SFUND INTERNATIONAL HOLDINGS LIMITED
廣州基金國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1367)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2018	2017	% Change
	HK$'000	*HK$'000*	
Revenue	**137,744**	259,106	(46.8)%
Gross profit	**33,543**	46,309	(27.6)%
Loss for the year and attributable to owners of the parent	**(101,279)**	(44,159)	129.4%
Basic loss per share	**HK(21.10) cents**	HK(9.20) cents	

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of SFund International Holdings Limited (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018, together with the comparative figures for the corresponding period of 2017. These results have been reviewed by the audit committee of the Company (the "Audit Committee").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	3 & 4	**137,744**	259,106
Cost of sales and services rendered		**(104,201)**	(212,797)
Gross profit		**33,543**	46,309
Other income and gains	4	**18,897**	2,130
Selling and distribution costs		**(3,704)**	(2,652)
Administrative expenses		**(120,171)**	(86,473)
Other expenses, net		**(4,695)**	(689)
Finance costs	5	**(21,094)**	(1,817)
Share of profit of an associate		**125**	–
LOSS BEFORE TAX	6	**(97,099)**	(43,192)
Income tax	7	**(1,898)**	(806)
LOSS FOR THE YEAR		**(98,997)**	(43,998)
Attributable to:			
Owners of the parent		**(101,279)**	(44,159)
Non-controlling interests		**2,282**	161
		(98,997)	(43,998)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		**HK(21.10) cents**	HK(9.20) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(98,997)**	(43,998)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(2,717)**	859
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(2,717)**	859
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(101,714)**	(43,139)
Attributable to:		
Owners of the parent	**(102,817)**	(43,524)
Non-controlling interests	**1,103**	385
	(101,714)	(43,139)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,165**	5,514
Right-of-use assets		**10,824**	11,494
Goodwill		**11,110**	12,320
Intangible assets		**17,100**	17,100
Investments in an associate	*10*	**1,770**	–
Available-for-sale investments		**–**	2,713
Financial assets at fair value through profit or loss		**3,509**	7,238
Deposits and other receivables		**6,298**	6,219
Total non-current assets		**53,776**	62,598
CURRENT ASSETS			
Inventories		**50**	20
Accounts receivable	*11*	**42,139**	51,177
Loans receivable	*12*	**131,256**	16,275
Prepayments, deposits and other receivables		**43,398**	18,765
Tax recoverable		**–**	106
Cash and cash equivalents		**40,159**	99,841
Total current assets		**257,002**	186,184
CURRENT LIABILITIES			
Trade and bills payables	*13*	**7,337**	12,304
Other payables and accruals		**52,530**	20,247
Interest-bearing bank and other borrowings		**7,816**	7,684
Bonds payable		**79,962**	–
Tax payable		**10,109**	9,991
Total current liabilities		**157,754**	50,226
NET CURRENT ASSETS		**99,248**	135,958
TOTAL ASSETS LESS CURRENT LIABILITIES		**153,024**	198,556

	2018	2017
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Other payables and accruals	**6,528**	8,100
Interest-bearing other borrowing	**–**	86
Bonds payable	**138,131**	80,000
Deferred tax liabilities	**2,867**	2,978
Total non-current liabilities	**147,526**	91,164
Net assets	**5,498**	107,392
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**4,800**	4,800
Reserves	**(21,198)**	81,776
	(16,398)	86,576
Non-controlling interests	**21,896**	20,816
Total equity	**5,498**	107,392

NOTES

1. BASIS OF PREPARATION

The consolidated 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 disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which has been measured at fair value. The consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

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*
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, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

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 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:

	31 December 2017 Under HKAS 39 *HK$'000*	Reclassification* *HK$'000*	Remeasurement** *HK$'000*	1 January 2018 Under HKFRS 9 ***HK'000***
Available-for-sale investments	2,713	(2,713)	–	–
Financial assets at fair value through profit or loss	7,238	2,713	–	9,951
Accounts receivable	51,177	–	(88)	51,089
Loans receivable	16,275	–	(21)	16,254
Prepayments, deposits and other receivables	18,765	–	(71)	18,694
Equity				
Retained profits	14,422	–	(157)	14,265
Non-controlling interests	20,816	–	(23)	20,793

* *Available-for-sale investments measured at cost under HKAS 39 was reclassified to financial assets at fair value through profit or loss under HKFRS 9.*

** *Impairment allowances of accounts receivable, loans receivable and other financial assets at amortised cost were remeasured based on a forward-looking ECL approach under HKFRS 9, resulting in decreases in accounts receivable, loans receivable, other receivables, retained earnings and non-controlling interests.*

Impairment

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

	Impairment allowance under HKAS 39 at 31 December 2017 *HK$'000*	Remeasurement *HK$'000*	ECL allowances under HKFRS 9 at 1 January 2018 *HK$'000*
Accounts receivable	242	88	330
Loans receivable	–	21	21
Financial assets included in prepayments, deposits and other receivables	–	71	71
	242	180	422

Hedge accounting

The adoption of the hedge accounting requirements of HKFRS 9 has had no impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION AND DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) apparel trading and related services segment engages in trading of apparel products and provision of the apparel supply chain management services;

(b) financial services segment engages in securities dealing business, provision of asset management services, corporate finance and related advisory services;

(c) money lending segment engages in the provision of loan financing; and

(d) securities investment segment engages in investment in listed and unlisted investments.

