chairman of South China Holdings Company Limited ("**SCHC**"), being listed on the Main Board of the Stock Exchange and SCAH, being listed on the GEM of the Stock Exchange. He also holds several directorships in certain subsidiaries of the Group. He holds a Master's degree in marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. Mr. Ng was appointed as a Director on 7 December 1988. He is the father of Ms. Jessica Ng, an executive Director and the executive vice chairman and chief executive officer of the Company, and a director of certain substantial shareholders of the Company within the meaning of Part XV of the SFO.

Ms. Cheung Choi Ngor, aged 66, is an executive Director, the vice chairman and a member of the executive committee of the Company. She is also an executive director, the vice chairman and the co-chief executive officer of SCHC, being listed on the Main Board of the Stock Exchange, and an executive director of SCAH, being listed on the GEM of the Stock Exchange. Ms. Cheung also holds several directorships in certain subsidiaries of the Group. She holds a Master's degree in business administration from University of

Illinois in the United States of America. Ms. Cheung is a member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference. She was appointed as a Director on 7 December 1988.

Ms. Ng Yuk Mui Jessica, aged 41, is an executive Director, the executive vice chairman, the chief executive officer and a member of the executive committee of the Company. Ms. Ng is also a non-executive director of SCHC and i-CABLE Communications Limited, both being listed on the Main Board of the Stock Exchange and an executive director and the executive vice chairman of SCAH, being listed on the GEM of the Stock Exchange. She is the executive vice chairman of South China Media Limited. She also holds several directorships in certain subsidiaries of the Group. She holds a Bachelor's degree in Law from King's College London, University of London in the United Kingdom and was admitted to the Hong Kong Bar in 2006. She is an associate member of the Chartered Institute of Management Accountants and a member of the 12th Hebei Provincial Committee of the Chinese People's Political Consultative Conference. She was appointed as a Director on 12 November 2015. She is the daughter of Mr. Ng, an executive Director, the chairman and a substantial shareholder of the Company.

Independent non-executive Directors

Hon. Raymond Arthur William Sears, Q.C., aged 86, is an independent non-executive Director, a member of the audit committee and the remuneration and nomination Committee of the Company. He is a retired High Court Judge and holds a Master's degree in Law from Cambridge University in the United Kingdom. He became a Queen's Counsel in 1975 and was a former vice-chairman of the Judicial Section of the International Bar Association. In the United Kingdom, he had been a leading Counsel in England to the Government and large Authorities on redevelopment and construction projects and to the General Medical Council. In 1986 and 1987, He was a Justice of the Supreme Court of Hong Kong and the Commissioner to the Sultan of Brunei, respectively. From 1994 to 1999, he was a Senior Civil High Court Judge. He was appointed as a Director on 24 March 2000.

Mrs. Tse Wong Siu Yin Elizabeth, aged 61, is an independent non-executive Director, a member of the audit committee and the chairman of the remuneration and nomination committee of the Company. She is also an independent non-executive director of SCHC, being listed on the Main Board of the Stock Exchange. She is also the chairman of the Hong Kong Flower Retailers Association, the convenor of Youth Skills Competition in Floristry of Vocational Training Council, the technical advisor of the Environmental Services Industry of Employees Retraining Board, a member of the judge panel of Hong Kong Flower Show and a member of Small and Medium Enterprises Committee. She received an award of the Hundred Outstanding Women Entrepreneur in China in 2009. She holds a Bachelor degree of Science from the University of Western Ontario in Canada. She was appointed as a Director on 25 November 1992.

Mr. Tung Woon Cheung Eric, aged 48, is an independent non-executive Director, the chairman of the audit committee and a member of the remuneration and nomination committee of the Company. He is the assistant president and general manager of the finance department of Beijing Enterprises Holdings Limited, a company listed on the Main Board of the Stock Exchange; an executive director, the chief financial officer and company secretary of Beijing Enterprises Water Group Limited, a company listed on the Main Board of the Stock Exchange; an independent non-executive director of GR Properties Limited, a company listed on the Main Board of the Stock Exchange; the company secretary of Biosino Bio-technology and Science Incorporation, and a company listed on the GEM of the Stock Exchange. Mr. Tung graduated from York University, Toronto, Canada with a bachelor honours degree in administrative studies. He is a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants and a U.S. Certified Public Accountant of The American Institute of Certified Public Accountants. Mr. Tung was appointed as a Director on 21 September 2004.

15. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES

As at the Latest Practicable Date,

(a) save as disclosed in the section headed "Shareholding structure of the Company" in the section headed "Letter from the Board", none of the Underwriter nor any parties acting in concert with it held, owned or controlled any other Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company. In addition, none of the Underwriter nor any parties acting in concert with it had dealt for value in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(b) save as disclosed in the section headed "Takeovers Code implications and application from Whitewash Waiver" in the section headed "Letter from the Board" and the section headed "Disclosure of interests" in this appendix, none of the Directors or the directors of the Underwriter was interested in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, save for the Underwriting Agreement and the Irrevocable Undertaking given by Mr. Ng, none of the directors of the Underwriter and the Directors had dealt in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

(c) no person (including the Directors) had irrevocably committed themselves to vote for or against the resolution(s) to be proposed at the EGM to approve the Underwriting Agreement, the Rights Issue and the Whitewash Waiver, or to accept or reject the Rights Issue save and except that: (i) the Underwriters, Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited, Mr. Ng, Mr. Paul Ng, Ms. Cheung and Mr. Gorges and any Shareholders who are involved in, or interested in the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver will abstain from voting with regards to these resolutions; and (ii) Mr. Ng, together with his close associates (namely Fung Shing Group Limited, Parkfield Holdings Limited, Ronastar Investments Limited and the Underwriter), and Mr. Paul Ng have given an undertaking to subscribe its entitlement as a Shareholder;

(d) As at the Latest Practicable Date, Mr. Ng and Ms. Cheung, each being a Director, who beneficially owned 88,461,607 Shares in aggregate and 11,700,000 Shares respectively, they both shall abstain from voting in respect of the aforesaid shareholding interests in the Company with regards to the resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver at EGM. In addition, Mr. Ng has indicated that he and his close associates (namely Fung Shing Group Limited, Parkfield Holdings Limited, Ronastar Investments Limited and the Underwriter) will subscribe for the Rights Shares in full as Shareholders as they have given the Irrevocable Undertakings, while Ms. Cheung has indicated that she will not subscribe for any of the Rights Shares as a Shareholder. As at the Latest Practicable Date, Hon. Raymond Arthur William Sears, Q.C. is deemed to be interested in 53,000 Shares by virtue of his spouse's interest in such Shares, whereby it is intended that he will not accept any of his deemed entitlement of 53,000 Rights Shares in respect of the Rights Issue, but he will vote in favour of the relevant resolutions to be proposed at the EGM to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, and the Whitewash Waiver after having considered the opinion of the Independent Financial Adviser. Other than these three Directors, no other Directors hold, own, direct any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date, the other Directors had no intention to accept the Rights Issue;

(e) the Underwriter and parties acting in concert with it did not have any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other persons;

(f) none of the Company nor the Directors had borrowed or lent any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into Shares to any person;

(g) save for Mr. Ng, who is the sole shareholder of the Underwriter, none of the Company and the Directors held any shares, convertible securities, warrants, options or derivatives of the Underwriter or similar rights which are convertible or exchangeable into shares of the Underwriter. None of them had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Underwriter during the Relevant Period;

(h) none of (i) the subsidiaries of the Company, (ii) the pension fund of the Company or of any of its subsidiaries, nor (iii) any person who is presumed to be "acting in concert" with the Company by virtue of class (5) of the definition of "acting in concert" under the Takeovers Code or who is an "associate" of the Company by virtue of class (2) of the definition of "associate" under the Takeovers Code, had any interest in the Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company and none of them had dealt for value in any securities of the Company during the Relevant Period;

(i) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of "associate" under the Takeovers Code. In addition, save for the Underwriting Agreement and the undertaking given by each of Mr. Ng, together with his close associates (namely Fung Shing Group Limited, Parkfield Holdings Limited, Ronastar Investments Limited and the Underwriter) and Mr. Paul Ng to subscribe for his/its entitlement as Shareholders under the Rights Issue, there is not any agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Rights Issue and the Whitewash Waiver or otherwise therewith;

