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MASON GROUP HOLDINGS LIMITED

茂宸集團控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 273)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2018, the Group's:

- Turnover was HK\$4,074,269,000 (2017: HK\$3,721,726,000)
- Net profit was HK\$176,012,000 (2017: HK\$26,470,000)
- Profit attributable to equity holders of the Group was HK\$90,184,000 (2017: loss of HK\$53,160,000)
- Earnings per share was HK0.20 cent (2017: loss of HK0.13 cent)

The Board recommended payment of a final dividend of HK0.067 cent per share for the year ended 31 December 2018 (2017: Nil).

The board (the “**Board**”) of directors (the “**Director(s)**”) of Mason Group Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2018 (the “**Year**”), together with comparative figures for the year ended 31 December 2017, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Turnover	3	<u>4,074,269</u>	<u>3,721,726</u>
Operating income	4	3,506,994	2,900,438
Other income	5	29,509	23,588
Consumables used and merchandise sold		(2,697,611)	(2,275,275)
Employee benefits expenses		(356,300)	(248,034)
Amortisation of intangible assets		(54,035)	(29,184)
Depreciation of property, plant and equipment		(29,429)	(16,791)
(Loss)/gain on disposal of property, plant and equipment		(617)	1
Impairment loss on financial assets for expected credit loss		(22,690)	–
Provision for allowance for doubtful debts, net		–	(4,297)
Gain on deemed disposal of interests in subsidiaries	7	131,352	–
Gain on disposal of interests in a subsidiary		22,288	–
Net fair value gain on financial instruments		8,490	75,900
Net fair value gain on derivative financial instruments		532	–
Impairment loss on available-for-sale financial assets		–	(5,538)
Impairment loss on goodwill		(10,000)	–
Other operating expenses		(334,499)	(177,824)
Finance costs	8	(23,548)	(31,703)
Share of results of associates		<u>24,708</u>	<u>6,019</u>
Profit from operation		195,144	217,300
Gain/(loss) on measurement of contingent consideration payable		<u>11,866</u>	<u>(129,899)</u>
Profit before taxation		207,010	87,401
Income tax expenses	9	<u>(30,998)</u>	<u>(60,931)</u>
Profit for the year		<u>176,012</u>	<u>26,470</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	<i>Notes</i>	2018 HK\$'000	2017 <i>HK\$'000</i>
Other comprehensive income:			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Changes in fair value of defined benefit scheme at fair value through other comprehensive income		(4,618)	–
Exchange differences on translation of foreign subsidiaries		(117,611)	3,850
<i>Items that will not be reclassified to profit or loss</i>			
Changes in fair value of equity instruments at fair value through other comprehensive income		(82,567)	–
Other comprehensive income for the year		(204,796)	3,850
Total comprehensive income for the year		(28,784)	30,320
Profit/(loss) attributable to:			
Equity holders of the Company		90,184	(53,160)
Non-controlling interests		85,828	79,630
Profit for the year		176,012	26,470
Total comprehensive income attributable to:			
Equity holders of the Company		(109,101)	(51,197)
Non-controlling interests		80,317	81,517
Total comprehensive income for the year		(28,784)	30,320
Earnings/(loss) per share			
Basic and diluted	<i>11</i>	HK0.20 cent	HK(0.13) cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Property, plant and equipment		335,449	60,414
Intangible assets		842,050	977,591
Goodwill		776,295	816,798
Interests in associates		833,489	220,235
Available-for-sale financial assets		–	614,189
Loan receivables	12	558,547	642,362
Other non-current deposits paid and prepayments		7,870	11,031
Deferred tax assets		7,979	1,409
Financial assets at fair value through profit or loss		364,909	199,342
Financial assets at fair value through other comprehensive income		633,244	–
Financial assets at amortised cost		173,785	–
Fixed bank deposits	14	44,816	–
		<u>4,578,433</u>	<u>3,543,371</u>
Current assets			
Inventories		326,290	292,546
Financial assets at fair value through profit or loss		226,166	164,930
Derivative financial instruments		75,396	–
Available-for-sale financial assets		–	74,926
Loan receivables	12	925,927	848,606
Reverse repurchase agreements	18	1,130,371	–
Trade and other receivables	13	1,344,277	1,051,512
Tax recoverable		988	81
Fixed bank deposits	14	1,071,483	–
Pledged bank deposits	14	94,137	58,364
Bank balances and cash	14	1,603,086	1,759,412
		<u>6,798,121</u>	<u>4,250,377</u>
Current liabilities			
Trade and other payables	15	3,279,854	555,962
Contract liabilities		9,545	–
Interest-bearing borrowings		423,555	300,016
Repurchase agreements	18	350,185	–
Amount due to an associate		25,000	20,000
Derivative financial instruments		73,605	–
Finance lease liabilities	16	332	399
Tax payables		32,601	42,330
Contingent consideration payable		8,761	112,272
		<u>4,203,438</u>	<u>1,030,979</u>
Net current assets		<u>2,594,683</u>	<u>3,219,398</u>
Total assets less current liabilities		<u>7,173,116</u>	<u>6,762,769</u>

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current liabilities			
Interest-bearing borrowings		20,000	20,000
Deferred tax liabilities		193,012	231,226
Contingent consideration payable		–	17,627
Finance lease liabilities	<i>16</i>	304	795
Redeemable and exchangeable preferred share	<i>17</i>	157,744	–
Long-term liabilities		424	278
		<hr/> 371,484	<hr/> 269,926
NET ASSETS		<hr/> 6,801,632	<hr/> 6,492,843
Capital and reserves			
Share capital	<i>19</i>	6,142,962	6,142,962
Reserves		18,457	(72,199)
		<hr/> 6,161,419	<hr/> 6,070,763
Equity attributable to equity holders of the Company		640,213	422,080
Non-controlling interests		<hr/> 6,801,632	<hr/> 6,492,843
TOTAL EQUITY		<hr/> 6,801,632	<hr/> 6,492,843

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

Mason Group Holdings Limited (the “**Company**”) is a public company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the registered office and the principal place of business of the Company is 19/F, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (hereinafter collectively referred to as the “**HKFRS**”) and the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (“**Listing Rules**”) on the Stock Exchange.

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2018 in due course.

The Company’s auditor has reported on the financial statements of the Group for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

3. TURNOVER

Turnover from operation represents the aggregative of gross sales proceeds from disposal of trading of securities investments, provision of financing services, provision of wealth and asset management, financial brokerage and related services, provision of medical and laboratory services, franchisor and retail of mother-infant-child products, and manufacture of infant formula and nutritional products.

4. OPERATING INCOME

Operating income recognised from the principal activities of the Group during the year including trading of securities investments, provision of financing services, provision of wealth and asset management, financial brokerage and related services, provision of medical and laboratory services, franchisor and retail of mother-infant-child products, manufacture of infant formula and nutritional products, and investment holding is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Brokerage commission income from:		
— securities dealing	26,756	21,281
— insurance	93,157	—
— underwriting and placing commission income	885	3,784
Commission income and supporting service income from concessionaire sales of mother-infant-child products	105,929	90,978
Commission income from providing advisory, account and custody management	40,115	—
Financial advisory fee income	26,436	4,187
Margin facility and loan facility handling fee income	8,507	1,884
Medical consultation and laboratory services income	65,348	143,227
Franchisor and retail sales of mother-infant-child products	2,908,919	2,419,885
Rental income from sub-lease of premises	1,159	914
(Loss)/gain from the sale of financial assets at fair value through profit or loss (“FVTPL”), net*	(64,209)	14,424
Dividend income from financial assets at FVTPL	5,735	17
Interest income from:		
— margin financing	52,926	49,181
— loan receivables from third parties	131,195	107,111
— loan receivables from a non-controlling shareholder of a subsidiary (<i>Note 12(c)</i>)	12,616	10,611
Manufacture and sale of infant formula and nutritional products	91,520	32,954
	<u>3,506,994</u>	<u>2,900,438</u>

* Represented the proceeds from the sale of financial assets at FVTPL of HK\$503,066,000 (2017: HK\$835,712,000) less relevant costs and carrying value of the financial assets sold of HK\$567,275,000 (2017: HK\$821,288,000).

5. OTHER INCOME

	2018	2017
	HK\$'000	HK\$'000
Interest income from financial institutions	19,928	15,881
Management and handling fee income	–	6,734
Government subsidies	3,669	–
Rental income	2,709	–
Others	3,203	973
	29,509	23,588

6. SEGMENT INFORMATION

The management has been identified as the chief operating decision makers to evaluate the performance of operating segments and to allocate resources to those segments based on the Group's internal reporting in respect of these segments. The management considers trading of securities investments, provision of financing services, provision of wealth and asset management, financial brokerage and related services, provision of medical and laboratory services, franchisor and retail of mother-infant-child products, manufacture of infant formula and nutritional products and investment holding are the Group's major operating segments. Segment results represent the profit earned or loss incurred by each segment.

Operating segments of the Group comprise the following:

Trading of securities investments	:	Investment of shares, stocks, options and funds
Provision of financing services	:	Provision of loan financing services
Provision of wealth and asset management, financial brokerage and related services	:	Provision of wealth and asset management, dealing in securities, provision of securities, commodities and bullion brokerage services and financial advisory services
Provision of medical and laboratory services	:	Provision of medical consultation and laboratory services relating to assisted reproductive technology
Franchisor and retail of mother-infant-child products	:	Managing franchise and operating retail stores of mother-infant-child products
Manufacture of infant formula and nutritional products	:	Development, manufacture and sale of infant milk formula products, supplement and organic nutrition products
Investment holding	:	Holding investments for dividend and investment income and capital appreciation

(a) Segment turnover

The following is an analysis of the Group's turnover by operating segments:

	Trading of securities investments <i>HK\$'000</i>	Provision of financing services <i>HK\$'000</i>	Provision of wealth and asset management, financial brokerage and related services <i>HK\$'000</i>	Provision of medical and laboratory services <i>HK\$'000</i>	Franchisor and retail of mother-infant-child products <i>HK\$'000</i>	Manufacture of infant formula and nutritional products <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2018									
Segment turnover									
From contracts with customers within the scope of HKFRS 15	-	-	-	65,348	3,016,007	91,520	-	-	3,172,875
From other source	114,726	130,683	655,985	-	-	-	-	-	901,394
	<u>114,726</u>	<u>130,683</u>	<u>655,985</u>	<u>65,348</u>	<u>3,016,007</u>	<u>91,520</u>	<u>-</u>	<u>-</u>	<u>4,074,269</u>

	Trading of securities investments <i>HK\$'000</i>	Provision of financing services <i>HK\$'000</i>	Provision of wealth and asset management, financial brokerage and related services <i>HK\$'000</i>	Provision of medical and laboratory services <i>HK\$'000</i>	Franchisor and retail of mother-infant-child products <i>HK\$'000</i>	Manufacture of infant formula and nutritional products <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2017									
Segment turnover									
From contracts with customers within the scope of HKFRS 15	-	-	-	-	-	-	-	-	-
From other source	835,729	119,076	78,963	143,227	2,511,777	32,954	-	-	3,721,726
	<u>835,729</u>	<u>119,076</u>	<u>78,963</u>	<u>143,227</u>	<u>2,511,777</u>	<u>32,954</u>	<u>-</u>	<u>-</u>	<u>3,721,726</u>

Note:

The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18.