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 a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that bank interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

For the year ended 31 December 2018

	Apparel trading and related services *HK$'000*	Financial services *HK$'000*	Money lending *HK$'000*	Securities investment *HK$'000*	Total *HK$'000*
Revenue from contracts with customers:					
Recognised at a point in time	107,652	–	–	–	107,652
Recognised over time	–	15,685	–	–	15,685
	107,652	15,685	–	–	123,337
Revenue from other sources	–	–	20,423	(6,016)	14,407
Segment revenue	107,652	15,685	20,423	(6,016)	137,744
Segment results	(50,534)	(563)	15,115	(6,022)	(42,004)
Reconciliation:					
Bank interest income					339
Corporate and other unallocated expenses					(34,340)
Finance costs					(21,094)
Loss before tax					(97,099)

For the year ended 31 December 2017

	Apparel trading and related services *HK$'000*	Financial services *HK$'000*	Money lending *HK$'000*	Securities investment *HK$'000*	Total *HK$'000*
Revenue from contracts with customers:					
Recognised at a point in time	257,466	–	–	–	257,466
Recognised over time	–	2,576	–	–	2,576
	257,466	2,576	–	–	260,042
Revenue from other sources	–	–	2,354	(3,290)	(936)
Segment revenue	257,466	2,576	2,354	(3,290)	259,106
Segment results	(5,699)	(1,196)	57	(3,299)	(10,137)
Reconciliation:					
Interest income					184
Corporate and other unallocated expenses					(31,422)
Finance costs					(1,817)
Loss before tax					(43,192)

Geographical information

During the year, approximately 71.0% (2017: 96.2%) of the Group's total revenue from external customers, based on the locations of the products shipped to/locations of customers, were attributed to the United States of America ("USA"). For the purpose of identifying total revenue from external customers, revenue derived from fair value change on equity investment at fair value through profit of loss is excluded.

An analysis of disaggregation of revenue from the sales of goods based on the locations of the products shipped to is as follows:

	2018 ***HK$'000***	2017 *HK$'000*
USA	**102,131**	252,489
Mainland China	**1,090**	2,536
Hong Kong	**–**	119
Others	**4,431**	2,322
	107,652	257,466

Revenue from financial services segment amounting to HK$15,413,000 (2017: HK$2,516,000) and HK$272,000 (2017: HK$60,000), based on the locations of customers, were derived in the Mainland China and Hong Kong, respectively. Revenue from money lending segment, based on location of the customers was derived in Hong Kong.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018 *HK$'000*	2017 *HK$'000*
Revenue from contracts with customers		
Sales of goods	**107,019**	257,466
Service fee	**633**	–
Advisory service income	**272**	60
Fund management fee income	**15,413**	2,516
Revenue from other sources		
Interest income from money lending business	**20,423**	2,354
Fair value loss on financial assets at fair value through profit or loss	**(6,016)**	(3,290)
	137,744	259,106

An analysis of other income and gains are as follows:

	2018 *HK$'000*	2017 *HK$'000*
Other income		
Bank interest income	**339**	184
Distribution income	**134**	–
Sale of scrap materials	**385**	131
Rework and compensation income	**966**	970
Imputed interest income on non-interest-bearing financial arrangement	**83**	78
Rental income	**504**	388
Sundry income	**113**	126
	2,524	1,877
Gains		
Gain on disposal of a property	**15,600**	–
Gain on foreign exchange differences, net	**773**	5
Gain on remeasurement of an available-for-sale investment	**–**	248
	16,373	253
	18,897	2,130

5. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on trade finance loans	**53**	173
Interest on bonds payable	**20,211**	1,054
Interest on other borrowings	**347**	97
Interest on a finance lease	**6**	10
Unwinding of finance costs on lease liability	**477**	483
	21,094	1,817

6. LOSS BEFORE TAX

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

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold	**104,201**	212,797
Depreciation of property, plant and equipment	**2,176**	1,648
Depreciation of right-of-use assets	**5,710**	5,912
Impairment of loans receivable	**188**	–
Impairment of other receivables	**124**	–
Impairment of goodwill	**1,210**	–
Impairment/(reversal) of accounts receivable	**517**	(63)
Reversal of provision for slow-moving inventories	**(91)**	(104)

7. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

The subsidiary of the Company established in Mainland China is subject to the PRC corporate income tax at a standard rate of 25% (2017: 25%) during the year.

No provision for Macao complementary tax has been made as the Company's subsidiary established in Macao is exempted from Macao complementary tax pursuant to Macao's relevant tax legislations (2017: Nil).

No provision for Cambodian tax has been made on the Company's subsidiary as no assessable profit in Cambodia was generated during the current year. Cambodian tax on profit was provided at the rate of 1% of total revenues arising during the prior year.

No provision for Bangladesh income tax has been made on the liaison office of the Company's subsidiary as no assessment profit in Bangladesh was generated during the year (2017: nil).

	2018	2017
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**259**	46
Overprovision in prior years	**(471)**	(20)
Current – Elsewhere		
Charge for the year	**2,221**	710
Deferred	**(111)**	70
Total tax charge for the year	**1,898**	806

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of HK$101,279,000 (2017: HK$44,159,000), and the weighted average number of ordinary shares of 480,000,000 (2017: 480,000,000) in issue during the year.

Diluted loss per share equals to basic loss per share as there were no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

9. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

10. INVESTMENTS IN AN ASSOCIATE

During the year, the Group acquired 49% equity interest in Hunan Guokai Railway Development Private Equity Fund Management Company Limited from an independent third party for a consideration of approximately HK$1,717,000. The transaction was completed on 3 July 2018.

11. ACCOUNTS RECEIVABLE

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**22,019**	42,742
Bills receivable	**–**	686
Fund management fee receivables	**20,967**	7,991
	42,986	51,419
Impairment	**(847)**	(242)
	42,139	51,177

Trade and bills receivables

Trade and bills receivables relate to the Group's apparel trading and related services business. The Group's trading terms with its customers in apparel trading and related services business are mainly on credit. The credit periods generally range from 30 to 90 days (2017: 40 to 90 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables, as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**9,874**	25,260
1 to 2 months	**9,281**	8,333
2 to 3 months	**753**	8,080
Over 3 months	**1,393**	1,513
	21,301	43,186

Fund management fees receivables

Fund management fee receivables relate to the Group's fund management business and are due from investment funds in which the Group acts as the fund manager. Pursuant to the respective fund management agreements, the fund management fee shall be paid in advance at the beginning of each year.

