GLORIOUS SUN ENTERPRISES LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code：393

ANNUAL REPORT 2018


Jeans
west

OUR CORE BUSINESS

- Financial investments
- Retail of casual wear apparel
- Export of casual wear apparel
- Interior decoration and renovation

OUR VISION

To be an outstanding financial investor in the region;
to become a market leader in casual wear apparel retailing;
to be one of the best casual wear apparel suppliers; and
to be an outstanding services provider in interior decoration and renovation industry.

OUR MISSION

- Focused on our customers, we endeavour to provide quality products and services with added value
- Focused on investing in high quality financial products to secure stable profits

We strive after:

- customer satisfaction;
- staff development;
- reasonable equity return; and
- growth with our business partners,

so as to benefit our community.

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Dr. Charles Yeung, GBS, JP *(Chairman)*
Mr. Yeung Chun Fan *(Vice-chairman)*
Mr. Pau Sze Kee, Jackson
Mr. Hui Chung Shing, Herman, SBS, MH, JP
Ms. Cheung Wai Yee
Mr. Chan Wing Kan, Archie
Ms. Yeung Yin Chi, Jennifer

Independent Non-executive Directors
Mr. Lau Hon Chuen, Ambrose, GBS, JP
Dr. Chung Shui Ming, Timpson, GBS, JP
Dr. Lam Lee G.

BOARD COMMITTEES

Audit Committee
Mr. Lau Hon Chuen, Ambrose, GBS, JP *(Chairman)*
Dr. Chung Shui Ming, Timpson, GBS, JP
Dr. Lam Lee G.

Remuneration Committee
Dr. Chung Shui Ming, Timpson, GBS, JP *(Chairman)*
Dr. Lam Lee G.
Mr. Pau Sze Kee, Jackson

Nomination Committee
Dr. Charles Yeung, GBS, JP *(Chairman)*
Mr. Lau Hon Chuen, Ambrose, GBS, JP
Dr. Chung Shui Ming, Timpson, GBS, JP

Investment Committee
Dr. Charles Yeung, GBS, JP *(Chairman)*
Mr. Yeung Chun Fan
Mr. Pau Sze Kee, Jackson
Mr. Chan Wing Kan, Archie
Ms. Yeung Yin Chi, Jennifer
Dr. Lam Lee G.

COMPANY SECRETARY

Ms. Hoi Siu Ling

AUTHORISED REPRESENTATIVES

Mr. Pau Sze Kee, Jackson
Mr. Hui Chung Shing, Herman, SBS, MH, JP

AUDITOR

Ernst & Young
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

CORPORATE INFORMATION

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

38/F., One Kowloon
1 Wang Yuen Street
Kowloon Bay
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Deutsche Bank AG
UBS AG
The Bank of East Asia, Limited

WEBSITE

http://www.glorisun.com

STOCK CODE

393

BOARD LOT

4,000 shares

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Glorious Sun Enterprises Limited (the "Company") will be held at Dynasty II, 7th Floor, The Dynasty Club Limited, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 28 May 2019 at 3:30 p.m. for the following purposes:

(1) To receive and consider the Financial Statements and the Reports of the Directors and Auditor for the year ended 31 December 2018.

(2) To declare the final dividend for the year ended 31 December 2018.

(3) (A) (I) To elect Mr. Lau Hon Chuen, Ambrose as an independent non-executive director of the Company.

(II) To elect Mr. Chung Shui Ming, Timpson as an independent non-executive director of the Company.

(III) To elect Mr. Lam Lee G. as an independent non-executive director of the Company.

(B) To authorise the Board of Directors to fix the Directors' remuneration.

(4) To appoint Auditor and to authorise the Board of Directors to fix the Auditor's remuneration.

(5) As special business, to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

ORDINARY RESOLUTIONS

(A) "**THAT**:

(I) subject to sub-paragraph (III) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

(II) the approval in sub-paragraph (I) of this resolution shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

(III) the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in sub-paragraph (I) of this resolution, otherwise than pursuant to (a) a Rights Issue (as hereinafter defined) or upon the exercise of rights of conversion or subscription under any securities which are convertible into shares of the Company or (b) the share option scheme or similar arrangement of the Company for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or (c) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company, shall not exceed the aggregate of: (aa) 20 per cent. of the aggregate number of issued shares of the Company on the date of this resolution and (bb) (if the directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the number of shares of the Company purchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate number of issued shares of the Company at the date of passing this resolution) and the said approval shall be limited accordingly; and

(IV) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

(c) the revocation or variation of the authority set out in this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

NOTICE OF ANNUAL GENERAL MEETING

(B) "**THAT**:

(I) subject to sub-paragraph (II) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase shares in the issued share capital of the Company be and is hereby generally and unconditionally approved;

(II) the aggregate number of shares of the Company which the Company is authorised to purchase pursuant to the approval in sub-paragraph (I) of this resolution shall not exceed 10 per cent. of the aggregate number of issued shares of the Company on the date of this resolution and the said approval shall be limited accordingly; and

(III) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable law to be held; and

(c) the revocation or variation of the authority set out in this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

(C) "**THAT** the directors of the Company be and are hereby authorised to exercise the powers of the Company referred to in paragraph (I) of the resolution set out as resolution (5)(A) in the notice of the meeting of which this resolution forms a part in respect of the number of shares of the Company referred to in sub-paragraph (bb) of paragraph (III) of such resolution."