(b) Segment income and results

The following is an analysis of the Group's income and results by operating segments:

	Trading of securities investments HK\$'000	Provision of financing services HK\$'000	Provision of wealth and asset management, financial brokerage and related services HK\$'000	Provision of medical and laboratory services HK\$'000	Franchisor and retail of mother-infant-child products HK\$'000	Manufacture of infant formula and nutritional products HK\$'000	Investment holding HK\$'000	Unallocated HK\$'000	Total HK\$'000
Year ended 31 December 2018									
Segment income	<u>(49,590)</u>	<u>130,683</u>	<u>253,026</u>	<u>65,348</u>	<u>3,016,007</u>	<u>91,520</u>	<u>-</u>	<u>-</u>	<u>3,506,994</u>
Profit/(loss) for the year before following items:	(71,799)	7,507	(6,108)	(11,359)	192,916	(28,628)	(29,026)	(2,542)	50,961
Loss on disposal of property, plant and equipment	-	-	(47)	-	(472)	(98)	-	-	(617)
Impairment loss on goodwill	-	-	(10,000)	-	-	-	-	-	(10,000)
Finance costs	2,016	(1,442)	(8,776)	-	(14,310)	(36)	(1,000)	-	(23,548)
Share of results of associates	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,708</u>
Profit/(loss) from operation	<u>(69,783)</u>	<u>6,065</u>	<u>(24,931)</u>	<u>13,349</u>	<u>178,134</u>	<u>(28,762)</u>	<u>(30,026)</u>	<u>(2,542)</u>	<u>41,504</u>
Gain on disposal of interests in a subsidiary	-	-	22,288	-	-	-	-	-	22,288
Gain on deemed disposal of interests in subsidiaries	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,352</u>
Profit/(loss) from operation	<u>(69,783)</u>	<u>6,065</u>	<u>(2,643)</u>	<u>144,701</u>	<u>178,134</u>	<u>(28,762)</u>	<u>(30,026)</u>	<u>(2,542)</u>	<u>195,144</u>
Gain on measurement of contingent consideration payables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,866</u>
Profit/(loss) before taxation	<u>(69,783)</u>	<u>6,065</u>	<u>(2,643)</u>	<u>144,701</u>	<u>190,000</u>	<u>(28,762)</u>	<u>(30,026)</u>	<u>(2,542)</u>	<u>207,010</u>
Income tax credit/(expense)	<u>11,000</u>	<u>-</u>	<u>6,937</u>	<u>(3,854)</u>	<u>(53,401)</u>	<u>8,320</u>	<u>-</u>	<u>-</u>	<u>(30,998)</u>
Segment results	<u><u>(58,783)</u></u>	<u><u>6,065</u></u>	<u><u>4,294</u></u>	<u><u>140,847</u></u>	<u><u>136,599</u></u>	<u><u>(20,442)</u></u>	<u><u>(30,026)</u></u>	<u><u>(2,542)</u></u>	<u><u>176,012</u></u>

	Trading of securities investments HK\$'000	Provision of financing services HK\$'000	Provision of wealth and asset management, financial brokerage and related services HK\$'000	Provision of medical and laboratory services HK\$'000	Franchisor and retail of mother-infant-child products HK\$'000	Manufacture of infant formula and nutritional products HK\$'000	Investment holding HK\$'000	Unallocated HK\$'000	Total HK\$'000
Year ended 31 December 2017									
Segment income	<u>14,441</u>	<u>119,076</u>	<u>78,963</u>	<u>143,227</u>	<u>2,511,777</u>	<u>32,954</u>	<u>-</u>	<u>-</u>	<u>2,900,438</u>
Profit/(loss) for the year before following items:	15,051	10,473	(16,791)	42,755	185,792	371	7,624	3,246	248,521
Gain/(loss) on disposal of property, plant and equipment	-	-	64	302	(365)	-	-	-	1
Impairment loss on available-for-sale financial assets	-	-	-	-	-	-	(5,538)	-	(5,538)
Finance costs	-	(4,438)	(2,359)	-	(15,579)	(28)	(9,299)	-	(31,703)
Share of results of an associate	-	-	-	6,019	-	-	-	-	6,019
Profit/(loss) from operation	<u>15,051</u>	<u>6,035</u>	<u>(19,086)</u>	<u>49,076</u>	<u>169,848</u>	<u>343</u>	<u>(7,213)</u>	<u>3,246</u>	<u>217,300</u>
Loss on measurement of contingent consideration payable	-	-	-	-	(129,899)	-	-	-	(129,899)
Profit/(loss) before taxation	<u>15,051</u>	<u>6,035</u>	<u>(19,086)</u>	<u>49,076</u>	<u>39,949</u>	<u>343</u>	<u>(7,213)</u>	<u>3,246</u>	<u>87,401</u>
Income tax expense	<u>(11,000)</u>	<u>(500)</u>	<u>2,694</u>	<u>(6,712)</u>	<u>(45,303)</u>	<u>(110)</u>	<u>-</u>	<u>-</u>	<u>(60,931)</u>
Segment results	<u><u>4,051</u></u>	<u><u>5,535</u></u>	<u><u>(16,392)</u></u>	<u><u>42,364</u></u>	<u><u>(5,354)</u></u>	<u><u>233</u></u>	<u><u>(7,213)</u></u>	<u><u>3,246</u></u>	<u><u>26,470</u></u>

Segment income reported above represents income generated from external customers. There was no inter-segment income in both years.

Income and expenses are allocated to the reporting segments with reference to income generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation/amortisation of assets attributable to those segments.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the results achieved by each segment. This is the measurement method reported to the chief operating decision makers for the purpose of resources allocation and assessment of segment performance.

(c) **Segment assets and liabilities**

An analysis of the Group's assets and liabilities by operating segments is set out below:

	Trading of securities investments HK\$'000	Provision of financing services HK\$'000	Provision of wealth and asset management, financial brokerage and related services HK\$'000	Provision of medical and laboratory services HK\$'000	Franchisor and retail of mother-infant-child products HK\$'000	Manufacture of infant formula and nutritional products HK\$'000	Investment holding HK\$'000	Total HK\$'000
Year ended 31 December 2018								
Assets before following items:	519,230	1,124,522	4,697,921	173,041	1,445,701	232,220	1,249,792	9,442,427
Interests in associates	-	-	-	833,489	-	-	-	833,489
Goodwill	-	-	206,844	-	271,252	298,199	-	776,295
Segment assets	519,230	1,124,522	4,904,765	1,006,530	1,716,953	530,419	1,249,792	11,052,211
Unallocated assets								324,343
Total assets								11,376,554
Liabilities								
Segment liabilities	(425)	(42,295)	(3,272,589)	(157,744)	(949,864)	(90,020)	(28,694)	(4,541,631)
Unallocated liabilities								(33,291)
Total liabilities								(4,574,922)

An analysis of the Group's assets and liabilities by operating segments is set out below:

	Trading of securities investments HK\$'000	Provision of financing services HK\$'000	Provision of wealth and asset management, financial brokerage and related services HK\$'000	Provision of medical and laboratory services HK\$'000	Franchisor and retail of mother-infant-child products HK\$'000	Manufacture of infant formula and nutritional products HK\$'000	Investment holding HK\$'000	Total HK\$'000
Year ended 31 December 2017								
Assets before following items:	791,547	1,383,369	807,418	268,548	1,257,673	224,628	1,132,002	5,865,185
Interest in an associate	-	-	-	220,235	-	-	-	220,235
Goodwill	-	-	26,587	183,296	267,276	339,639	-	816,798
Segment assets	791,547	1,383,369	834,005	672,079	1,524,949	564,267	1,132,002	6,902,218
Unallocated assets								891,530
Total assets								7,793,748
Liabilities								
Segment liabilities	(11,119)	(50,638)	(118,250)	(46,576)	(906,956)	(105,785)	(30,127)	(1,269,451)
Unallocated liabilities								(31,454)
Total liabilities								(1,300,905)

For the purpose of monitoring segment performance and allocating resources between segments:

- Segment assets include mainly all property, plant and equipment, intangible assets, goodwill, interests in associates, available-for-sale financial assets, deferred tax assets, financial assets at FVTPL, financial assets at fair value through other comprehensive income, financial assets at amortised cost, inventories, loan receivables, derivative financial instruments, other non-current deposits paid and prepayments, trade and other receivables, fixed bank deposits, pledged bank deposits, bank balances and cash, and reverse repurchase agreements. All assets are allocated to operating segments other than unallocated head office and corporate assets as these assets are managed on a group basis.
- Segment liabilities include trade and other payables, contract liabilities, interest-bearing borrowings, tax payables, deferred tax liabilities, derivative financial instruments, financial liabilities at FVTPL, redeemable and exchangeable preferred shares, and repurchase agreements. All liabilities are allocated to operating segments other than unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