An ageing analysis of fund management receivables as at the end of the reporting period, based on the period in which services were rendered:

	2018	2017
	HK$'000	*HK$'000*
Not yet due	**721**	820
Less than 1 year past due	**13,363**	7,171
More than 1 year past due	**6,754**	–
	20,838	7,991

12. LOANS RECEIVABLE

	2018	2017
	HK$'000	*HK$'000*
Loans receivable	**131,465**	16,275
Impairment	**(209)**	–
	131,256	16,275

Loans receivable arising from the money lending business of the Group bears interest at a rate of 8%-13% (2017: 13%) per annum. As at 31 December 2018, certain loans receivable with aggregate carrying amounts of HK$119,889,000 (2017: Nil) were secured by the pledged of assets.

13. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**7,337**	12,304

The trade and bills payables are non-interest-bearing and are normally settled on an average term of 30 days.

CHAIRMAN'S STATEMENT

OVERVIEW

The Group's revenue for the year ended 31 December 2018 was HK$137,744,000, being a decrease of HK$121,362,000 when compared to the corresponding period last year of HK$259,106,000. The decrease was mainly due to the net effect of (i) a decrease in revenue derived from apparel supply chain management services business to HK$107,652,000 (2017: HK$257,466,000) due to the significant decrease in the Group's sales in the USA because of the loss of significant customers; (ii) an increase in revenue derived from financial services business of HK$15,685,000 (2017: HK$2,576,000), which were mainly derived from the Group's fund management services and other consultancy services in Mainland China and Hong Kong; (iii) an increase in interest income from loans advanced to independent third parties of HK$20,423,000 (2017: HK$2,354,000); and (iv) an unrealised loss on an investment in listed equity investment at fair value through profit or loss of HK$6,016,000 (2017: unrealised loss of HK$3,290,000), which was arising from the Group's business segment on securities investment.

Loss for the Year

The net loss attributed to the owners of the parent for the year ended 31 December 2018 amounted to HK$101,279,000 (2017: HK$44,159,000), resulted in a basic loss per share for the year ended 31 December 2018 of HK21.1 cents (2017: HK9.2 cents), representing an increase in loss attributed to the shareholders of the Company (the "Shareholders") by 129.4%. The increase in loss was resulted from the effects of (i) decrease in sales and gross profits; (ii) increase in administrative expenses, mainly due to increase in staff costs, consultancy fees and legal and professional fees; and (iii) increase in finance costs.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

SFund International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") was principally engaged in (i) apparel supply chain management services business; (ii) financial services business; (iii) money lending business; and (iv) securities investment during the year.

Apparel Supply Chain Management Services Business

The Group provides apparel supply chain management services for woven wear (such as shirts, pants, jeans and jackets) and accessories. This includes sourcing of raw materials and third-party manufacturers, sample creation, product design and development, production management, merchandising, quality control, logistics management and social compliance monitoring services. The Group acts as a one-stop solution provider to its customers to meet their needs along the apparel supply chain. Revenue is derived primarily from the sale of apparel products it procures for its customers.

Our major customers in the USA are mainly department and specialty stores. Because of change in their sourcing strategies or weak sales in the USA market, our revenue decreased by approximately 58.2% from HK$257,466,000 for the year ended 31 December 2017 to HK$107,652,000 for the year ended 31 December 2018. Gross profit margin decreased by 13.4% percentage from 17.3% to 3.9%, and hence gross profit decreased by approximately 90.6% from HK$44,669,000 to HK$4,207,000 in the current year.

The manufacturing environment remained to be concentrated in Cambodia and the PRC. Besides, the strengthening of United States dollars ("US$") against Renminbi ("RMB") also helped to stabilize the material costs.

Overheads increased during the year as a result of the corporate transformation to incorporate IT into the supply chain management process. The Group incurred a loss before tax on apparel operation amounting to HK$50,534,000.

Financial Services Business

During the year, the Group carried out financial services business through its subsidiaries including Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") in Hong Kong as well as equity interests investment management, investment consultancy services, investment management services, entrusted management of equity interests investment fund and corporate management consultancy services in the People's Republic of China (the "PRC").

In January 2018, 湖南匯垠天星股權投資私募基金管理有限公司 (Hunan Huiyin Tianxing Private Equity Investment Fund Management Co., Ltd*) ("Hunan Huiyin Tianxing"), a company incorporated in the PRC and a non-wholly owned subsidiary of the Group, entered into a sales and purchase agreement to acquire 49% equity interests in 湖南國開鐵路建設私募基金管理有限公司 (Hunan Guokai Railway Development Private Equity Fund Management Company Limited*) ("Hunan Guokai") from an independent third party for a consideration of RMB1,450,000, and Hunan Huiyin Tianxing will make a further capital contribution of RMB3,920,000 to Hunan Guokai, no later than 31 December 2025. The remaining 51% shareholder of Hunan Guokai is 湖南軌道交通控股集團有限公司 (Hunan Rail Transit Holding Group Co., Ltd.*) ("Hunan Rail"), an independent third party. Hunan Rail is wholly-owned by the Hunan Government and primarily engaged in the investment, construction, operation and management of various rail transit infrastructure projects in Hunan Province. Established in August 2015, Hunan Guokai is engaged in the management of private equity fund investing in railway construction, management of proprietary investments in assets (including equity) and investment consultancy services. At the date of this announcement, Hunan Guokai manages the 湖南國開鐵路建設私募基金合夥企業（有限合夥）(Hunan Guokai Railway Development Private Equity Fund (Limited Partnership)*) ("Railway Fund") as its general partner. The Railway Fund is currently the only policy-driven fund in Hunan Province that invests in railway infrastructure and is primarily engaged in the investment of railway projects run on a public-private partnership basis in Hunan Province involving land acquisition and relocation. The Railway Fund has a target fund size of RMB10 billion and has asset under management of approximately RMB1 billion. The acquisition of Hunan Guokai was completed in July 2018. Details of the acquisition is set out in the Company's announcement dated 1 February 2018.

During the year, revenue amounting to HK$15,685,000 (2017: HK$2,576,000) mainly consisted of management service income from Hunan Huiyin Tianxing and Type 9 licensed company. The operating loss generated in this segment were HK$563,000 (2017: operating loss of HK$1,196,000), which was mainly attributable to the fund management operation in Hong Kong.