(6) To transact any other ordinary business of the Company.

By Order of the Board

Hoi Siu Ling
Company Secretary

Hong Kong, 17 April 2019

Principal Place of Business:
38/F., One Kowloon
1 Wang Yuen Street
Kowloon Bay
Hong Kong

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his stead. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company.

2. A form of proxy for the meeting is enclosed. In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the meeting or any adjournment thereof.

3. The register of members of the Company will be closed from Thursday, 23 May 2019 to Tuesday, 28 May 2019, both days inclusive, during which period no transfer of shares shall be effected. In order to qualify for the entitlement to attend and vote at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 22 May 2019.

4. The register of members of the Company will also be closed from Monday, 3 June 2019 to Tuesday, 4 June 2019, both days inclusive, during which period no transfer of shares shall be effected. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Friday, 31 May 2019.

5. In relation to agenda item No. (3)(A) in this Notice regarding election of directors, Mr. Lau Hon Chuen, Ambrose, GBS, JP, Dr. Chung Shui Ming, Timpson, GBS, JP and Dr. Lam Lee G. will retire by rotation at the forthcoming annual general meeting of the Company pursuant to bye-law 110(A) of the Company's Bye-laws and, being eligible, offer themselves for re-election.

6. The biographical details and length of service with the Company of all the directors who stand for re-election at the forthcoming annual general meeting are set out in the "Directors' and senior management's biographies" section in the Report of the Directors contained in this annual report.

7. The amount of emoluments paid for the year ended 31 December 2018 to each of the directors who stand for re-election at the forthcoming annual general meeting is set out in note 8 to the financial statements in this annual report and the basis of determining such emoluments is set out in the "Emolument policy" section in the Report of the Directors contained in this annual report.

8. Other biographical details of each of the directors who stand for re-election at the forthcoming annual general meeting are set out below to enable shareholders to make an informed decision on their re-elections. Save for the information set out in this paragraph 8 and in paragraphs 5 to 7 above, there is no information to be disclosed pursuant to any requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") nor are there other matters that need to be brought to the attention of shareholders in respect of the directors who stand for re-election at the forthcoming annual general meeting.

    8.1 Mr. Lau Hon Chuen, GBS, JP, alias Ambrose Lau, aged 71, is an independent non-executive director of the Company. Mr. Lau is also a director of China Jinmao Holdings Group Limited, Yuexiu Property Company Limited, Yuexiu Transport Infrastructure Limited, Joy City Property Limited and Brightoil Petroleum (Holdings) Limited. In the past three years, Mr. Lau was a director of The People's Insurance Company (Group) of China Limited. Mr. Lau's interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") are set out in the "Directors' interests and short positions in securities" section in the Report of the Directors contained in this annual report and remain unchanged as at 10 April 2019, being the latest practicable date prior to the printing of this Notice (the "latest practicable date").

NOTICE OF ANNUAL GENERAL MEETING

Mr. Lau has confirmed that he is the senior partner of Messrs. Chu & Lau, Solicitors & Notaries, and that he himself and the law firm acted for the Company, its related or connected companies or persons. The Board considered that the amounts involved for the services provided were insignificant, and the services received from Mr. Lau and the law firm were in the ordinary course of business and on normal commercial terms and would in no way affect the independence of Mr. Lau. Accordingly, the Board has confirmed that Mr. Lau is independent of the Company.

The Board also believes that Mr. Lau being a solicitor of the High Court of Hong Kong has extensive knowledge of legal matters and having the considerable experience in the public sector and boards of listed companies, would contribute continuous improvement on internal controls and corporate governance matters of the Company. Accordingly, the Board is of the view that the re-election of Mr. Lau as an independent non-executive director of the Company is in the interests of the Company notwithstanding that he has served in such capacity for more than nine years.

8.2 Dr. Chung Shui Ming, Timpson, GBS, JP, aged 67, is an independent non-executive director of the Company. Mr. Chung is also a director of Miramar Hotel and Investment Company, Limited, China Unicom (Hong Kong) Limited, China Overseas Grand Oceans Group Limited, China Everbright Limited, China Construction Bank Corporation, Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited, China Railway Group Limited and Orient Overseas (International) Limited. In the past three years, Mr. Chung was a director of China State Construction Engineering Corporation Limited and Henderson Land Development Company Limited. Mr. Chung's interests in the shares of the Company within the meaning of Part XV of the SFO are set out in the "Directors' interests and short positions in securities" section in the Report of the Directors contained in this annual report and remain unchanged as at the latest practicable date.

Mr. Chung has provided the Company with confirmation of his independence in accordance with the relevant requirements as set out in Rule 3.13 of the Listing Rules and it is in the belief of the Board that Mr. Chung is independent.