(d) Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

	Provision of medical and laboratory services <i>HK\$'000</i>	Franchisor and retail of mother- infant-child products <i>HK\$'000</i>	Manufacture of infant formula and nutritional products <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2018				
Primary geographical markets				
Hong Kong	65,348	–	–	65,348
PRC	–	3,016,007	–	3,016,007
Australia	–	–	91,520	91,520
	<u>65,348</u>	<u>3,016,007</u>	<u>91,520</u>	<u>3,172,875</u>
Total	<u>65,348</u>	<u>3,016,007</u>	<u>91,520</u>	<u>3,172,875</u>
Major products/service lines				
Medical and laboratory services	65,348	–	–	65,348
Mother-infant-child products	–	3,016,007	–	3,016,007
Infant formula and nutritional products	–	–	91,520	91,520
	<u>65,348</u>	<u>3,016,007</u>	<u>91,520</u>	<u>3,172,875</u>
Timing of revenue recognition				
At a point in time	65,348	3,010,421	91,520	3,167,289
Transferred over time	–	5,586	–	5,586
	<u>65,348</u>	<u>3,016,007</u>	<u>91,520</u>	<u>3,172,875</u>

	Provision of medical and laboratory services <i>HK\$'000</i>	Franchisor and retail of mother- infant-child products <i>HK\$'000</i>	Manufacture of infant formula and nutritional products <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2017				
Primary geographical markets				
Hong Kong	143,227	–	–	143,227
PRC	–	2,511,777	–	2,511,777
Australia	–	–	32,954	32,954
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>143,227</u>	<u>2,511,777</u>	<u>32,954</u>	<u>2,687,958</u>
Major products/service lines				
Medical and laboratory services	143,227	–	–	143,227
Mother-infant-child products	–	2,511,777	–	2,511,777
Infant formula and nutritional products	–	–	32,954	32,954
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>143,227</u>	<u>2,511,777</u>	<u>32,954</u>	<u>2,687,958</u>
Timing of revenue recognition				
At a point in time	<u>143,227</u>	<u>2,511,777</u>	<u>32,954</u>	<u>2,687,958</u>

(e) Other segment information

	Trading of securities investments HK\$'000	Provision of financing services HK\$'000	Provision of wealth and asset management, financial brokerage and related services HK\$'000	Provision of medical and laboratory services HK\$'000	Franchisor and retail of mother-infant-child products HK\$'000	Manufacture of infant formula and nutritional products HK\$'000	Investment holding HK\$'000	Unallocated HK\$'000	Total HK\$'000
Year ended 31 December 2018									
Additions of specified non-current assets*	-	-	641,257	1,246	18,156	3,389	-	24,060	688,108
Amortisation of intangible assets	-	-	(21,455)	-	(6,089)	(26,491)	-	-	(54,035)
Depreciation of property, plant and equipment	-	-	(12,301)	(427)	(9,235)	(2,673)	-	(4,793)	(29,429)
Interest income included in operating income and other income	3	-	12,961	-	353	156	2,126	4,329	19,928
Impairment loss on financial assets for expected credit loss	32	1,352	(21,670)	-	(2,456)	-	7	45	(22,690)
Net fair value gain on financial instruments	8,490	-	-	-	-	-	-	-	8,490
Net fair value gain/(loss) on derivative financial instruments	-	-	-	(1,744)	2,276	-	-	-	532
	<u>-</u>	<u>-</u>	<u>641,257</u>	<u>1,246</u>	<u>18,156</u>	<u>3,389</u>	<u>-</u>	<u>24,060</u>	<u>688,108</u>
	<u>-</u>	<u>-</u>	<u>(21,455)</u>	<u>-</u>	<u>(6,089)</u>	<u>(26,491)</u>	<u>-</u>	<u>-</u>	<u>(54,035)</u>
	<u>-</u>	<u>-</u>	<u>(12,301)</u>	<u>(427)</u>	<u>(9,235)</u>	<u>(2,673)</u>	<u>-</u>	<u>(4,793)</u>	<u>(29,429)</u>
	<u>3</u>	<u>-</u>	<u>12,961</u>	<u>-</u>	<u>353</u>	<u>156</u>	<u>2,126</u>	<u>4,329</u>	<u>19,928</u>
	<u>32</u>	<u>1,352</u>	<u>(21,670)</u>	<u>-</u>	<u>(2,456)</u>	<u>-</u>	<u>7</u>	<u>45</u>	<u>(22,690)</u>
	<u>8,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,490</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,744)</u>	<u>2,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>532</u>
	<u>-</u>	<u>-</u>	<u>17,903</u>	<u>83</u>	<u>10,217</u>	<u>582,903</u>	<u>-</u>	<u>3,165</u>	<u>614,271</u>
	<u>-</u>	<u>-</u>	<u>(16,886)</u>	<u>-</u>	<u>(5,436)</u>	<u>(6,862)</u>	<u>-</u>	<u>-</u>	<u>(29,184)</u>
	<u>-</u>	<u>-</u>	<u>(4,662)</u>	<u>(807)</u>	<u>(9,241)</u>	<u>(755)</u>	<u>-</u>	<u>(1,326)</u>	<u>(16,791)</u>
	<u>3</u>	<u>-</u>	<u>1,105</u>	<u>1</u>	<u>-</u>	<u>3</u>	<u>4,256</u>	<u>9,994</u>	<u>15,362</u>
	<u>-</u>	<u>-</u>	<u>(4,169)</u>	<u>(128)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,297)</u>
	<u>75,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,900</u>
	<u>-</u>	<u>-</u>	<u>17,903</u>	<u>83</u>	<u>10,217</u>	<u>582,903</u>	<u>-</u>	<u>3,165</u>	<u>614,271</u>
	<u>-</u>	<u>-</u>	<u>(16,886)</u>	<u>-</u>	<u>(5,436)</u>	<u>(6,862)</u>	<u>-</u>	<u>-</u>	<u>(29,184)</u>
	<u>-</u>	<u>-</u>	<u>(4,662)</u>	<u>(807)</u>	<u>(9,241)</u>	<u>(755)</u>	<u>-</u>	<u>(1,326)</u>	<u>(16,791)</u>
	<u>3</u>	<u>-</u>	<u>1,105</u>	<u>1</u>	<u>-</u>	<u>3</u>	<u>4,256</u>	<u>9,994</u>	<u>15,362</u>
	<u>-</u>	<u>-</u>	<u>(4,169)</u>	<u>(128)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,297)</u>
	<u>75,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,900</u>

* Including additions of property, plant and equipment, intangible assets and goodwill directly or through acquisition of subsidiaries.

(f) **Geographical information**

The following table provides an analysis of the Group's operating income from external customers by locations of operations and non-current assets (excluding financial instruments and deferred tax assets) by locations of assets ("Specified non-current assets"):

	Operating income from external customers		Specified non-current assets	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Hong Kong	347,953	355,707	1,901,261	1,219,163
PRC	3,016,007	2,511,777	327,568	326,463
Australia	91,520	32,954	485,131	540,443
Europe	51,514	–	684,557	–
	<u>3,506,994</u>	<u>2,900,438</u>	<u>3,398,517</u>	<u>2,086,069</u>

(g) **Information about major customers**

During the year ended 31 December 2018 and 2017, no operating income from a single customer of the Group accounted for over 10% of total revenue of the Group.

7. **GAIN ON DEEMED DISPOSAL OF INTERESTS IN SUBSIDIARIES**

Deemed disposal of Reproductive Healthcare Group Limited (formerly known as Jubilant Link Limited, "RHG")

The Group has loss of control in RHG on 8 June 2018, the equity interest in RHG decreased from 55.02% to 46.71%. RHG ceased as a subsidiary of the Group and was accounted as an associate since then. In calculating the deemed consideration upon the deemed disposal on 8 June 2018, the Group has engaged Avista Valuation Advisory Limited, an independent valuer to perform valuation on RHG and its subsidiaries ("RHG Group"). The fair value as at 8 June 2018 was HK\$1,260,000,000. The following summarised the deemed consideration and the carrying amount of the assets and liabilities to be derecognised from the consolidated statement of financial position of the Group as at the date of deemed disposal:

	Total HK\$'000
Consideration	
Deemed consideration	588,546
Less: consideration paid for shares subscription	<u>(160,000)</u>
	428,546
Less: Net assets and liabilities derecognised	
Property, plant and equipment	2,267
Intangible assets	201,900
Deferred tax assets	425
Goodwill	183,296
Trade and other receivables	9,648
Bank balances and cash	97,839
Trade and other payables	(12,507)
Tax payables	(4,691)
Deferred tax liabilities	(33,374)
Non-controlling interests	<u>(147,609)</u>
Net assets derecognised	<u>297,194</u>
Gain on deemed disposal	<u>131,352</u>

8. PROFIT BEFORE TAXATION

This is stated after charging:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Finance costs		
Interest on bank and other borrowings	<u>23,548</u>	<u>31,703</u>
Other items		
Staff costs (excluding directors' emoluments)		
Salaries, allowances and benefits in kind	304,365	198,443
Contributions to defined contribution retirement schemes	<u>3,522</u>	<u>2,254</u>
	<u>307,887</u>	<u>200,697</u>
Auditor's remuneration (including other audit fee, primarily in respect of audits of financial statements of subsidiaries)	7,948	4,300
Operating lease payments on equipment	–	147
Operating lease payments on premises	<u>72,546</u>	<u>63,427</u>

9. TAXATION

Hong Kong profits tax is calculated at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong, except for the first HK\$2,000,000 of qualified entity's assessable profit is calculated at 8.25%, which is in accordance with the new two-tiered profits tax rates regime with effect from the year of assessment 2018/19.

Mainland China Enterprise Income Tax rate of the Company's subsidiaries operating in the PRC during the year was 25% (2017: 25%) on its taxable profits.

Australian Income Tax rate of the Company's subsidiary operating in Australia during the year was 30% (2017: 30%) on its taxable profits.

Liechtenstein Corporate Income Tax rate of the Company's subsidiary operating in Liechtenstein during the year was 12.5% on its taxable profits.