Money Lending Business

The Group engaged in the money lending business through Capital Strategic Partners Limited ("Capital Strategic"), an indirect wholly-owned subsidiary of the Company, which holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) to carry out money lending business in Hong Kong. During the year, the interest income and operating profit generated in this segment were HK$20,423,000 (2017: HK$2,354,000) and HK$15,115,000 (2017: operating profit of HK$57,000), respectively.

As at 31 December 2018, there were three transactions of loan advanced to customers. The loans were still outstanding as at 31 December 2018 with an aggregate outstanding loan principal of HK$131,265,000. The increase in interest income as well as increase in operating profit in this segment was due to the increase in loan advanced to customers.

On 24 November 2017, Capital Strategic entered into a loan agreement with Yuan Heng Gas Holdings Limited ("Yuan Heng"), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 332). Pursuant to the loan agreement, Capital Strategic agreed to grant to Yuan Heng a loan of HK$180,000,000 ("Original Facility") for a term of 6 months from the date of the drawdown, which was 25 January 2018, and could be further extended for another 6 months with written consent of Capital Strategic (or any other date as may be agreed by Capital Strategic and Yuan Heng in writing). The loan is secured by the charge over the entire issued share capital of an indirect wholly-owned subsidiary of Yuan Heng and the floating charge over all or any part of the property and/or assets of an indirect wholly-owned subsidiary of Yuan Heng in favour of Capital Strategic. Yuan Heng had repaid HK$100,000,000 of the Original Facility to Capital Strategic by 6 August 2018.

Subsequently in January 2019, Capital Strategic and Yuan Heng entered into the supplemental agreement pursuant to extend the maturity date of the remaining HK$80,000,000 of the Original Facility to 25 July 2019 (or any other date as may be agreed by Capital Strategic and Yuan Heng in writing). The loan continues to be secured by the share charge and the floating charge.

Further details of the transaction is also set out in the Company's announcements dated 24 November 2017, 25 January 2018 and 25 January 2019 and circular dated 22 December 2017, respectively. The transaction was completed on 25 January 2018 and the loan is still outstanding as at 31 December 2018.

On 14 February 2018, Capital Strategic entered into another loan agreement with China-HK Holdings Investment Limited ("China-HK"), a company incorporated in Hong Kong with limited liability, pursuant to which Capital Strategic had agreed to provide a loan facility to the China-HK in the principal amount of HK$40,000,000 for a term of 6 months from the dates of the relevant drawdown, which could be further extended upon the request of China-HK and subject to agreement of Capital Strategic in writing. The loan is secured by the charge over the entire issued share capital of Wide Merit Limited and 2 wholly-owned subsidiaries of China-HK. On 14 August 2018, Capital Strategic and China-HK entered into a supplemental loan agreement to extend the repayment date to 14 February 2019. Further details of the transaction is set out in the Company's announcements dated 14 February 2018 and 14 August 2018. The loan is still outstanding as at 31 December 2018.

Management had formulated a fundamental policy to establish its internal control systems. The Group would adopt a prudent approach and conduct regular reviews of the composition of the loans portfolio and lending rates charged to each customer to maximise the return of the money lending business as well as diversify the credit risk.

Securities Investment

During the year, the Group carried out the Group's investment business in securities investment.

During the year, the revenue arising from this segment was negative revenue of HK$6,016,000 (2017: negative revenue of HK$3,290,000). Revenue was attributable to the net unrealised loss on listed securities investment of HK$6,016,000 (2017: net unrealised loss of HK$3,290,000). No realised gain or loss on listed securities investment was noted during the year ended 31 December 2018.

The overall performance of the securities investment business recorded a loss of HK$6,022,000 for the year ended 31 December 2018 (2017: loss of HK$3,299,000), which was primarily attributable to the unrealised loss on securities investment stated above. As at 31 December 2018, the market value of the Group's listed securities portfolio was HK$1,222,000 (31 December 2017: HK$7,238,000).

The Group is currently looking into other investment opportunities including private equities, debt securities, derivatives and funds. The management plans to revise its investment strategies and formulate new investment policies in the near future.

FINANCIAL REVIEW

During the year under review, the Group has diversified its operations into four segments, being

(a) apparel supply chain management services;

(b) financial services;

(c) money lending; and

(d) securities investment.

Financial results from the Group's operations are summarised as follows:

Revenue

Revenue by Business Segments

Ratio analysis by business segments for the Group's revenue for the year ended 31 December 2018 is as follows:

- Apparel supply chain management services business: HK$107,652,000, 78.2% of revenue (2017: HK$257,466,000, 99.3%)

- Financial services business: HK$15,685,000, 11.4% of revenue (2017: HK$2,576,000, 1.0%)

- Money lending business: HK$20,423,000, 14.8% of revenue (2017: HK$2,354,000, 1.0%)

- Securities investment: negative revenue of HK$6,016,000, -4.4% of revenue (2017: negative revenue of HK$3,290,000, -1.3%)

The Group's revenue for the year ended 31 December 2018 was HK$137,744,000, being a decrease of HK$121,362,000 when compared to the corresponding period last year of HK$259,106,000. The decrease was mainly due to the net effect of (i) a decrease in revenue derived from apparel supply chain management services business to HK$107,652,000 (2017: HK$257,466,000) due to the significant decrease in the Group's sales in the USA because of the loss of significant customers; (ii) an increase in revenue derived from financial services business of HK$15,685,000 (2017: HK$2,576,000), which were mainly derived from the Group's fund management services and other consultancy services in Mainland China and Hong Kong; (iii) an increase in interest income from loans advanced to independent third parties of HK$20,423,000 (2017: HK$2,354,000); and (iv) an unrealised loss on an investment in listed equity investment at fair value through profit or loss of HK$6,016,000 (2017: unrealised loss of HK$3,290,000), which was arising from the Group's business segment on securities investment.