The Board believes that Mr. Chung, through his experience as a professional accountant, would contribute significantly to the continuous improvement on internal controls and other relevant financial and corporate governance matters of the Company. Accordingly, the Board is of the view that the re-election of Mr. Chung as an independent non-executive director of the Company is in the interests of the Company notwithstanding that he has served in such capacity for more than nine years.

8.3 Dr. Lam Lee G., aged 59, was re-designated from a non-executive director to an independent non-executive director of the Company on 20 August 2012. Dr. Lam is also a director of CSI Properties Limited, Vongroup Limited, Mei Ah Entertainment Group Limited, Sunwah Kingsway Capital Holdings Limited, China LNG Group Limited, Elife Holdings Limited, Haitong Securities Co., Ltd., National Arts Entertainment and Culture Group Limited, Huarong Investment Stock Corporation Limited, Hua Long Jin Kong Company Limited, Kidsland International Holdings Limited, China Shandong Hi-Speed Financial Group Limited, Tianda Pharmaceuticals Limited, Hsin Chong Group Holdings Limited, Mingfa Group (International) Company Limited, Aurum Pacific (China) Group Limited, Adamas Finance Asia Ltd., China Real Estate Grp Ltd., Top Global Limited, Singapore eDevelopment Limited, JCG Investment Holdings Limited, Sunwah International Limited, AustChina Holdings Limited and TMC Life Sciences Berhad. In the past three years, Dr. Lam was a director of Xi'an Haitiantian Holdings Co., Ltd., Rowsley Ltd., Vietnam Equity Holding, Vietnam Property Holding and Roma Group Limited.

Dr. Lam was one of the directors of a Hong Kong incorporated private company with limited liability, i-STT Hong Kong Limited ("i-STT"), between 15 December 1999 and 27 October 2004. i-STT was involved in internet-related network services. i-STT was solvent when it was in creditors' voluntary liquidation on 12 September 2001 and the amount involved was about HK$100 million. The liquidation was subsequently completed.

Dr. Lam has provided the Company with confirmation of his independence in accordance with the relevant requirements as set out in Rule 3.13 of the Listing Rules and it is in the belief of the Board that Dr. Lam is independent.

Dr. Lam does not have any interest in the shares of the Company.

9. Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the shareholders at the meeting will be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

CHAIRMAN’S STATEMENT

RESULTS

The global economy was quite stable at the beginning of 2018. However, its development went downhill since March. It started with the United States of America imposing additional trade tariffs against their trade partners. Later US further launched a trade war against China. Even after several rounds of negotiations, no amicable settlement was reached and the disputes were intensified to such an extent as if they were entering into an economic cold war. Such situation prompted capital outflows from various emerging markets and consequentially caused tight liquidity, weak currencies and plunge of stock prices in those markets. In the first half of the year, US was the only resilient economy with strong currency and up-rising equity. However, in the fourth quarter, even US encountered the negative impact of liquidity tapping and normalization of interest rates. All the US stock market growth in 2018 was then whittled.

During the period under review, the financial markets were searching for their bottoms in the midst of volatility. The downward pressure on the economic development in the Mainland was immense especially in the export sector. Retail sentiment was also very lacklustre. Yet, in such situation, the Group’s financial and property investment operations still managed to perform up to the Management’s expectation. The export operations grew in volume but margin was below the budget. Hong Kong Jeanswest retail operations and oversea franchising business were affected by the tough business environment. Both their turnover and margin down-performed than in the previous year. The performance of the interior decoration and renovation business was relatively stable and progressed fairly well in the aspect of expanding new clientele.

The performance of Jeanswest operations in the Mainland China had been unsatisfactory for quite a long while. In the last three consecutive years, losses (after taking off non-recurring income) were incurred and caused impacts to the Group’s results. For the outlook of the Group and the benefit of minority shareholders, the Management with the approval of General Meeting disposed of the said operations at the fair market price to the major shareholders.

The disposal of the Jeanswest operations alleviated the Group from the burden of carrying the non-profitable business and refreshed the Group’s image as well as brightened up the profitability of the Group in the future. The transaction was completed in November 2018. The sale proceeds amounted to HK$800 million was partially applied to reduce outstanding bank loans of the Group.

CHAIRMAN'S STATEMENT

Hereunder are the highlights of our performance in the year under review:

	2018	2017 (Restated)	Changes
(Unit: HK$'000)			
Consolidated sales	**1,271,001**	1,193,724	↑ 6.47%
of which:			
A. Financial and real estates investments	**126,501**	121,575	↑ 4.05%
B. Total export sales	**560,761**	476,554	↑ 17.67%
C. Interior decoration and renovation	**503,151**	460,571	↑ 9.25%
D. Hong Kong retailing and overseas franchising	**66,612**	78,670	↓ 15.33%
Profit attributable to ordinary equity holders of the Company	**107,430**	88,669	↑ 21.16%
(Unit: HK cents)			
Earnings per share (basic)	**7.00**	5.77	↑ 21.32%
Dividend			
—Final	**3.36**	3.20	↑ 5.00%
—Total	**5.86**	5.70	↑ 2.81%
(Unit: HK$'000)			
Net cash and near cash in hand*	**2,451,199**	2,097,874	↑ 16.84%

* "Net cash and near cash in hand" consists of debt investments at amortised cost/held-to-maturity investments, listed equity investments designated at fair value through other comprehensive income/listed available-for-sale investment, pledged deposits, cash and cash equivalents, net of interest-bearing bank borrowings.