(j) no Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers connected with the Company and none of them had dealt for value in any securities of the Company during the Relevant Period;

(k) none of the Underwriter and parties acting in concert with it had borrowed or lent any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into Shares;

(l) there was no benefit to be given to any Directors as compensation for loss of office in any member of the Group or otherwise in connection with the Underwriting Agreement, the Rights Issue and the Whitewash Waiver;

(m) save for the Underwriting Agreement and the undertaking given by each of Mr. Ng, together with his close associates (namely Fung Shing Group Limited, Parkfield Holdings Limited, Ronastar Investments Limited and the Underwriter), and Mr. Paul Ng to subscribe for its/his entitlement as Shareholder under the Rights Issue, there was no agreement, arrangement or understanding (including any compensation arrangement) (i) between the Underwriter and parties acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Underwriting Agreement, the Rights Issue and the Whitewash Waiver; and (ii) between any Directors and any other persons having any connection with or dependence upon the Underwriting Agreement, the Rights Issue and the Whitewash Waiver;

(n) save for those set out in the section headed "Conditions of the Rights Issue" in the section headed "Letter from the Board", there was no agreement or arrangement to which the Underwriter or any party acting in concert with it is a party which related to the circumstances in which it may or may not invoke or seek to invoke a condition to the Underwriting Agreement, the Whitewash Waiver and the Rights Issue; and

(o) save and except the Underwriting Agreement in which (i) Mr. Ng is an executive Director and the sole shareholder of the Underwriter; (ii) Ms. Cheung is an executive Director and a director of the Underwriter; and (iii) Mr. Gorges is a director of the Underwriter, there was no material contract entered into by the Underwriter or any parties acting in concert with it in which any Directors has a material personal interest.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) at the office of the Company at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. on any weekday, except public holidays, and (ii) on the websites of the Company (www.sctrade.com) and (iii) the SFC (www.sfc.hk) in the period from the date of this circular up to and including the date of the EGM.

(a) the articles of association of the Company;

(b) the articles of association of the Underwriter;

(c) the annual reports of the Company for the three years ended 31 December 2018;

(d) the material contracts (including the Underwriting Agreement) as referred to in the section headed "Material Contracts" in this appendix;

(e) the written consents referred to in the section headed "Experts and Consents" in this appendix;

(f) the accountant's report on the unaudited pro forma financial information of the Group from Ernst & Young, the text of which is set out in Appendix II to this circular;

(g) the letter from the Board, the text of which is set out from pages 13 to 45 of this circular;

(h) the letter from Ernst & Young on the Positive Profit Alert Statement, the text of which is set out on page IB-1 to IB-2 of this circular;

(i) the letter from Lego Corporate Finance on the Positive Profit Alert Statement, the text of which is set out on page IC-1 to IC-2 of this circular;

(j) the letter from the Independent Board Committee, the text of which is set out on pages 46 to 47 of this circular;

(k) the letter from the Independent Financial Adviser, the text of which is set out on pages 48 to 75 of this circular;

(l) the valuation certificate and the property valuation report issued by Ravia Global Appraisal Advisory Limited dated 2 August 2019, the text of which is set out on pages III-1 to III-3 of this circular;

(m) the Irrevocable Undertakings;

(n) the Optionholders' Undertakings; and

(o) this circular.

SOUTH CHINA FINANCIAL HOLDINGS LIMITED

南 華 金 融 控 股 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00619)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of South China Financial Holdings Limited (the "**Company**") will be held at 9:00 a.m. on Friday, 23 August 2019 at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong to consider and, if thought fit, passing, with or without modifications, the following resolutions (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular (the "**Circular**") of the Company dated 2 August 2019):

ORDINARY RESOLUTIONS

1. "**THAT** subject to the satisfaction of the conditions of the Rights Issue (as defined below) as set out on pages 33 to 34 of the Circular:

   (a) the issue by way of rights issue (the "**Rights Issue**") of 451,915,605 ordinary shares (the "**Rights Shares**") at the subscription price of HK$0.42 per Rights Share to the qualifying shareholders (the "**Qualifying Shareholders**") of the Company whose names appear on the register of members of the Company as at the close of business on 4 September 2019 (or such other date as may be determined by the directors of the Company (the "**Directors**") (the "**Record Date**") other than those shareholders (the "**Non-Qualifying Shareholders**") of the Company whose names appear on the register of members of the Company as at the close of business on the Record Date and whose addresses as shown on the register of members of the Company are outside Hong Kong, whom the Directors, based on the legal advice provided by legal advisers in the relevant jurisdictions, consider it necessary or expedient to exclude from the Rights Issue, on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, and substantially on the terms and conditions set out in the Circular (a copy of which marked "A" is produced to the meeting and initialed by the chairman of the meeting for the purpose of identification) and such other terms and conditions as may be determined by the Directors, be and is hereby approved and the Directors be and are hereby authorised to issue and allot such Rights Shares by way of rights and otherwise on the terms set out in such document, and the placing agreement dated 3 July 2019 entered into between the Company and the Bookrunner ("**Placing Agreement**") in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares at the placing price of being at least equal to the Subscription Price on a best effort basis (a copy of the Placing Agreement marked "B" is produced to the meeting and initialled by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(b) the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to the Rights Issue notwithstanding the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as they may deem necessary, desirable or expedient having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and

(c) any one or more Directors be and is/are hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Rights Issue, the Placing Agreement, and the transactions contemplated thereunder."

2. "**THAT**:

(a) the entering into of the underwriting agreement dated 3 July 2019 between the Company and Uni-Spark Investments Limited in relation to the Rights Issue (the "**Underwriting Agreement**") and the transaction contemplated thereunder (a copy of the Underwriting Agreement marked "C" is produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) be and is hereby approved, confirmed and ratified in all respects and the performance of the transactions contemplated thereunder by the Company (including but not limited to the arrangements for taking up of the underwritten Rights Shares, if any, by Uni-Spark Investments Limited) be and are hereby approved, confirmed and ratified; and

(b) any one or more Directors be and is/are hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Underwriting Agreement and the transactions contemplated thereunder."

SPECIAL RESOLUTION

3. "**THAT**:

(a) subject to the granting of the Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s) and any conditions that may be imposed thereon, the granting of a waiver to the Underwriter and parties acting in concert with it of any obligation to make a general offer under the Code on Takeovers and Mergers for all the issued shares of the Company (other than those owned or agreed to be acquired by the Underwriter and parties acting in concert with it) as a result of the taking up any the Underwritten Shares pursuant to the Underwriting Agreement (the "**Whitewash Waiver**") be and is hereby approved; and

(b) any one or more Directors be and is/are hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Whitewash Waiver and the transactions contemplated thereunder."

By the order of the Board
South China Financial Holdings Limited
Ng Yuk Mui Jessica
Executive Director

Hong Kong, 2 August 2019

Registered office:

28th Floor,
Bank of China Tower,
1 Garden Road,
Central, Hong Kong

Notes:

1. A member of the Company ("**Shareholder**") entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or, if such Shareholder is a holder of more than one share, more proxies to attend and vote in his stead. A proxy need not be a Shareholder.

2. In order to be valid, the form of proxy must be deposited with Union Registrars Limited, the share registrar of the Company, Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney, not less than 48 hours before the time appointed for holding the EGM (i.e. 9:00 a.m. on 21 August 2019, Hong Kong time) or any adjournment thereof. In calculating the periods mentioned in this paragraph, no account is to be taken of any part of a day that is a public holiday (including Sunday).

3. Where there are joint registered holders of any share of the Company, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such holders be present at the EGM personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

5. Completion and delivery of the form of proxy will not preclude a Shareholder from attending and voting in person at the EGM if the Shareholder so desires and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

As at the date of this notice, the executive directors of the Company are Mr. Ng Hung Sang, Ms. Cheung Choi Ngor and Ms. Ng Yuk Mui Jessica; and the independent non-executive directors are Hon. Raymond Arthur William Sears, Q.C., Mrs. Tse Wong Siu Yin Elizabeth and Mr. Tung Woon Cheung Eric.