Cost of Sales

Cost of sales of the Group relates to (i) its apparel supply chain management services business and includes raw materials, subcontracting fees, and other costs. Raw materials were fabrics and ancillary raw materials, including buttons, zippers and threads that the Group purchased and supplied to the third-party manufacturers for their production. Subcontracting fees represented fees paid to the third-party manufacturers for production of apparel products. Other costs include miscellaneous costs such as freight charges, inspection charges, declaration fees, depreciation and insurance; and (ii) the direct cost of fund management services mainly consists of fund manager costs.

Subcontracting fees continues to be the major component of the Group's total cost of sales.

Gross Profit and Margin

The Group's gross profit for the year ended 31 December 2018 was HK$33,543,000, representing a decrease of approximately 27.6% from HK$46,309,000 in the corresponding period last year. The decrease in gross profit was due to decrease in sales and decrease in gross profit margin for its apparel supply chain management services business which was mainly attributable to relatively higher proportion of sales shifted to very low gross margin customers during the year.

Other Income and Gains

Other income and gains for the year ended 31 December 2018 was HK$18,897,000, representing an increase of approximately 787.2% from the corresponding period last year of HK$2,130,000. The increase was mainly due to the increase in rental income, distribution income, bank interest income, gain on disposal of a property and gain on foreign exchange differences, net.

Selling and Distribution Costs

Selling and distribution costs primarily consist of (i) sample cost; (ii) air freight charges; (iii) staff cost; and (iv) other selling and distribution expenses. Selling and distribution costs increased by approximately 39.7% from HK$2,652,000 to HK$3,704,000, which was mainly due to increase in staff cost.

Administrative Expenses

Administrative expenses mainly represented employee benefit expenses for the Group's management, finance and administrative personnel, rental expenses for the Group's office premises and travelling expenses. Administrative expenses increased by approximately 39% from HK$86,473,000 to HK$120,171,000, which was mainly due to the increase in salaries, consultancy fees for enhancement of IT system for apparel supply chain management services business and legal and professional fees for arrangement of loan transactions during the year.

Other Expenses, Net

Other expenses, net mainly represented the claims paid to customers. Other expenses, net for the year ended 31 December 2018 as HK$4,695,000, representing a increase of approximately 581.4% from HK$689,000 in the corresponding period last year. The increase was mainly due to increase in claim paid and goodwill impairment.

Finance Costs

Finance costs increased by approximately 1,060.9% from HK$1,817,000 to HK$21,094,000. The increase was mainly due to increase in interest expenses for bonds and bank and other borrowings during the year.

Loss for the Year

The net loss attributed to the owners of the parent for the year ended 31 December 2018 amounted to HK$101,279,000 (2017: HK$44,159,000), resulted in a basic loss per share for the year ended 31 December 2018 of HK21.1 cents (2017: HK9.2 cents), representing an increase in loss attributed to the shareholders of the Company (the "Shareholders") by 129.4%. The increase in loss was resulted from the effects of (i) decrease in sales and gross profits; (ii) increase in administrative expenses, mainly due to increase in staff costs, consultancy fees and legal and professional fees; and (iii) increase in finance costs (as stated above).

PROSPECTS

Apparel Supply Chain Management Services Business

The management of the Group expects the business environment for the apparel supply chain management services business in 2019 to remain uncertain. The trade war between US and China are still rolling on. Despite the Group has production base in Cambodia, the impact to the US customers is still unclear. The management has responded by exploring aggressively for new customers in Canada and Europe through competitive prices and shorter delivery time of the sales orders.

We also realise that the future supply chain business needs to be transformed to exploit IT in the process. We keep on enhancing our ERP system to further strengthen our relationship with supply chain partners and improve efficiency. New module of mobile quality inspection is now employed to streamline the quality inspection work.

Money Lending Business

The management expects that the money lending business segment will become one of the Group's stable income sources. In the future, the management is going to put more effort to develop the money lending business and aim to gain a higher level of loan advance balance with significant returns. It is believed that the expansion of money lending business segment will help the Group to lay a solid capital foundation for the development of financial sector and maintain a healthy cash flow. The management will go on paying close attention to the development of this business segment and promptly react to the demand in the market.

Financial Services Business

The management continues looking into possible acquisitions of asset management companies and other financial service platforms located in both Hong Kong and the PRC, in order to build a strong, growing and diversified financial services sector.

The management expects that the contribution from financial services business segment will increase significantly in the near future.

Securities Investment

During the year, the Hong Kong stock market was highly volatile due to both domestic and worldwide social and economic issues. To cope with such situations, the Group will continue to closely monitor the market conditions and may consider to change its investment portfolio from time to time. We will also explore other investment opportunities including but not limited to investment in private equities, debt securities, derivatives and funds.

CAPITAL STRUCTURE

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, including bonds, interest-bearing bank and other borrowings, and equity attributable to owners of the Company, comprising issued capital and reserves. The management of the Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issuance of debts and redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

As at 31 December 2018, the interest-bearing other borrowings were HK$7,816,000 (31 December 2017: interest-bearing bank and other borrowings of HK$7,770,000) and bonds payables were HK$218,093,000 (31 December 2017: HK$80,000,000). As at 31 December 2018, all borrowings are carried at fixed interest rates ranging from 5% to 8% per annum and repayable from 2019 to 2020. As at 31 December 2017, borrowing amounting to HK$85,668,000 are carried at fixed interest rates ranging from 5% to 8% per annum and repayable from 2018 to 2019. No borrowings are carried at floating interest rates during the year (31 December 2017: HK$2,102,000).

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group's working capital was financed by both internal resources and bank and other borrowings.

As at 31 December 2018, cash and cash equivalents amounted to HK$40,159,000, which decreased by approximately 59.8% as compared to HK$99,841,000 as at 31 December 2017.