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK3.36 cents (2017: HK3.20 cents) per share for the year ended 31 December 2018 at the forthcoming annual general meeting to be held on Tuesday, 28 May 2019. The final dividend amounting to HK$51,366,000, if approved by the shareholders of the Company, will be paid on Wednesday, 19 June 2019 to those shareholders whose names appear on the register of members of the Company on Tuesday, 4 June 2019.

REVIEW OF BUSINESSES

Financial and Real Estates Investments

In the year under review, the Group mainly invested in high yield corporate bonds issued by Mainland China companies. 87.10% of the bond portfolio was denominated in US dollars and 12.90% in CNH. Due to US dollar interest rate hikes and the escalation of Sino-American trade dispute, the macro-economic development in China slowed-down. The bond yields remained stable in the first half of the year and rose steadily in the second half of the year. The Management therefore did not hastily enlarge the holding in the bond portfolio.

CHAIRMAN'S STATEMENT

At the beginning of the year, the Group's bond portfolio was HK$2.11 billion. During the period, HK$422 million worth of bonds matured or was early redeemed. Only HK$245 million worth of bonds were newly acquired during the same period. As of 31 December 2018, the Group's holding of bonds had a face value of approximately HK$1.92 billion with an average yield of around 6.4%.

Export Operations

The export operations of the Group was composed of oversea agency trading and design centre business. The oversea agency trading is to provide our clients with all-in-one service which includes identifications of qualified manufacturers and the overall supervision along the production flow starting with the sourcing of raw materials, assurance of quality and ending with punctual delivery of finished products; such service is generally known as OEM. Our design centre business, which is generally known as ODM, is to design and merchandize products using the brands of our clients. After approval by our respective clients, we would look for suitable manufacturers on behalf of our clients, supervise the production process to ensure quality compliance and arrange timely delivery of the final products to their destination. During the period, the export market was full of uncertainties due to Sino-American trade disputes and the consequential imposition of additional trade tariffs. The Management was able to grow the turnover but the margin was thinner than the previous year.

Our export business specializes in numerous apparels including denim, casual wear, sportswear, swimwear for all distribution channels in North America, Europe, Australia and Asia.

For the year ended 31 December 2018, the total sales of the export operations was HK$560,761,000 (2017: HK$476,554,000), representing an increase of 17.67% from the previous year.

CHAIRMAN'S STATEMENT

Interior Decoration and Renovation

In the year under review, the Group's interior design and decoration operations developed steadily particularly in building up its clientele. The performance was in line with the budget. These days, in the advent of artificial intelligence, AI devices are commonly employed in retail businesses to provide new shopping experience to the customers. The opening of Boku Library Tianmu Store Hangzhou, a division of Xinhua Bookstore Group provided its customers with a totally new shopping experience. It was equipped with AI bookshelves as well as facial recognition devices to facilitate customers to make e-payments without any assistance from bookstore staff. This was the achievement of the co-operation between Alibaba and Shijiazhuang Changhong Building Decoration Engineering Company Limited ("Changhong"), a subsidiary of the Company. Changhong also invested in the system integration of available AI hardware and software and had successfully built an "AI Channel" which had been accredited by "Tmall Future Store" as its standard installation of its AI shops. Changhong has also been accredited as an approved contractor of Huawei Group to build their authorized service centers, experience stores and image stores.

Changhong provides one stop renovation services to China Mobile throughout Mainland China.

For the year ended 31 December 2018, the total turnover of the interior decoration and renovation operations was HK$503,151,000 (2017: HK$460,571,000), representing an increase of 9.25% from the previous year.

CHAIRMAN'S STATEMENT

Hong Kong Retailing and Overseas Franchising Operations

The primary objective of retailing in Hong Kong was brand building for Jeanswest's overseas franchising. During the period, retail sentiment in Hong Kong was slothful. Management's prompt adjustment of the product mix and promotion strategy managed to maintain Jeanswest's turnover and margin to stay at subsistent level. The performances of oversea franchisees varied in different countries. Generally, the total sales to oversea franchisees were lesser than the previous year.

As at 31 December 2018, Jeanswest had 11 stores operated in Hong Kong (2017: 12 stores). The total turnover of Jeanswest in Hong Kong and overseas was HK$66,612,000 (2017: HK$78,670,000) representing 15.33% decrease when compared with last year.

FINANCIAL POSITION

The Group had ample cash/near cash in hand and its financial position remained very healthy during the period under review.