The major components of the income tax expense for the year are as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax		
Current year provision	4,489	7,404
Under provision in prior year	86	–
Mainland China Enterprise Income Tax		
Current year provision	53,998	45,851
Australian Income Tax		
Current year provision	–	1,939
Over provision in prior year	(18)	–
Liechtenstein Corporate Income Tax		
Current year provision	735	–
	59,290	55,194
Deferred taxation		
Current year provision	(28,292)	5,737
Tax expense for the year	30,998	60,931
Reconciliation of income tax expense		
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Profit before taxation	207,010	87,401
Income tax at applicable tax rate of 16.5% (2017: 16.5%)	34,157	14,422
Difference of domestic tax rate	13,696	17,767
Non-deductible expenses	13,150	21,434
Tax exempt revenue	(34,704)	(5,962)
Unrecognised tax losses	19,718	14,305
Effect of share of results of associates	(4,077)	(993)
Income tax at concessionary rate	(19)	–
Under provision of previous year	68	–
Over provision of temporary difference in prior year	(11,000)	–
Others	9	(42)
Tax expense for the year	30,998	60,931

10. DIVIDEND

Subject to the approval of shareholders at the forthcoming annual general meeting to be held on 24 May 2019, the directors of the Company recommended the payment of a final dividend of HK0.067 cent per share for the year ended 31 December 2018 (2017: Nil).

11. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on profit/(loss) attributable to equity holders of the Company and the weighted average number ordinary shares in issue during the year as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Earnings/(loss)		
Profit/(loss) for the purpose of basic earnings/(loss) per share	<u>90,184</u>	<u>(53,160)</u>
	2018 <i>No. of</i> <i>shares</i> <i>'000</i>	2017 <i>No. of</i> <i>shares</i> <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u>44,618,346</u>	<u>42,385,091</u>

The Company had no dilutive potential ordinary shares for both periods. Accordingly, the diluted earnings/(loss) per share was the same as the basic earnings/(loss) per share for both periods.

12. LOAN RECEIVABLES

Loans granted to borrowers are repayable according to repayment schedules.

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loan receivables from third parties			
— Term loans	<i>(a)</i>	1,306,607	1,119,704
— Instalment loans	<i>(b)</i>	<u>22,067</u>	<u>202,956</u>
		1,328,674	1,322,660
Loan to a non-controlling shareholder of a subsidiary	<i>(c)</i>	<u>180,923</u>	<u>168,308</u>
	<i>(d)</i>	1,509,597	1,490,968
Expected credit loss	<i>(d)</i>	<u>(25,123)</u>	<u>—</u>
		1,484,474	1,490,968
Less: Balances due within one year included in current assets		<u>(925,927)</u>	<u>(848,606)</u>
Non-current portion		<u>558,547</u>	<u>642,362</u>

Notes:

- (a) As at 31 December 2018, term loan receivables of:
- (i) HK\$478,699,000 (2017: HK\$761,270,000) are secured by corporate/personal guarantee provided by equity holders of the borrowers and collateralised by unlisted securities or listed securities or properties;
 - (ii) HK\$80,078,000 (2017: HK\$137,973,000), HK\$183,532,000 (2017: HK\$148,750,000) and HK\$8,288,000 (2017: HK\$8,286,000) are collateralised by listed securities, unlisted securities and the borrower's asset respectively;
 - (iii) HK\$79,072,000 (equivalent to CHF9,935,000) (2017: Nil) are collateralised by properties located overseas or pledged deposits;
 - (iv) HK\$ 413,505,000 (equivalent to CHF51,956,000) (2017: Nil) are collateralised by securities and bonds; and
 - (v) HK\$63,433,000 (2017: HK\$63,425,000) are unsecured.

The term loan receivables carry fixed interest rates ranging from around 1% to 15% per annum (2017: 5% to 12% per annum) and all (2017: all) are within the respective maturity dates.

- (b) As at 31 December 2018, instalment loan receivables of HK\$22,067,000 (2017: HK\$202,956,000) are collateralised by properties situated in Hong Kong, which carry interest rate of 3.25% above Hong Kong Dollar prime rate per annum (2017: ranging from 1.25% to 4.13% above Hong Kong Dollar prime rate per annum) with respective maturity dates.
- (c) Loan to a non-controlling shareholder of a subsidiary is a loan and related interest receivable from one of the vendors, Cosmicfield Investments Limited (“**Cosmicfield**”), in acquisition of AYD Group Limited (“**AYD**”) and its subsidiaries. Pursuant to an investment agreement dated 30 December 2016, the loan of RMB140,800,000 (equivalent to HK\$157,696,000) carries interest at a rate of 8% per annum for a term of 36 months expiring on 27 February 2020; and is secured by (i) 1,892 shares of US\$1 each, representing 18.92% of the issued share capital of AYD held by Cosmicfield; (ii) 1,269 shares of US\$1 each, representing 12.69% of the issued share capital of AYD held by Golden Metro Investments Limited.
- (d) The management assessed the collectability of loan receivables at the end of the reporting period individually with reference to borrowers' past settlement history and current creditworthiness. Loan receivables that were neither past due nor impaired related to several borrowers for whom there was no history of default. Loan receivables that were past due but not impaired as management is of the opinion that there has not been a significant change in credit quality of the borrower or the party who provided guarantees and fair value of the collaterals obtained in respect of these loans.

For loan receivables, the expected credit loss (“**ECLs**”) are based on the 12-months ECLs. The increase in loss allowance for loan receivables upon the transition to HKFRS 9 as of 1 January 2018 was HK\$6,699,000. The loss allowance increased for HK\$18,424,000 for loan receivables (including ECLs from pre-acquisitions of subsidiaries during the year amounting to HK\$16,771,000) during the year ended 31 December 2018.

13. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	<i>(a)</i>	197,947	160,231
Accounts receivable from third parties arising from provision of securities and commodities brokerage services:			
— custodian clients	<i>(b)</i>	17,843	19,520
— margin clients	<i>(b)</i>	619,141	520,718
— clearing houses and brokers	<i>(b)</i>	102,238	181,801
		937,169	882,270
Allowance for doubtful debts	<i>(c)</i>	-	(104,814)
Expected credit loss	<i>(c)</i>	(22,228)	-
		914,941	777,456
Deposits and prepayments		252,935	148,050
Other receivables	<i>(d)</i>	118,029	110,086
Due from related companies/parties	<i>(e)</i>	58,372	15,920
		429,336	274,056
		1,344,277	1,051,512

Notes:

(a) Settlement terms of trade receivables

The Group's sales are on cash basis except for the sales of merchandise to certain customers and the franchisees. The credit terms offered to these customers are generally in credit limit and open credit period, accordingly the trade receivables that are not individually nor collectively impaired are considered not overdue.

(b) Settlement terms of accounts receivable

Accounts receivable arising from the ordinary course of business of brokerage in securities and commodities in respect of cash clients and margin clients are two or three trading days after the transaction dates.

Accounts receivable arising from the ordinary course of business of brokerage in index, commodity and currency futures contracts represent the margin deposits maintained with futures clearing house, options clearing house or brokers to meet the margin requirements of open contracts. Margin calls from clearing house and brokers are settled on a daily basis. The excess amounts over the required margin deposits stipulated are repayable on demand.

The credit facility limits to margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

The majority of the loans to margin clients which are secured by the underlying pledged securities are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio.

Any excess in the lending ratio will trigger a margin call which the customers have to make up the shortfall.

Loans to margin clients as at the end of the reporting period were secured by the customers' securities to the Group as collateral with discounted market value of approximately HK\$961,295,000 (2017: HK\$1,363,452,000).

The Group determines the allowance for impaired debts based on the evaluation of collectability and ageing analysis of accounts receivable and on management's judgement including the assessment of change in credit quality, collateral and the past collection history of each client. The concentration of credit risk is limited due to the customer base being large and unrelated.

Trading limits are set for customers. The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise the credit risk. Overdue balances are regularly monitored by management.

(c) Ageing analysis and impairment

At the end of the reporting period, the ageing analysis of trade receivables, by invoice date is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Less than 1 month	84,095	49,575
1 month to 3 months	65,735	102,488
3 months to 6 months	28,657	1,064
6 months to 12 months	19,460	7,104
	197,947	160,231

Movements in the expected credit loss are as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
At the beginning of the reporting period	–	–
Effect of adoption of HKFRS 9	585	–
At the beginning of the reporting period (restated)	585	–
Expected credit loss	21,643	–
At the end of the reporting period	22,228	–

Movements in the provision for allowances are as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
At the beginning of the reporting period	104,814	100,517
Effect of adoption of HKFRS 9	(104,814)	–
At the beginning of the reporting period (restated)	–	100,517
Increase in allowance	–	4,897
Reversal of allowance	–	(600)
At the end of the reporting period	–	104,814

The Group has initially applied HKFRS 9 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 39.

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 ECLs. 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 and account 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 and account receivables as at 31 December 2018 using a provision matrix:

31 December 2018	Stage 1	Stage 2	Stage 3	Proxy approach	Total
ECLs rate (%)	0.03%	0.12%	5%	1.39%	
Gross carrying amount (<i>HK\$'000</i>)	297,097	57,952	387,628	194,492	937,169
Loss allowance (<i>HK\$'000</i>)	81	71	19,381	2,695	22,228

Impairment under HKAS 39 for the year ended 31 December 2017

The ageing analysis of the trade and account receivables as at 31 December 2017 by overdue date that are neither individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 <i>HK\$'000</i>
Neither past due nor impaired	775,908
Less than 1 month past due	1,274
1 month to 3 months past due	170
3 months to 6 months past due	104
	1,548
	777,456

Trade and account receivables as at 31 December 2017 related to a number of customers and clients that have a good track record with the Group and were not impaired. Based on past experience, the management is of the opinion that no provision for allowance for doubtful debts 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 as at 31 December 2017.

As at 31 December 2017, included in the allowance for doubtful debts are specific accounts receivable from several margin clients with a balance of HK\$104,538,000, which was measured based on incurred credit losses under HKAS 39. The individually impaired accounts receivable relating to margin clients that were default in payments.

- (d) Included in other receivables were input value-added tax of HK\$41,145,000 (2017: HK \$15,075,000), and other receivables from a number of franchisees related to the setup cost of respective franchise stores of HK\$57,162,000 (2017: HK\$67,555,000) as at the end of the reporting period.
- (e) The amounts due from beneficial owners of respective non-controlling interests of subsidiaries of HK\$58,326,000 (2017: HK\$15,920,000) and a director of a subsidiary acquired during the period of HK\$46,000 (2017: Nil) are unsecured, interest-free and have no fixed repayment term. The carrying value of the amounts due approximate their fair value.