As at 31 December 2018, the Group's total borrowings amounted to HK$225,909,000 (31 December 2017: HK$87,770,000), mainly consist of finance lease liabilities amounting to HK$82,000 (31 December 2017: HK$168,000), other borrowings amounting to HK$7,734,000 (31 December 2017: bank and other borrowings of HK$7,602,000) and bonds payable amounting to HK$218,093,000 (31 December 2017: HK$80,000,000). The bank and other borrowings of the Group as at 31 December 2018 and 31 December 2017 were incurred for operation and business purpose.

The current ratio of the Group as at 31 December 2018 was 1.6 (31 December 2017: 3.7). The gearing ratio (being the total liabilities divided by the total assets) of the Group as at 31 December 2018 was approximately 98.2% (31 December 2017: 56.8%).

The Group's net current assets and net assets of HK$99,248,000 (31 December 2017: HK$135,958,000) and HK$5,498,000 (31 December 2017: HK$107,392,000), respectively.

TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the year. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FOREIGN EXCHANGE EXPOSURE

The Group's foreign currency transactions are mainly denominated in RMB and United States dollars ("US$"). The Group has currency exposure as certain income and expenses incurred in the PRC were denominated in RMB. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in RMB. During the year, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

CAPITAL EXPENDITURES

During the year, the Group's capital expenditures consisted of additions to property, plant and equipment amounting to HK$1,554,000 (2017: HK$1,810,000).

CAPITAL COMMITMENT

As at 31 December 2018, the Group had a capital commitment of HK$4,461,000 (31 December 2017: Nil) in relation to the further capital contribution to Hunan Guokai.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had a total of 206 (2017: 197) employees, including the Directors. Total staff costs (including Directors' remuneration) was approximately HK$67,621,000 for the year ended 31 December 2018, as compared to approximately HK$51,134,000 for the corresponding period last year.

Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of the basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other major staff benefits include contributions to Mandatory Provident Fund retirement benefits scheme in Hong Kong and the provision of social insurances for employees who are employed by the Group pursuant to the applicable PRC rules and regulations.

The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme adopted by the Company on 20 June 2014 where options to subscribe for shares of the Company may be granted to the Directors and employees of the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed in the section headed "Material Acquisitions and Disposals of Subsidiaries" below, the Group did not have any plans for material investments during the year.

The Group will finance the future acquisitions through internally generated funds and other fund raising activities, including but not limited to issue of new debts or equity instruments.

SIGNIFICANT INVESTMENT

In January 2018, Hunan Huiyin Tianxing entered into a sales and purchase agreement to acquire 49% equity interests in Hunan Guokai from an independent third party for a consideration of RMB1,450,000, and Hunan Huiyin Tianxing will make a further capital contribution of RMB3,920,000 to Hunan Guokai, no later than 31 December 2025. The remaining 51% shareholder of Hunan Guokai is Hunan Rail, an independent third party. Hunan Rail is wholly-owned by the Hunan Government and primarily engaged in the investment, construction, operation and management of various rail transit infrastructure projects in Hunan Province. Established in August 2015, Hunan Guokai is engaged in the management of private equity fund investing in railway construction, management of proprietary investments in assets (including equity) and investment consultancy services. At the date of this announcement, Hunan Guokai manages the Railway Fund as its general partner. The Railway Fund is currently the only policy-driven fund in Hunan Province that invests in railway infrastructure and is primarily engaged in the investment of railway projects run on a public-private partnership basis in Hunan Province involving land acquisition and relocation. The Railway Fund has a target fund size of RMB10 billion and has asset under management of approximately RMB1 billion. The acquisition of Hunan Guokai was completed in July 2018. Details of the acquisition is set out in the Company's announcement dated 1 February 2018.

Save as disclosed in this announcement, there were no significant investments held during the year.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group has not acquired nor disposed of any of its subsidiaries during the year.

RISK MANAGEMENT

The Group adopts the following risk management policies and monitoring system to mitigate the risks associated with interest rate, foreign currency, credit, liquidity and equity price in its major operation.

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates incurred for trade finance. The Group reviews interest rate risk regularly and monitors closely the fluctuation of interest rates and will make proper adjustment if necessary.

Foreign Currency Risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group has currency exposure as income earned and expenses subcontracting fees incurred in Mainland China were denominated in RMB.

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of RMB against US$ may have impact on the operating results of the Group.

The Group has not entered into any hedging arrangement as the foreign currency risk is considered not material. The management has monitored the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Credit Risk

The accounts receivable and loans receivable balances included in the consolidated statement of financial position of the Group represent the Group's maximum exposure to credit risk in relation to the Group's accounts receivable and loans receivable. Concentrations of credit risk are managed by customer and borrower.

The Group performs ongoing credit evaluations of its debtors' financial conditions and requires collateral from its customers. The allowance for doubtful debts is based on a review of the expected collectability of all accounts receivable and loans receivable.

The Group seeks to maintain strict control over its outstanding receivables and has its credit control policy to minimise the credit risks. In addition, all receivable balances are monitored on an ongoing basis and overdue balances are followed up by management.

Liquidity Risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

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 is exposed to equity price risk arising from individual equity investments classified as financial asset at fair value through profit or loss. The Group's listed investment is listed on the Stock Exchange and is valued at quoted market prices at the end of the reporting period. Management manages this exposure by assessing the risk associated with each individual investment and maintaining a portfolio of investments with different risks in the future if necessary.

CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 December 2018.

CHARGE ON THE GROUP'S ASSETS

No charges on the Group's assets was noted as at 31 December 2018.

DIVIDEND

The Board does not recommend the distribution of any dividends for the year ended 31 December 2018 (2017: nil).