CHAIRMAN'S STATEMENT

HUMAN RESOURCES

As at 31 December 2018, the Group employed about 820 employees. The Group offered competitive remuneration packages to them. In addition, bonus was granted to employees based on the Group's results and individual performance from time to time.

SOCIAL RESPONSIBILITY

It is the conviction of the Management that while maximizing returns for shareholders, the Group had to take up its social responsibilities. Therefore, we demanded our sub-contractors to strictly adhere to stringent environmental protection policies and regulations in their production process. We also supported and sponsored charity activities.

PROSPECTS

Looking forward to 2019, the global economic growth will soften due to quantitative tapping, upward interest rate cycle, Sino-American trade disputes and the attempt of the US to curb China's technology development, particularly in the 5G area. All these uncertainties are going to raise the inherent risks and the volatility of the financial markets. Business environment is expected to be tough. The Management opts to take a conservative approach in the development of its business with prudent handling in risk management as its priority.

For financial investment, the Management will focus on short-term high yield corporate bonds with maturity less than two years. The Group will not acquire any bond with maturity over 2 years. For equity acquisition, the Group will wait patiently for the market to touch its bottom. Jeanswest retailing in Hong Kong and franchising in overseas are expected to operate in a challenging environment. However, the impact will not be significant to the Group. At the requests of clients, most of the manufacturing orders for the export operations have already been diverted from Mainland China to South East Asia and South America in the latter part of last year. Hopefully the negative effect of Sino-American trade disputes can be contained to an acceptable level. In respect of the interior decoration and renovation business, the Group will ride on the Chinese policy in facilitating domestic consumption and expect to have a stable internal market for development.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express our sincere appreciation to the shareholders for their support, and to the Management and staff for their dedicated efforts.

Dr. Charles Yeung, GBS, JP
Chairman

Hong Kong, 19 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 December 2018, the Group's consolidated turnover increased by 6.47% to HK$1,271,001,000 (2017 (restated): HK$1,193,724,000). The Group recorded a profit attributable to the shareholders of the Company amounting to HK$107,430,000 (2017: HK$88,669,000), representing an increase of 21.16%.

The Jeanswest retail operations in Mainland China and Australia & New Zealand were disposed of on 23 November 2018 and 1 July 2017 respectively, profit for the year from the discontinued operation including gain on the respective disposals was HK$26,433,000 (2017(restated): loss of HK$41,311,000).

Despite fall in segment result of continuing operations due to lower margin in the tough business environment in 2018, the Group recorded an increase of 21.16% in profit attributable to ordinary equity holders of the Company because of increased contributions from discontinued operations to compensate.

DIVIDENDS

The Directors have resolved to recommend the payment of a final dividend of HK3.36 cents (2017: HK3.20 cents). Subject to the approval of the Company's shareholders at the forthcoming annual general meeting, the total dividend amount for 2018 will be HK$89,768,000 (2017: HK$87,557,000) which is 83.56% of the profit attributable to the shareholders of the Company for the year. The Management is confident that there are sufficient funds in the business for medium term investments.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group's total assets less current liabilities were HK$2,470,136,000 (2017: HK$2,600,798,000) and the current ratio increased from approximately 1.14 times as at 31 December 2017 to approximately 1.65 times as at 31 December 2018.

As at 31 December 2018, the Group held cash and cash equivalents, pledged deposits and short-term held-to-maturity investments of HK$1,067,917,000 (2017: HK$1,333,008,000). Aggregate borrowings as at 31 December 2018 amounted to HK$474,051,000 (2017: HK$991,847,000). The gearing ratio was approximately 16% (2017: approximately 28%) calculated by reference to the aggregate borrowings and the total shareholders' equity.

As at 31 December 2018, the Group's land and buildings, prepaid land lease payments and investment properties had a total carrying value of HK$6,483,000 (2017: HK$470,663,000). Significant fall in carrying value was due to disposal of Jeanswest retail operations in Mainland China. These assets were neither charged nor pledged to any bank borrowings as at 31 December 2018.

The Group had no capital commitment as at 31 December 2018 (2017: HK$1,265,000). The Group also had no contingent liabilities as at 31 December 2018 (2017: HK$7,250,000).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group strengthens and improves its financial risk control on a continual basis and has consistently adopted a prudent approach in financial management. Financial resources are under close monitor to ensure the Group's efficient and effective operation, as well as flexibility to respond to opportunities and uncertainties. The Management of the Group is of the opinion that the Group's existing financial structure is healthy and related resources are sufficient to cater for the Group's operation needs in the foreseeable future.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2018, the Group had listed investments being classified as Debt investments at amortized cost, which was reclassified from Held-to-maturity investments last year, and Equity investments designated at fair value through other comprehensive income, which was re-classified from Available-for-sale investments last year.