14. FIXED AND PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Fixed bank deposits	<i>(a)</i>	1,116,299	–
Pledged bank deposits	<i>(b)</i>	94,137	58,364
Bank balances and cash		1,603,086	1,759,412
	<i>(c)</i>	2,813,522	1,817,776
Less: Balance in current portion		(2,768,706)	(1,817,776)
Non-current portion		44,816	–

Notes:

- (a) As at 31 December 2018, fixed bank deposits in current portion are made for varying periods of between one day and twelve months depending on the immediate cash requirements. The fixed bank deposits in non-current portion of CHF5,631,000 (equivalent to HK\$44,816,000) (2017: Nil) were fixed deposits placed with bank with maturity date after January 2020.
- (b) As at 31 December 2018, the bank deposits of HK\$42,000,000 and USD2,807,000 (equivalent to HK\$21,980,000) (2017: HK\$42,000,000) were pledged to banks for bank loans, and RMB26,592,000 (equivalent to HK\$30,279,000) (2017: RMB13,679,000, equivalent to HK\$16,364,000) was pledged to banks for bill payables.
- (c) The increase in loss allowance for fixed and pledged bank deposits, bank balances and cash upon the transition to HKFRS 9 as of 1 January 2018 was HK\$157,000. The loss allowance increased for HK\$884,000 for fixed and pledged bank deposits, bank balances and cash during the year ended 31 December 2018.

15. TRADE AND OTHER PAYABLES

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade and bill payables to third parties	(b)	352,503	339,360
Accounts payable to clients arising from provision of wealth and asset management services	(a)	2,675,216	–
Accounts payable to third parties arising from provision of securities and commodities brokerage services:			
— custodian clients	(a)	449,843	357,417
— margin clients	(a)	1,053,009	101,947
— clearing house and brokers	(a)	1,293	–
		4,531,864	798,724
Less: Cash held on behalf of clients	(c)	(1,512,317)	(443,395)
		3,019,547	355,329
Other payables	(d)	254,277	126,896
Deposits received and receipts in advance		7	73,729
Due to related companies	(e)	6,023	8
		260,307	200,633
		3,279,854	555,962

(a) Settlement terms of accounts payable

Accounts payable arising from the ordinary course of business of wealth and asset management services are repayable to clients on demand.

Accounts payable arising from the ordinary course of business of brokerage in securities in respect of cash clients and margin clients are two or three trading days after the transaction dates.

Accounts payable arising from the ordinary course of business brokerage in index, commodity and currency futures contracts represent the margin deposits received from clients for their trading in futures contracts. The excess over the required margin deposits stipulated are repayable to clients on demand.

No ageing analysis has been disclosed in respect of accounts payable arising from the ordinary course of brokerage business and wealth and asset management service business, as in the opinion of the management, it does not give additional value in view of the business's nature.

(b) Ageing analysis of trade and bill payables

At the end of the reporting period, the ageing analysis of trade and bill payables by date of issue of invoice/bill is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Less than 1 month	121,429	3,657
1 month to 3 months	190,900	24,118
3 months to 6 months	26,529	289,565
6 months to 12 months	11,266	22,020
Over 12 months	2,379	–
	<u>352,503</u>	<u>339,360</u>

- (c) The Group maintains segregated accounts with banks and authorised institutions to hold cash on behalf of clients arising from its normal course of business in provision for brokerage services.
- (d) As at 31 December 2018 and 2017, included in other payables was current accounts maintained with franchisees, salaries and bonus payables, defined benefit obligation and professional advisory fee payables.
- (e) The amounts due to companies owned by non-controlling interests of a subsidiary are unsecured, interest-free and have no fixed repayment term. The carrying value of the amounts due approximate their fair value.

16. FINANCE LEASE LIABILITIES

(a) Total minimum lease payments are as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Due within one year	335	445
Due in the second to fifth years	308	830
	<u>643</u>	<u>1,275</u>
Future finance charges on finance leases	(7)	(81)
	<u>636</u>	<u>1,194</u>

(b) The present value of finance lease liabilities is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Due within one year, included under current liabilities	332	399
Due in the second to fifth years, included under non-current liabilities	304	795
	<u>636</u>	<u>1,194</u>

17. REDEEMABLE AND EXCHANGEABLE PREFERRED SHARE

On 24 October 2018, the Company and one of the Group's subsidiary, Mason Healthcare Group Limited (“**Mason Healthcare**”), entered into an investment agreement with an investor (“**Investor**”) in relation to the issue of 20,000,000 non-voting preferred shares by Mason Healthcare to the Investor at an aggregate consideration of US\$20,000,000 (equivalent to HK\$156,000,000) (“**Subscription Share**”), with cash dividend at the rate of US\$0.02 per annum per share. The preferred shares will be redeemable in three years (i.e. 25 October 2021).

The Investor will have the right to exchange the preferred shares for the shares of Mason Healthcare's group entities upon the occurrence of the consummation of initial public offerings of any of these group entities, and sales or disposal of interest in these group entities. The maximum amount of preferred shares that may be exchanged is 100% of the principal amount of preferred shares as at the date of issue and any outstanding unpaid interest.

The outstanding preferred shares will be settled at the election of the Investor, either (i) in cash at an amount equal to the subscription price at US\$1.00 per preferred share (the “**Subscription Price**”) plus interest at the rate of 4% of Subscription Price compounded annually; or (ii) by the issue of new shares of the Company as determined by dividing the aggregate Subscription Price for all outstanding preferred shares by the issued price (“**Issue Price**”). The Issue Price is determined as higher of HK\$0.28, or 80% of the average closing price of a share of the Company as quoted on the daily quotation sheet published by the Stock Exchange for the five consecutive trading days immediately before maturity.

The management has designated the redeemable and exchangeable preferred shares as financial liabilities at FVTPL as it is managed and its performance is evaluated on a fair value basis. As at 31 December 2018, the fair value of the preferred shares is HK\$157,744,000.

18. REVERSE REPURCHASE AND REPURCHASE AGREEMENTS

(a) Reverse Repurchase Agreements

As at 31 December 2018, the Group entered into reverse repurchase agreements with financial institutions, which are the counterparties entering into a commitment with the Group to purchase the specified bonds eligible for Swiss National Bank General Collateral Basket at a future date at an agreed price. As part of the reverse repurchase agreements, the Group received securities allowed to be re-pledged in the absence of default of the agreement by counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collaterals.

As at 31 December 2018, the outstanding amount paid for the reverse repurchase agreements was CHF142,029,000 (equivalent to HK\$1,130,371,000) (2017: Nil) and was recognised as receivables from reverse repurchase agreements. As at 31 December 2018, the fair value of the specified bonds received as collateral for the outstanding receivable in connection with its reverse repurchase agreements was CHF144,716,000 (equivalent to HK\$1,151,758,000) (2017: Nil).

All the above collateral is allowed to be re-pledged (2017: Nil).

(b) Repurchase Agreements

Repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it at the agreed date and price.

As at 31 December 2018, the outstanding amount received from the repurchase agreements was CHF44,000,000 (equivalent to HK\$350,185,000) (2017: Nil) and was recognised as obligations under repurchase agreements. As at 31 December 2018, the fair value of the specified bonds which the Group re-pledged as collateral in connection with its repurchase agreements was CHF44,174,000 (equivalent to HK\$351,570,000) (2017: Nil).

19. SHARE CAPITAL

	Number of ordinary shares in issue	Share capital HK\$'000
Issued and fully paid ordinary shares:		
At 1 January 2017	18,437,332,875	3,277,443
Issue of shares under rights issue, net of expenses (<i>Note</i>)	22,124,799,450	2,865,519
Issue of shares under bonus issue (<i>Note</i>)	4,056,213,232	–
	<hr/>	<hr/>
At 31 December 2017, 1 January 2018 and 31 December 2018	44,618,345,557	6,142,962
	<hr/> <hr/>	<hr/> <hr/>

Note:

In October 2016, the Group proposed to (i) issue 22,124,799,450 shares (“**Rights Shares**”) of the Company to the qualifying shareholders, on the basis of six Rights Shares for every five shares held by qualifying shareholders at the date for determining their entitlements to participate, at subscription price of HK\$0.13 per share (the “**Rights Issue**”); and (ii) issue 4,056,213,232 new shares (“**Bonus Shares**”) of the Company to qualifying shareholders, on the basis of one Bonus Share for every ten shares held by the qualifying shareholders at the date for determining their entitlements (the “**Bonus Issue**”). Upon completion of the Rights Issue and the Bonus Issue in February 2017, the number of issued shares of the Company increased from 18,437,332,875 shares to 44,618,345,557 shares.

All new shares issued in 2017 rank pari passu in all respects with the existing shares.

20. EVENTS AFTER REPORTING PERIOD

The Group had the following event after the end of the reporting period:

Disposal of Blend and Pack Pty Limited (“Blend & Pack”)

On 8 February 2019, the Group entered into a share purchase agreement with a third party (the “**Buyer**”), pursuant to which the Group agreed to sell 66,746 ordinary shares of Blend & Pack (representing 46% of issued capital of Blend & Pack) to the Buyer, at an aggregate consideration of AU\$47,791,000 (approximately HK\$271,455,000).

Pursuant to the share purchase agreement, completion is conditional upon the fulfilment of the terms and conditions on or before 15 April 2019. As part of the terms and conditions, the Group has also to enter into a put and call option deed relating to a further disposal of the remaining 29% of the issued capital (“**Option Shares**”) of Blend & Pack. The Group will cease to have any interest in Blend & Pack upon the completion of the disposal of the Option Shares assuming disposal of all Option Shares.

At the date of this results announcement, the condition have not been fulfilled and the disposal of 46% interest in Blend & Pack has not been completed.

DIVIDEND

The Board recommended the payment of a final dividend of HK0.067 cent per share for the year ended 31 December 2018, which is subject to the approval of the shareholders of the Company at the annual general meeting (the “AGM”) to be held on Friday, 24 May 2019. The final dividend is proposed to be paid on or about 29 July 2019 to the shareholders whose names appear on the register of members of the Company at the close of business on 8 July 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is a health and wealth solutions service conglomerate. It principally provides comprehensive financial services in Hong Kong, including dealing in securities, commodities broking, provision of securities margin financing, provision of investment and corporate finance advisory services, investment in securities trading, money lending and investment holding. The Group also pursues an “investment business model” by making direct investments in the healthcare sector.