FINANCIAL ASSISTANCE FROM SUBSTANTIAL SHAREHOLDER

On 27 October 2017, the Company, as the issuer (the "Issuer"), entered into a subscription agreement (the "Subscription Agreement A") with a company indirectly wholly-owned by 廣州產業投資基金管理有限公司 (Guangzhou Industry Investment Fund Management Co., Ltd.*), a substantial Shareholder, as the subscriber (the "Subscriber"), in relation to the subscription of unsecured bonds to be issued by the Company (the "Bonds"). The issue of Bonds constituted an exempt connected transaction of the Company under Rule 14A.90 of the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange. Pursuant to and subject to the satisfaction (or waiver) of the conditions precedent set out in the Subscription Agreement A, the Company agreed to issue, and the Subscriber agreed to subscribe, for the Bonds in the principal amount of up to HK$80,000,000 with a coupon rate of 8% per annum payable quarterly in arrears for a term of 23 months from the date of issue of the Bonds. The net proceeds from the issuance of the Bonds are used by the Group as general working capital of the Group, in particular towards money lending and financial services business and to finance suitable investment opportunities if and when they arise.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

On 15 December 2017, the Company, as the issuer, entered into a subscription agreement (the "Subscription Agreement B") with GF Investments (Hong Kong) Company Limited, as the subscriber, in relation to the issuance of notes (the "Notes") in the aggregate principal amount of HK$230,000,000. Pursuant to the Subscription Agreement B, the Notes will be issued in the aggregate principal amount of HK$230 million, at the issue price of 100% of the face value of their principal amount, at interest rate of 7.5% per annum. The Notes will be issued in one or two tranches, as determined by the Company in its sole discretion, with the maturity date of each tranche falling 720 days after the related issue date. The subscription of the first tranche of the Notes may be requested by the Company, in its sole discretion, for all or part of the Notes within the first month after the date of the Subscription Agreement B. GF Investments (Hong Kong) Company Limited is an independent third party to the Group. The Notes with principal amounts of HK$180,000,000 and HK$40,000,000 were issued in January 2018 and February 2018, respectively.

Save as disclosed above and in the section headed "Financial assistance from substantial shareholder" above, there had not been any other equity or debt fund raising activity conducted by the Group in the past twelve months.

PROVISION OF FINANCIAL ASSISTANCE AND ADVANCE TO AN ENTITY

Provision of financial Assistance Amounting to HK$20,000,000

On 19 December 2016, Capital Strategic (as lender) entered into a loan agreement (the "DT Loan Agreement") with a third party independent of the Company and its connected person (as defined under the Listing Rules) (the "Borrower"), pursuant to which, Capital Strategic agreed to provide a loan to the Borrower in the principal amount of HK$20,000,000 (the "DT Loan") for a period of 6 months following the date of the first drawdown at an interest rate of 13% per annum payable on the date falling 6 months from the first drawing of the DT Loan (the "Provision of the Loan").

As at 19 June 2017, the DT Loan was drawn down by the Borrower and a repayment of HK$1,800,000 was made by the Borrower pursuant to the DT Loan Agreement. As the term of the DT Loan Agreement had expired on 18 June 2017, Capital Strategic and the Borrower had entered into a supplemental deed (the "First Supplemental Deed") to, among other matters, (i) extend the maturity date from 19 June 2017, being the immediate following business day of the maturity date which falls on a non-business day, to 18 December 2017; and (ii) revise the DT Loan granted under the DT Loan Agreement down to HK$18,200,000. Other than the maturity date which had been extended to 18 December 2017 and the amount of the DT Loan had been revised down to HK$18,200,000 pursuant to the First Supplemental Deed, the principal terms of the DT Loan Agreement remains applicable to Capital Strategic and the Borrower in connection with the DT Loan.

Subsequent to the date of First Supplemental Deed, a repayment on the DT Loan principal amount of approximately HK$2,566,000 was made by the Borrower pursuant to the DT Loan Agreement and the First Supplemental Deed. As at 18 December 2017, the outstanding DT Loan principal and interest amounts in total was approximately HK$16,275,000. As the term of the First Supplemental Deed had expired on 18 December 2017, Capital Strategic and the Borrower had on 18 December 2017 entered into the second supplemental deed (the "Second Supplemental Deed") to, among other matters, (i) extend the maturity date from 18 December 2017 to 18 June 2018; and (ii) revise the DT Loan granted under the DT Loan Agreement down to approximately HK$16,275,000. Other than the maturity date which had been extended to 18 June 2018 and the amount of the DT Loan had been revised down to approximately HK$16,275,000 pursuant to the Second Supplemental Deed, the principal terms of the DT Loan Agreement remains applicable to Capital Strategic and the Borrower in connection with the DT Loan.

Subsequent to the date of Second Supplemental Deed, a repayment on the DT Loan principal amount of approximately HK$5,113,000 was made by the Borrower pursuant to the DT Loan Agreement, the First Supplemental Deed and the Second Supplemental Deed. As at 18 June 2018, the outstanding DT Loan principal and interest amounts in total was approximately HK$11,265,000. As the term of the Second Supplemental Deed had expired on 18 June 2018, Capital Strategic and the Borrower had on 18 June 2018 entered into the third supplemental deed (the "Third Supplemental Deed") to, among other matters, (i) extend the maturity date from 18 June 2018 to 18 June 2019; and (ii) revise the DT Loan granted under the DT Loan Agreement down to approximately HK$11,265,000. Other than the maturity date which had been extended to 18 June 2019 and the amount of the DT Loan had been revised down to approximately HK$11,265,000 pursuant to the Third Supplemental Deed, the principal terms of the DT Loan Agreement remains applicable to Capital Strategic and the Borrower in connection with the DT Loan.

As at 31 December 2018, the DT Loan was still outstanding with a loan principal of approximately HK$11,265,000. The grant of the DT Loan under the DT Loan Agreement is a financial assistance provided by the Company within the meaning of the Listing Rules.

Provision of Loan to an Entity Amounting to HK$180,000,000

On 24 November 2017, Capital Strategic, as the lender, entered into a loan agreement (the "MT Loan Agreement") with Yuan Heng, as the borrower, pursuant to which, Capital Strategic would provide a loan of HK$180,000,000 (the "MT Loan") to Yuan Heng for a term of 6 months from the date of drawdown, which was 25 January 2018, and could be further extended for another 6 months with written consent of Capital Strategic (or any other dates as may be agreed by Capital Strategic and Yuan Heng in writing) at the interest rate of 10% per annum which will be paid monthly.