Debit investments at amortized cost/Held-to-maturity investments were listed debt investments with maturity, which were further classified as non-current portion in the amount of HK$1,119,879,000 (2017: HK$951,514,000) and current portion of Nil (2017: HK$361,877,000). Altogether, the total carrying value was HK$1,119,879,000 (2017: HK$1,313,391,000), representing 33.45% (2017: 27.91%) of the Group's total assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Details of the debt instruments held are as follows:

Name of Issuer and Terms of instruments	As at 31 December 2018			Net carrying value		Movements in 2018			For the year ended 31 December 2018	
	Currency	Nominal value Held in million	Percentage to the Group's total assets	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000	Additions/ (Disposals) HK$'000	Amortis- ations HK$'000	Exchange gains/ (losses) HK$'000	Redemption Income HK$'000	Interest Income HK$'000
Easy Tactic Limited										
5.750% Senior Notes 5 years due 2022	US$	19.200	4.54%	152,133	151,163	–	(584)	1,554	–	7,972
5.875% Senior Notes 5 years due 2023	US$	38.000	8.89%	297,540	294,500	–	–	3,040	–	17,302
Agile Group Holdings Limited										
9% Senior Notes 5 years due 2020	US$	29.000	6.84%	228,973	228,000	–	(1,366)	2,339	–	18,861
5.125% Senior Notes 5 years due 2022	US$	19.000	4.45%	148,849	147,350	–	(22)	1,521	–	7,525
Shui On Development (Holding) Limited										
8.7% Senior Notes 4 years due 2018	US$	–	–	–	132,959	(132,959)	–	–	–	4,434
9.625% Senior Notes 5 years due 2019	US$	–	–	–	228,918	(228,751)	(167)	–	6,815	1,155
6.3875% Senior Notes 3 years due 2021	Rmb	197.000	6.62%	221,684	–	244,530	(428)	(22,418)	–	12,802
Shimao Property Holdings Limited										
8.125% Senior Notes 7 years due 2021	US$	7.800	–	–	60,450	(60,450)	–	–	2,457	287
8.375% Senior Notes 7 years due 2022	US$	9.000	2.11%	70,700	70,051	–	(73)	722	–	5,769
Total			**33.45%**	**1,119,879**	**1,313,391**	**(177,630)**	**(2,640)**	**(13,242)**	**9,272**	**76,107**

The principal activities of the issuers of the listed debt instruments were as follows:

1. Easy Tactic Limited – one of the wholly-owned subsidiaries of Guangzhou R&F Properties Company Limited (Stock code: 2777), its principal activities were the development of quality residential and commercial properties for sale mainly in China.

2. Agile Group Holdings Limited (Stock code: 3383) – its principal activities were involved in the businesses of property development, property management, hotel operations, property investment and environmental protection.

3. Shui On Development (Holding) Limited ("Shui On") – one of the wholly-owned subsidiaries of Shui On Land Limited (Stock code: 272), its principal activities were involved in the development, sale, leasing, management and the long-term ownership of high-quality residential, office, retail, entertainment and cultural properties in the PRC.

4. Shimao Property Holdings Limited (Stock code: 813) – its principal activities were engaged in property development, investment and hotel operation.

(Stock code is referred to listings on The Stock Exchange of Hong Kong Limited)

MANAGEMENT DISCUSSION AND ANALYSIS

The Management expects a stable income of 6-8% per annum in average will be generated from Debt investments at amortized cost/Held-to-maturity investments.

Equity investments designated at fair value through other comprehensive income/ Available-for-sale investments consisted of listed and non-listed investments. During the year, the Group had not changed its holdings under this category of assets. The listed investments were listed perpetual security issued by Shui On. As at 31 December 2018, its carrying value of HK$737,454,000 (2017: HK$805,199,000), represented 22.03% of the Group's total assets. Significant fall in carrying value of Shui On perpetrated security was due to fall in market price. Distribution from Shui On during the year was HK$50,394,000 (2017: HK$26,144,000). The Management expects a stable return of at least 6% per annum from this investment.

OUTLOOK

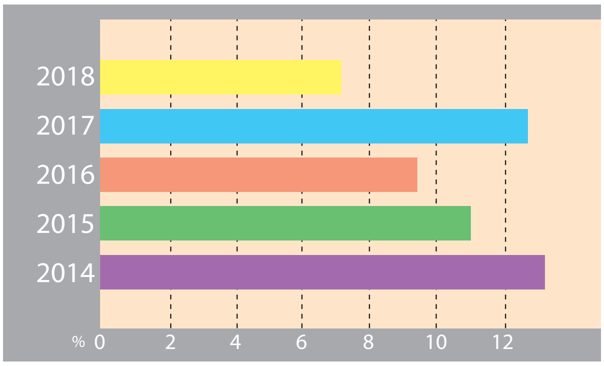
With emphasis on the market driven and result oriented strategies on operations, the Management is confident that the Group will continue to bring reasonable returns to its shareholders.