RESULTS

For the year ended 31 December 2018, the Group’s turnover was approximately HK\$4,074.27 million (2017: HK\$3,721.73 million), representing a slight increase of 9.47% from 2017. The operating income was approximately HK\$3,506.99 million (2017: HK\$2,900.44 million), representing a 20.91% increase from 2017. The Group’s net profit for the Year was approximately HK\$176.01 million (2017: HK\$26.47 million), representing a 564.94% rise over the previous year, the increase over the previous year was mainly due to (i) an increase in profit generated from the operating business, including the provision of margin financing, loan financing services, securities and futures brokerage services and related services and the distribution and franchising of mother-infant-child products; (ii) the two new streams of profit generated from Harris Fraser Group Limited and its subsidiaries, Harris Fraser (Hong Kong) Limited and Halena Co. Ltd. (“**HFG Group**”) and Raiffeisen Privatbank Liechtenstein AG (“**RPL**”) during the Year; and (iii) the gain on deemed disposal of interests in Reproductive Healthcare Group Limited (“**RHG**”) and its subsidiaries (collectively, “**RHG Group**”).

Profit attributable to equity holders of the Group amounted to approximately HK\$90.18 million in 2018, compared to a loss attributable to equity holder of the Group of approximately HK\$53.16 million in 2017. As a result, basic and diluted earnings per share reached HK0.20cent (2017: loss of HK0.13 cent).

MARKET AND BUSINESS REVIEW

The Group achieved a financial turnaround in 2018, delivering positive performances in most business segments and achieving steady growth in its healthcare and financial platforms.

Financial Services Business

Global business sentiment was dampened during the year by the escalated trade friction between the US and China. Given the anxiety on the global economic landscape, the Group has taken a more prudent approach in risk management to mitigate market uncertainty.

The Group's financial services business segment comprises asset management, wealth management, private banking, financing services, trading of securities investments, financial brokerage and related services.

In financial services, the Group's performance was boosted by the joining of European private bank, RPL, and Hong Kong-headquartered wealth management company, HFG Group. The two new acquisitions enabled the Group to further establish a global wealth management-centric financial platform with global presence and private banking at its very core. The combination of organic growth, acquisitions and investments during the Year resulted in the substantial expansion of the Group's geographical footprint to Europe and Asia Pacific. All these efforts significantly strengthen the Group's distribution channels and service capabilities, allowing it to provide more comprehensive wealth solutions to its clients and create a foundation on which further development can thrive.

The total turnover and operating income contributed by this business segment amounted to approximately HK\$901.39 million and HK\$334.12 million, respectively, during the Year (2017: HK\$1,033.77 million and HK\$212.48 million, respectively), accounting for approximately 22.12% and 9.53% of the Group's total turnover and operating income, respectively. The total loss contributed by this segment amounted to approximately HK\$48.42 million during the Year (2017: loss of HK\$6.81 million) due to the trading of securities investments recorded a loss of approximately HK\$58.78 million.

Wealth and Asset Management

The Group strengthened its wealth and asset management operation with the newly acquired Liechtenstein-based private bank, RPL, in March 2018 and the Hong Kong-headquartered wealth management company, HFG Group, in May 2018. With the integration of RPL and HFG Group, our wealth and asset management business generated a total operating income of approximately HK\$169.74 million and total profit of approximately HK\$19.63 million to the Group during the Year. We expect our prudent risk management and client targeting strategies will pave the way for good returns throughout the coming year.

The acquisition of RPL and HFG Group marked significant milestone in the Group's endeavor to establish a wealth management-centric financial platform with global asset allocation capability, reconfiguring the Group's financial services in shifting our focus on financial service to wealth and asset management. The joining of RPL has added impetus to the growth of the Group's wealth and asset management operation, with the expectation of generating synergies in bringing European private banking solutions to the Group's clients in Asia and facilitating cross-selling across the globe. The addition of HFG Group to the Group's financial services platform has taken HFG Group's development beyond Hong Kong and enhanced the Group's service offerings in investment and financial advisory services. New growth plans are in the pipeline for both RPL and HFG Group, including the broadening of HFG Group's network in Asia, as well as widening of both HFG Group and RPL's product and service range to offer better financial solutions to clients.

Following the introduction of the Group's first multi-strategy fund, targeting financial institutions and professional investors in early 2018, an additional Hong Kong equities fund was launched during the Year as part of the implementation of the Group's strategy to increase asset under management ("AUM"). There are also plans to introduce more funds that can generate consistent and long term returns for wealth and asset management and institutional clients.

Investment banking services — securities and futures brokerage and related services, securities margin financing, leveraged and acquisition financing, corporate finance services and related services

The Hong Kong stock market experienced high volatility in 2018. After reaching a record high in January 2018, the Hang Seng Index ("HSI") corrected and hit a 17-month low in October 2018. During the Year, the HSI and the Hang Seng China Enterprises Index ("HSCEI") dropped 13.6% and 13.5% respectively, which was the largest drop in the past 7 years against a backdrop of trade tensions between the US and the Mainland escalated. A slowing China economy coupled with a weakening Renminbi further raised uncertainties about the outlook for corporate earnings.

In brokerage business, the Group continued to empower its business with technologies by upgrading the trading and supporting system and strengthened internal and external cooperation. In response to market volatility and global economic and policy uncertainties triggered by head wind in the trade environment since the second half of 2018, the Group has put extra efforts in and placed more emphasis on risk management, as well as refrained from high risk business endeavors and investments to minimize exposure to adverse conditions.

Due to unsatisfactory performance of the secondary market, many initial public offering ("IPO") applicants have delayed their IPO plans. Despite the poor market and rigorous regulatory environment, corporate finance department has successfully obtained on IPO sponsor license and built up a professional investment banking team. Corporate finance department mandated several pre-IPO and financial advisory projects and completed the first equity capital market deal in the end of 2018.

The Group's securities and futures brokerage business, securities margin financing, corporate finance advisory services, and other related financial services generated an operating income of approximately HK\$83.29 million (2017: HK\$78.96 million), representing a year-on-year increase of approximately 5.48% and loss of approximately HK\$15.34 million (2017: HK\$16.39 million).

Financing Services (mortgage and loans business)

During the Year, the Group's financing services business, including leveraged and acquisition finance activities and mortgage loan securitization business in Hong Kong continued to expand, contributing a total operating income of approximately HK\$130.68 million (2017: HK\$119.08 million), which showed an increase of approximately 9.74%, while profit of the business segment was approximately HK\$6.07 million (2017: HK\$5.54 million).

The Group launched an asset-backed fixed income product as a part of the mortgage loan securitization business. The product was successfully distributed to institutional clients in Northeast Asia. The total size of the Group's loan portfolio of mortgage and loan business, including the term loans granted by RPL, amounted to approximately HK\$1,509.60 million in 2018 (2017: HK\$1,490.97 million). The Group maintains sufficient collateral and guarantees and pays close attention to the credit qualifications of the borrowers.

Trading of Securities Investments

The listed securities held by the Group are mainly listed on the Hong Kong and overseas stock market. In view of the turbulence in the capital markets that was reflected by the HSI, suffering a 15% decline over 2018, the Group has divested the majority of its stock portfolio to redirect its resources to more robust and risk-averse activities in the financial division and to reduce exposure to market volatility. Affected by the downward pressure on stock prices, the Group's trading of investments recorded a loss of approximately HK\$58.78 million (2017: profit of HK\$4.05 million). This was mainly due to the increase in fair value losses of the Group's trading securities investment portfolio. The Group remains cautious about the trading performance to minimise trading risks.

Healthcare Business

The infertility ratio of couples in China at childbearing age continues to rise, one in every eight married couples in the country experience fertility problem. The Group has created a solid foundation for the ongoing development of its healthcare business to tap into the promising assisted reproduction market. The market potential is even greater with the rising demand for premium services in this field, particularly from Chinese outbound medical tourism in various medical areas including assisted reproductive services.

Major milestones have been reached with the consolidation of the assisted reproductive services in the region with the establishment of RHG Group through the merger of RHG and The HK Women's Clinic Group Limited, a leading premium IVF practice in Hong Kong, and the participation in a consortium to invest in Australia-based leading global fertility group, Genea Limited ("**Genea**"), in the healthcare division.

With the participation in the investment in Genea in October 2018, the Group made considerable progress in building its IVF medical platform. Established for more than 30 years, Genea is the only integrated assisted reproductive technology (“**ART**”) platform in the industry worldwide that both provides services and develops technology including culture media and embryo transfer catheters used in more than 600 clinics across 60 countries. Genea offers a comprehensive range of ART services, including IVF, egg and embryo freezing, genetic testing, sperm bank, day surgeries, and pathology in Australia, New Zealand, and Thailand. The investment in Genea marked a crucial step for the Group to extend the assisted reproductive services supply chain and for its healthcare division to broaden its reach beyond Asia, and at the same time signaled a major landmark for Genea to expand its presence outside Australia. It is a big leap for the Group to achieve the goal of consolidating premium medical services to expand the geographical outreach of its IVF business.

The Group’s healthcare business, comprising the provision of IVF services, genetic diagnostic and advisory services, and health screening services, generated an operating income of approximately HK\$65.35 million in 2018 (2017: HK\$143.23 million), contributing approximately 1.86% to the Group’s total operating income. The healthcare division recorded a profit of approximately HK\$140.85 million (2017: HK\$42.36 million), representing approximately 232.51% increase. The decrease of operating income was due to RHG Group’s cessation as a subsidiary after the merger of RHG and The HK Women’s Clinic Group Limited on 8 June 2018 (“**Merger**”). The Merger of RHG and The HK Women’s Clinic Group Limited has formed a leading premium IVF practice in Hong Kong during the Year. The merger brought together 14 prominent doctors and specialists and 2 pioneers in the field of assisted reproduction. The consolidation of resources allows RHG to provide a more comprehensive range of IVF medical services including intra-uterine insemination, IVF/test tube baby, frozen-thawed embryo transfer and egg freezing services. Subsequent to the Merger, RHG ceased to be a subsidiary but an associate company of the Group, with the introduction of We Doctor Holdings Limited (“**WeDoctor**”) as its strategic investor, its operating income no longer contributed to the Group’s overall operating income. The reported profits of RHG Group (including the profits of RHG before the Merger and share of profits after becoming an associate) and the gain on deemed disposal of interests in RHG for the Year was approximately HK\$127.41 million (2017: HK\$36.34 million).