The MT Loan is secured by (i) a share charge (the "Share Charge") executed by Firmwill Investments Limited ("Firmwill"), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Yuan Heng, in favor of Capital Strategic, whereby, Firmwill would execute the charge over 1 share in Fully World Limited ("Fully World"), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Firmwill, representing the entire issued share capital of Fully World, to Capital Strategic; and (ii) a floating charge ("Floating Charge") over all or any part of the property and/or assets of Fully World created by Fully World in favour of Capital Strategic. Yuan Heng had repaid HK$100,000,000 of the MT Loan to Capital Strategic by 6 August 2018.

On 25 January 2019, Capital Strategic and Yuan Heng entered into the supplemental agreement (the "Supplemental Agreement") pursuant to extend the maturity date of the remaining HK$80,000,000 of the MT Loan to 25 July 2019 (or any other date as may be agreed by Capital Strategic and Yuan Heng in writing). The MT Loan continues to be secured by the Share Charge and the Floating Charge.

Details of the transaction are set out in the announcements of the Company dated 24 November 2017, 25 January 2018 and 25 January 2019 and circular dated 22 December 2017, respectively. The transaction was completed on 25 January 2018 and the MT Loan is still outstanding as at 31 December 2018. The grant of the MT Loan under the MT Agreement is a financial assistance provided by the Company within the meaning of the Listing Rules.

Provision of Financial Assistance Amounting to HK$40,000,000

On 14 February 2018, Capital Strategic, as the lender, entered into a loan agreement (the "Loan Agreement") with China-HK, as the borrower, pursuant to which Capital Strategic would provide a loan facility of HK$40,000,000 (the "Loan") to China-HK for a term of 6 months from the date of the relevant drawdown, which could be extended upon the requested of China-HK and subject to agreement of Capital Strategic in writing, at the interest rate of 12% per annum which will be paid on the relevant repayment dates of the Loan drawn down.

On 14 August 2018, Capital Strategic entered into a supplemental loan agreement with China-HK to, among other matters, extend the maturity date from 14 August 2018 to 14 February 2019. Other than the maturity date which had been extended to 14 February 2019 pursuant to the supplemental loan agreement, the principal terms of the Loan Agreement remains applicable to Capital Strategic and China-HK in connection with the Loan.

The Loan is secured by (i) charge over 10,000 shares of China-HK, being the entire issued share capital of the China-HK, in favour of Capital Strategic, by Wide Merit Limited, a company incorporated in the British Virgin Islands, being the holding company of China-HK; and (ii) charges over the entire share capital of 長三角徐州石油科技有限公司 (Changsanjiao Xuzhou Petroleum Technology Company Limited*), being a wholly-owned subsidiary of China-HK, and 鹽城賽孚石油化工有限公司 (Yancheng Saifu Petroleum & Chemical Company Limited*), being a wholly-owned subsidiary of Changsanjiao Xuzhou Petroleum Technology Company Limited.

The provision of the Loan under the Loan Agreement is a financial assistance provided by the Company within the meaning of the Listing Rules and the Loan constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Details of the Loan are set out in the announcement of the Company dated 14 February 2018 and 14 August 2018. The Loan is still outstanding as at 31 December 2018.

Save as disclosed above, the Group did not have any other provision of financial assistance and advance to an entity.

SUBSEQUENT EVENTS

On 25 January 2019, Capital Strategic and Yuan Heng entered into the supplemental agreement pursuant to extend the maturity date of the remaining HK$80,000,000 of the MT Loan to 25 July 2019 (or any other date as may be agreed by Capital Strategic and Yuan Heng in writing). The MT Loan continues to be secured by the Share Charge and the Floating Charge. The provision of MT Loan would constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Details of the transaction are set out in the announcements of the Company dated 24 November 2017, 25 January 2018 and 25 January 2019 and circular dated 22 December 2017, respectively.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining high standards of corporate governance consistent with the needs and requirements of its business and the Shareholders. The Company has adopted the code provisions (the "Code Provisions") as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. The corporate governance principles of the Company emphasise a quality board, sound internal controls, and transparency and accountability to all the Shareholders.

The Company has complied with all the Code Provisions of the CG Code during the year ended 31 December 2018.

Further information on the Company's corporate governance practices will be detailed in the corporate governance report contained in the annual report of the Company for the year ended 31 December 2018, which shall be sent to the Shareholders in due course.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 (the "Model Code") to the Listing Rules as its own code of conduct regarding the dealings in securities of the Company by the Directors.

Having made specific enquiry of all Directors, each Director has confirmed that he/she has complied with the required standard set out in the Model Code during the year.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process, risk management and internal control systems of the Group. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Fok Ho Yin, Thomas (chairman), Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and risk management and financial reporting matters, including the final results of the Group for the year ended 31 December 2018 with the management.

SCOPE OF WORK OF THE COMPANY'S AUDITORS IN RESPECT OF THE PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the annual results announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2018. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this annual results announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Wednesday, 22 May 2019 (the "AGM"). Details of the AGM are set out in the notice of the AGM which constitutes part of the circular to be sent to the Shareholders together with the annual report. Notice of the AGM and the proxy form will also be available on the websites of the Stock Exchange and the Company.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the Shareholders entitled to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 16 May 2019 to Wednesday, 22 May 2019, both days inclusive, during which period no transfer of shares of the Company will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 15 May 2019 (Hong Kong time).

PUBLICATION OF RESULTS ANNOUNCEMENT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company at www.1367.com.hk.

The printed copy of the annual report will be sent to Shareholders and the soft copy of the same will be published on websites of the Stock Exchange and the Company in due course.

By order of the Board
SFund International Holdings Limited
Mr. Li Qing
Chairman

Hong Kong, 25 March 2019

As at the date of this announcement, the executive Directors are Mr. Li Qing, Mr. Lam Kwan Sing, Mr. Liu Zhijun, Ms. Yi Sha, Ms. Wang Mengsu and Mr. Hon Ming Sang and the independent non-executive directors are Mr. Fok Ho Yin, Thomas, Mr. Chan Wai Cheung, Admiral, and Mr. Lam Ho Pong.