In late 2018, the Group seized the opportunity to invest in a health check centre in Hong Kong which provides health screening services. The centre will add to the Group’s healthcare provision business and is expected to complement the services offered by RHG and its associate company, Pangenica Inc and its subsidiaries (“**Pangenica**”), a genetic diagnostic and advisory service provider. The reported share of profits of Pangenica for the Year was approximately HK\$13.44 million (2017: HK\$6.02 million).

Mother-infant-child Consumer Investments

The Group's investments in mother-infant-child consumer business consists of franchising and retailing of mother-infant-child products, and manufacturing of infant formula and nutritional products. The segment posted an operating income of approximately HK\$3,107.53 million during the Year (2017: HK\$2,544.73 million), demonstrating an increase of 22.12% and accounting for 88.61% of the Group's total operating income. Profit recorded for the division was approximately HK\$116.16 million during the Year (2017: loss of HK\$5.12 million).

Franchising and Retailing of Mother-Infant-Child Products

The foothold of AYD Group Limited (“**AYD**”) and its subsidiaries (collectively, “**AYD Group**”) in China strengthened in 2018, accumulating over 1,200 franchised and direct-sale stores and 6,756 partnership stores in its regional network, with growth particularly evidenced by the number of franchise stores in Southern and Eastern China. During the Year, AYD Group's franchising and retailing of mother-infant-child products contributed an operating income of approximately HK\$3,016.01 million (2017: HK\$2,511.78 million), which marked an increase of approximately 20.07%, and a profit of approximately HK\$136.60 million (2017: loss of HK\$5.35 million).

Manufacture of infant formula and nutritional products

The Group's dairy products business segment, consisting of Australian infant formula manufacturer, Blend and Pack Pty Limited (“**Blend & Pack**”), generated approximately HK\$91.52 million (2017: HK\$32.95 million) in operating income and earnings before interest, taxes, depreciation and amortisation (“**EBITDA**”) of approximately HK\$940,000 (2017: HK\$7.02 million) contributed to the Group during the Year. In 2018, Blend & Pack produced 4.9 million cans of milk powder and sold 4.6 million cans.

In considering the changing global economic conditions, rising trade barriers between countries, and regulatory uncertainties in the food industry, the Group decided to adopt a more prudent approach by lessening its exposure in cross border trading business. As a result, the Group disposed of its stake of 46% in Blend & Pack and granting of put and call options of 29% in Blend & Pack in February 2019. Further details are set out in the announcements of the Company dated 8 February 2019 and 22 February 2019.

PROSPECTS

Financial platform

With the completion of acquisition and full integration of RPL and HFG Group into the Group's wealth management-centric financial platform, the Group now eyes expansion opportunities in the Asia Pacific region. The Group will continue to integrate its existing financial assets to maximize the synergies and cross-selling opportunities. The Group will also focus on expanding and strengthening its distribution network, as well as enriching its product offerings to attract more clients in a bid to increase its AUM. The Group believes the preservation and management of wealth and assets should be the focal point for its financial service platform in the forthcoming year, with global economic outlook clouded by uncertainties arising from the disruptions in the trade landscape. Separately, the Group will continue to explore investment opportunities that are synergistic to its existing healthcare investments to create more value for its shareholders.

Healthcare platform

The implementation of the Two Child Policy and deteriorating fertility rates have led to an increase in demand for assisted reproductive services in China. The lack of domestic assisted reproductive medical resources and service due to strict regulation, however, have driven this demand overseas.

The Group achieved a major milestone in 2018 by creating a comprehensive IVF and biotechnology platform with the pioneers in the field to capitalize on the growth potential of the market of assisted reproductive services in Asia, especially China. The Group has also extended the scope of its healthcare services and decided to invest in a healthcare centre in Hong Kong that provides premium health screening and selecting medical services to tap into strong demand in medical tourism.

Going forward, the Group plans to seek and to participate in more investment opportunities in the health sector to reinforce its services capabilities and cement its position as the leading premium medical service provider in the region.

FINANCIAL REVIEW

Liquidity and Capital Resources

As at 31 December 2018, the net current assets of the Group amounted to approximately HK\$2,594.68 million when compared with approximately HK\$3,219.40 million as at 31 December 2017. The current ratio, expressed as current assets over current liabilities, was approximately 1.62 (2017: approximately 4.12). As at 31 December 2018, the total equity of the Group was approximately HK\$6,801.63 million (including non-controlling interests of approximately HK\$640.21 million), representing an increase of 4.76% when compared with approximately HK\$6,492.84 million as at 31 December 2017.

Bank deposits and cash of the Group as at 31 December 2018 were approximately HK\$2,813.52 million (2017: HK\$1,817.78 million), which included fixed deposits and pledged bank deposit of approximately HK\$1,210.44 million (2017: HK\$58.36 million).

As at 31 December 2018, the carrying amount of our bank loans and other borrowings was approximately HK\$443.55 million, including secured bank loans and unsecured loans amounting to HK\$262.65 million and HK\$180.90 million respectively. As at 31 December 2017, the carrying amount of our bank loans and other borrowings was approximately HK\$320.02 million, including secured bank loans and unsecured loans amounting to HK\$120.83 million and HK\$199.19 million respectively.

As at 31 December 2018, the secured bank loans of approximately HK\$262.65 million (2017: HK\$84.94 million) were secured by pledged deposits of approximately HK\$63.98 million (2017: HK\$42.00 million) together with shares of a subsidiary of the Company and corporate guarantee. The carrying interest of secured bank loans of approximately HK\$111.22 million is from 5.22% to 7% per annum (2017: 5.52% to 6.96% per annum) and the carry interest of secured bank loans of approximately HK\$151.43 million is 3 months ICE LIBOR plus 1.50% to 2.50% per annum depending on the net profit margin of the Company (2017: Nil). Bank loans and other borrowings of approximately HK\$176.12 million, HK\$116.00 million and HK\$151.44 million were denominated in Renminbi, Hong Kong Dollars and United States dollar respectively, in which approximately HK\$235.19 million were at fixed interest rate and the rest balances were either at variable rates with average rate of 4.31% per annum or non-interest bearing. As at 31 December 2018, the Group had unutilised bank loan facilities of approximately HK\$108.63 million (2017: Nil).

Furthermore, there were two outstanding unsecured bonds with principal amounts of approximately HK\$10 million each, which were issued in 2014 to two third party investors. The bonds interest rates were both 5% per annum payable annually in arrears and will mature in 2021.

During the Year, the Group acquired 100% interest in RPL, a private bank based in Liechtenstein, which provides private banking services including bond and asset-backed financing. RPL offers its customers the possibility to create liquidity in exchange for collateral in the form of securities, by means of reserve repurchase agreements (repo transactions). Securities received as collateral are not recognized in the balance sheet. Securities originating from the bank's own resources are recognized in the corresponding balance sheet items. RPL entered reverse repurchase agreements and repurchase agreements amounted to approximately CHF142.03 million (equivalent to HK\$1,130.37 million) and approximately CHF44.00 million (equivalent to HK\$350.19 million) which accounting for approximately 9.94% and 7.65% of the total assets and total liabilities of the Group as at 31 December 2018 respectively.

Of the total bank loans and other borrowings as at 31 December 2018, approximately HK\$423.55 million was repayable within one year or on demand and approximately HK\$20 million was repayable after one years but within five years. None was repayable after five years.

During the Year, a subsidiary of the Group issued 20,000,000 non-voting preferred shares to an investor for an aggregate consideration of US\$20 million (equivalent to HK\$156.00 million). The investor is entitled to receive cash dividend at a rate of US\$0.02 per annum per preferred share. The investor has the right to exchange the preferred shares for the shares of Mason Reproductive Technology Limited, Pangenia Inc, and/or MW Fertility Pte Limited (or economic interests attributable to such shares) which are owned by the Company. The maximum amount of preferred shares that may be exchanged is 100% of the principal amount of preferred shares as at the date of issue and any outstanding unpaid interest.

All outstanding preferred shares will be redeemed in three years (i.e. 25 October 2021) and will be settled at the election of the investor, either (i) in cash at an amount equal to the subscription price at US\$1.00 per preferred share (the “**Subscription Price**”) plus interest at a rate of 4% on the Subscription Price compounded annually for the period commencing on 26 October 2018 and ending on 25 October 2021; or (ii) by the issue of such number of new shares of the Company as determined by dividing the aggregate subscription price for all outstanding preferred shares by the issue price. The issue price is determined at the higher of HK\$0.28 or 80% of the average closing price of a share of the Company as quoted on the daily quotation sheet published by the Stock Exchange for the 5 consecutive trading days immediately before 25 October 2021.

The Group’s total debt to equity ratio, calculated as total loans and borrowings, repurchase agreements and the issued preferred shares of approximately HK\$951.48 million (2017: HK\$320.02 million) divided by shareholder’s equity of the Group of approximately HK\$6,801.63 million (2017: HK\$6,492.84 million) was approximately 0.14 as at 31 December 2018 (2017: 0.05).

After taking into account the bank deposits and cash, the bank loans and other borrowings, repurchase agreements and the issued preferred shares of the Group as at the reporting date, and the estimated cash flows generated from the Group’s operations, the directors of the Company are satisfied that the Group will have sufficient working capital for its present requirements for the foreseeable future. As such, the management believes that the Group is well positioned with sufficient operating funds to manage its existing operations and future expansion.

Treasury Policies

Having considered the Group’s current cash and cash equivalents, bank and other borrowings and banking facilities, the management believes that the Group’s financial resources are sufficient for its day-to-day operations. The Group did not use financial instruments for financial hedging purposes during the Year. The Group’s business transactions, assets and liabilities are principally denominated in Australia dollars, Swiss Franc, Renminbi and Hong Kong dollars. Fluctuations in foreign currency may have an impact on the Group’s results and net asset value as the Group’s consolidated financial statements are presented in Hong Kong dollars. The Group’s treasury policy is to manage its foreign currency exposure only when its potential financial impact is material to the Group. The Group will continue to monitor its foreign exchange position and, if necessary, utilize hedging tools, if available, to manage its foreign currency exposure.

CAPITAL COMMITMENTS

As at 31 December 2018, the Group had a total capital commitment of approximately HK\$25.14 million (2017: HK\$143.43 million), contracted for but not provided for in the financial statements in respect of the acquisition of intangible assets and subscription of funds.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group has provided guarantees in favour of banks, financial institutions, and third party individuals, in respect of facilities granted to certain subsidiaries, amounting to approximately HK\$428.21 million (2017: HK\$204.57 million). Of these facilities, a total of approximately HK\$319.58 million (2017: HK\$180.64 million) has been utilized.

As at 31 December 2018, the Group provided a guarantee in respect of a loan granted to a third party individual with the principal amount of approximately RMB51.00 million (equivalent to HK\$58.07 million) (2017: HK\$57.27 million) for a loan guarantee fee income of approximately HK\$0.59 million (2017: HK\$1.27 million) recognised in the profit or loss. The maximum liability of the Group under this guarantee was approximately RMB54.68 million (equivalent to HK\$62.26 million) (2017: HK\$58.85 million), representing the outstanding amount of the loan and interest payable to the third party as at 31 December 2018. The management does not consider it probable that a claim will be made against the Group under this guarantee and the loan was repaid in February 2019.

PLEDGE OF ASSETS

As at 31 December 2018, the Group pledged the bank deposits of approximately HK\$94.26 million and the shares of a subsidiary to certain banks to secure loan facilities amounting to approximately HK\$268.80 million and bill payables amounting to approximately HK\$72.35 million (31 December 2017: bank deposits, inventories and trade receivables of HK\$58.36 million, HK\$61.01 million and HK\$61.01 million respectively were pledged to certain banks to secure loan facilities amounting to HK\$96.90 million and bill payables). Loan facilities and bill payables amounting to approximately HK\$208.37 million and bill payables amounting to approximately HK\$52.55 million were utilized as at the end of the Year (2017: HK\$84.94 million).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

On 28 March 2018, the Group completed its acquisition of 100% interest in RPL, a private bank based in Liechtenstein. RPL was founded in 1998. It provides comprehensive wealth management services, including asset support and monitoring, asset management, inheritance and succession planning, and portfolio analysis. The consideration for the acquisition was CHF58.60 million (equivalent to approximately HK\$468.80 million). The consideration shall be adjusted subject to the equity portion adjustment and potential top-ups arising from certain provisions and/or reservations made in the completion accounts. The estimated consideration for the acquisition was approximately CHF63.27 million (equivalent to HK\$556.83 million) and subject to the contingent payments. RPL greatly complements the Group's existing financial segments, by facilitating further cross selling and synergies across the Group's different lines of business. It also offers a full suite of Asian financial products to European clients and provides European private banking services to high net worth clients in the Asia Pacific.

On 21 May 2018, the Group completed its acquisition of 100% interest in HFG Group, a well-established wealth management company with long history and serving affluent clients across the Asia Pacific. Established in 1990, HFG Group's services include asset management, corporate and trust services, investment savings plans, tax planning, life and general insurance, and MPF advisory services. With offices in Hong Kong, and distribution business partners in Taipei, Beijing, Singapore, Sydney, and Tokyo, HFG Group has an extensive network of professional financial advisers. The consideration for the acquisition was approximately HK\$116.50 million. The consideration shall be adjusted subject to the aggregate net profit of the HFG Group for financial year 2019 based on the audited consolidated or combined financial accounts of the HFG Group and the shortfall between the adjusted amount and the second deferred payment. The expected consideration for the acquisition was approximately HK\$128.02 million and will be finalised by September 2019. With the addition of HFG Group, the Group has expanded financial services capabilities, including the provision of a wider range of quality financial products and the enhancement of its investment and financial advisory services. HFG Group has added investment advisory services, as well as a network of 70 professional financial advisers, enabling the sales and distribution of a diverse range of products to clients in Asia and Europe, thus strengthening the competitiveness of the Group's financial platform.

On 8 June 2018, our indirect non-wholly owned subsidiary, RHG, a leading premium private IVF practice in Hong Kong completed the merger of The HK Women's Clinic Group Limited and its subsidiaries. Established in 1991, The HK Women's Clinic Group Limited was founded by Dr. Leong Ka Hong, Milton, the medical practitioner who successfully completed the first IVF case in Hong Kong. The clinic promotes a comprehensive concept of education and development, in addition to providing diagnosis and treatment. Its IVF centre is managed by several doctors and embryo specialists. The consideration of the Merger was HK\$435,005,000. The consideration was settled as to HK\$210,000,000 in cash and as to HK\$225,005,000 by the allotment and issue of the shares of RHG. Its amalgamation into our medical platform helps further consolidation and promotion of development of the IVF industry in this region. Upon the issue of the shares of RHG, RHG ceased to be a subsidiary of the Company.

On 17 May 2018, our indirect wholly owned subsidiary, Mason Healthcare Group Limited ("**MHG**"), entered into the transfer agreement with each of the strategic shareholders, including WeDoctor, Hong Kong Zhongya Environmental Group Company Limited and Aldworth Equity I SP and Aldworth Opportunities Fund SP for the disposal of 35.2% interest of MHG's shares in Mason Reproductive Technology Limited ("**MRT**"), in which MRT owns 46.71% of RHG after the Merger. The transfer was completed on 3 July 2018. With the scale and reputation of the merged business, along with the successful introduction of WeDoctor as a strategic shareholder, the Group is well positioned to take advantage of the growing cross-border demand for IVF services in Asia.

On 5 July 2018, our indirect wholly owned subsidiary, Pioneer Leap Limited (“**PLL**”), transferred 809 shares to Cosmicfield Investments Limited (“**Cosmicfield**”) under the terms of the investment agreement entered on 30 December 2016 (“**Investment Agreement**”) which the Investment Agreement provided that in the event that the consolidated net profit attributable to the equity holders of AYD for the year ended 31 December 2017 (“**2017 Attributable Profit**”) is more than RMB85,000,000 by 5% or more, the Company shall, as bonus, transfer such number of shares in AYD to Cosmicfield to be determined under the formula as set out in the Investment Agreement. As the 2017 Attributable Profit was RMB120,402,000 and exceeded RMB85,000,000 by more than 5%. The transfer was completed on 5 July 2018. After the transfer, the Company holds 46.91% of the issued capital of AYD, and Cosmicfield and Golden Metro Investments Limited holds 27.01% and 26.08% of the issued capital of AYD respectively.

On 28 December 2018, our indirect wholly owned subsidiary, Wealth Infinity Global Limited (“**WIG**”), completed the investment of A\$30 million (equivalent to approximately HK\$168,000,000) in TT Holdings Limited for the purpose of investing in Genea. Genea is one of the world’s leading fertility groups with an outstanding track record spanning over 30 years. Genea developed technology including culture media and embryo transfer catheters used in more than 600 clinics across 60 countries. Headquartered in Sydney with over 400 employees and operations globally, Genea is the only integrated assisted reproductive technology (“**ART**”) platform, with both services and technology, in the industry worldwide. Genea offers a comprehensive range of ART services, including IVF, egg and embryo freezing, genetic testing, sperm bank, day surgeries and pathology in Australia, New Zealand and Thailand and is the third largest IVF clinic group in Australia by IVF cycle volume. Leveraging on its extensive experience and technologies, this investment adds synergies to the Group’s healthcare platform and further enhances the Group’s presence in the IVF industry across the Asia Pacific region.

Other than the above, there was no other material acquisition or disposal of subsidiaries and associated companies by the Group during the Year.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2018, the Group employed a total of 1,245 employees around the globe (2017: 1,139) of whom 1,217 are full-time employees and 28 are part-time employees. The remuneration policy and package of the Group’s employees are structured in accordance to market terms and statutory requirements where appropriate. In addition, the Group also provides other staff benefits such as medical insurance and mandatory provident fund.

CLOSURE OF REGISTER OF MEMBERS

(1) For determining the entitlement to attend and vote at the AGM

The AGM is scheduled to be held on Friday, 24 May 2019. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 20 May 2019 to Thursday, 23 May 2019 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order for a shareholder of the Company to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 17 May 2019.

(2) For determining the entitlement to the final dividend

For determining the entitlement to the final dividend for the year ended 31 December 2018, the register of members of the Company will be closed from Tuesday, 9 July 2019 to Thursday, 11 July 2019 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order for a shareholder of the Company to qualify for the final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 8 July 2019.

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

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company, comprising Mr. Chen Wai Chun, Edmund as chairman as well as Ms. Kan Lai Kuen, Alice, Mr. Tian Ren Can and Mr. Wang Cong as members, has reviewed the results for the year ended 31 December 2018.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ending 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by BDO Limited 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 BDO Limited on the preliminary announcement.

CORPORATE GOVERNANCE

For the year ended 31 December 2018, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**CG Code**") except for the deviation from code provisions A.2.1 of the CG Code.

Under the CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer ("**CEO**") should be separated and should not be performed by the same individual. Mr. Ko Po Ming ("**Mr. Ko**") is the chairman of the Company and has also carried out the responsibility of chief executive officer which constitutes a deviation from the code provision A.2.1. Mr. Ko possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. The daily operation and management of the Company is monitored by the executive directors as well as the senior management. The Board considers the present structure is more suitable for the Company because it can promote the efficient formulation and implementation of the Company's strategies. The current leadership structure facilitates the execution of the business strategies, decision-making and maximizes the effectiveness of the Group's operations. The Board recognizes that this constitutes a deviation from the code provision A.2.1.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "**Model Code**") as a code of conduct regarding Directors' securities transactions.

Upon specific enquiry by the Company, all the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2018.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.masonhk.com). The annual report of the Company for the year ended 31 December 2018 will be despatched to the Company's shareholders and available on the above websites in due course.

By order of the Board
Mason Group Holdings Limited
Ko Po Ming
Chairman and Chief Executive Officer

Hong Kong, 26 March 2019

As at the date of this announcement, the Board comprises:

Executive Directors:

Mr. Ko Po Ming (*Chairman and Chief Executive Officer*)

Mr. Chang Tat Joel

Ms. Lui Choi Yiu, Angela

Ms. Fu Yau Ching, Shirley

Mr. Cao Lu

Non-executive Director:

Ms. Hui Mei Mei, Carol

Independent Non-executive Directors:

Mr. Tian Ren Can

Ms. Kan Lai Kuen, Alice

Mr. Chen Wai Chung, Edmund

Mr. Wang Cong