FINANCIAL HIGHLIGHTS

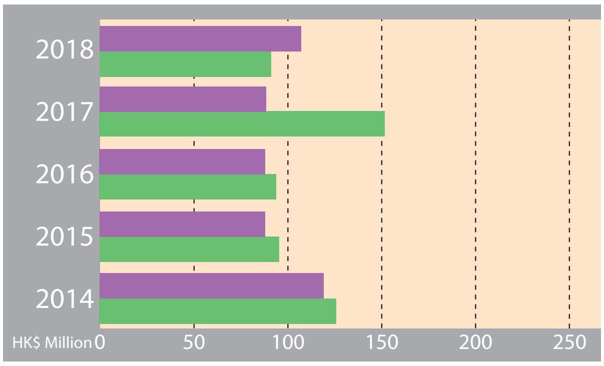
	2018	2017 (Restated)	2016 (Restated)	2015 (Restated)	2014 (Restated)
Revenue from continuing operations (HK$'000)	**1,271,001**	1,193,724	997,176	865,979	952,369
Increase/(decrease) in revenue in percentage	**6.47%**	19.71%	15.15%	(9.70%)	(7.43%)
Revenue analysis:					
1. Financial investments (HK$'000)	**126,501**	121,575	102,447	51,410	44,776
2. Export (HK$'000)	**560,761**	476,554	336,393	438,277	572,821
3. Interior decoration and renovation (HK$'000)	**503,151**	460,571	473,245	330,800	284,484
4. Retail (HK$'000)	**66,612**	78,670	77,050	44,843	48,795
5. Others (HK$'000)	**13,976**	56,354	8,041	649	1,493
Operating margin (%)	**7.18%**	12.73%	9.44%	11.04%	13.24%
Profit attributable to ordinary equity holders of the Company (HK$'000)	**107,430**	88,669	88,320	88,152	119,405
Increase/(decrease) in profit attributable to ordinary equity holders of the Company (%)	**21.16%**	0.40%	0.19%	(26.17%)	(13.76%)
Equity attributable to ordinary equity holders of the Company (HK$'000)	**2,448,254**	2,544,732	2,454,782	2,039,838	2,134,230
Working capital (HK$'000)	**573,685**	286,432	596,413	506,572	693,764
Current ratio (times)	**1.65**	1.14	1.38	1.32	1.26
Gearing ratio (times)	**0.16**	0.28	0.15	0.10	0.32
Return on total assets (%)	**3.21%**	1.88%	2.15%	2.38%	2.47%
Return on equity (%)	**4.39%**	3.48%	3.60%	4.32%	5.59%
Return on revenue (%)	**8.45%**	7.43%	8.86%	10.18%	12.54%
Earnings per share (HK cents)					
Basic	**7.00**	5.77	6.29	8.39	11.13
Diluted	**7.00**	5.77	6.29	8.39	11.13
Dividend per share (HK cents)	**5.86**	5.7	5.7	7.70	10.27

FINANCIAL HIGHLIGHTS

OPERATING MARGIN FROM CONTINUING OPERATIONS (AFTER FINANCE COSTS)



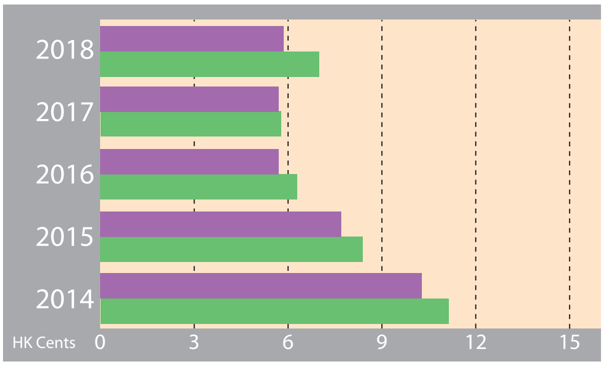
OPERATING PROFIT FROM CONTINUING OPERATIONS AND PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY



Profit attributable to ordinary equity holders of the Company

Operating profit (after finance costs) from continuing operations

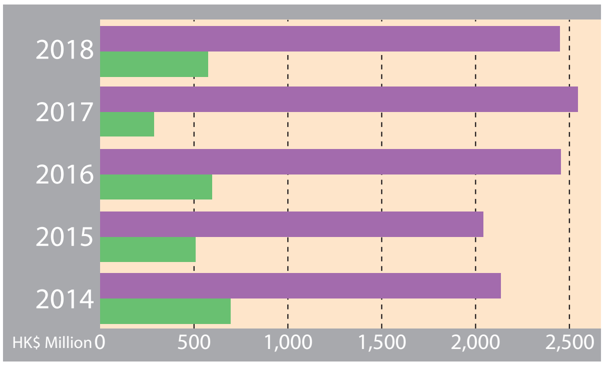
BASIC EARNINGS PER SHARE AND DIVIDEND PER SHARE



Dividend per share

Basic earnings per share

WORKING CAPITAL AND EQUITY ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

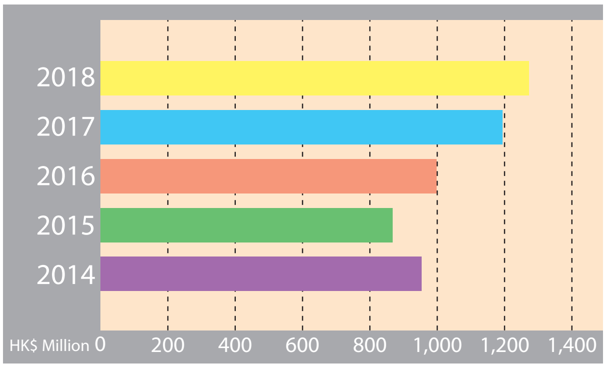


Equity attributable to ordinary equity holders of the Company

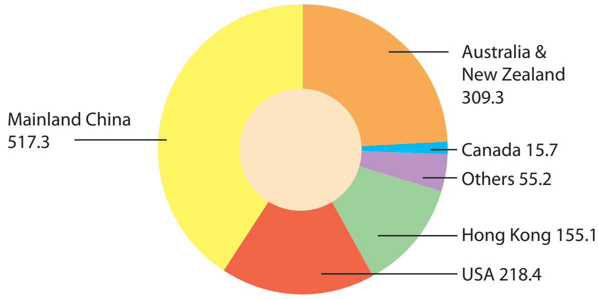
Working capital

FINANCIAL HIGHLIGHTS

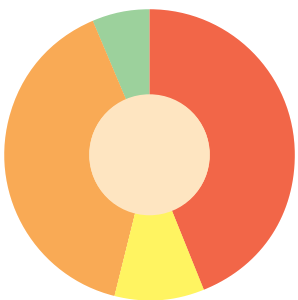
REVENUE FROM CONTINUING OPERATIONS
(HK$Million)



REVENUE FROM CONTINUING OPERATIONS BY GEOGRAPHICAL LOCATIONS
(HK$Million)

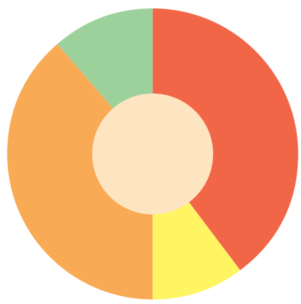


TURNOVER FROM CONTINUING OPERATIONS BY ACTIVITIES (HK$Million)



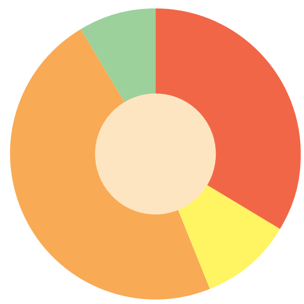
2018

Export	560.8
Financial Investments	126.5
Interior decoration and renovation	503.1
Retail, wholesale, franchise and others	80.6



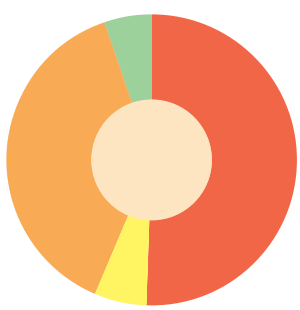
2017

Export	476.5
Financial Investments	121.6
Interior decoration and renovation	460.6
Retail, wholesale, franchise and others	135.0



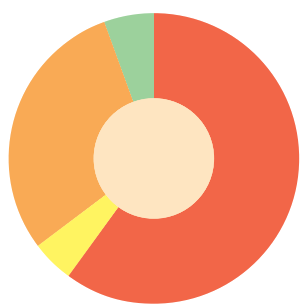
2016

Export	336.4
Financial Investments	102.5
Interior decoration and renovation	473.2
Retail, wholesale, franchise and others	85.1



2015

Export	438.3
Financial Investments	51.4
Interior decoration and renovation	330.8
Retail, wholesale, franchise and others	45.5



2014

Export	572.8
Financial Investments	44.8
Interior decoration and renovation	284.5
Retail, wholesale, franchise and others	50.3

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining a high standard of corporate governance and has applied throughout the year ended 31 December 2018 (the "year under review") the principles set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

Throughout the year under review, the Company has complied with the code provisions set out in the CG Code save and except for the deviation from code provision A.6.7 of the CG Code.

Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Due to other pre-arranged commitments, Dr. Chung Shui Ming, Timpson, GBS, JP, and Mr. Wong Man Kong, Peter, BBS, JP, both Independent Non-executive Directors, were not present at the Company's annual general meeting for the year 2018. Mr. Wong Man Kong, Peter, BBS, JP was also absent from the special general meeting of the Company held on 13 November 2018.

The Board of Directors of the Company (the "Board") continues to monitor and review the Company's corporate governance practices to ensure compliance.

BOARD OF DIRECTORS

The Board is committed to making decisions in the best interests of both the Company and its shareholders (the "Shareholders"). The Board's primary responsibilities are to formulate the Company's long-term corporate strategy, to oversee the overall management of the Group's business and affairs, to evaluate the performance of the Group and to assess the achievement of targets periodically set by the Board.

In addition, the Board has also established Board Committees and has delegated to these Board Committees various responsibilities set out in their terms of reference respectively.

In the year under review and up to the date of this annual report, the Board comprises the following members:

Executive Directors
Dr. Charles Yeung, GBS, JP *(Chairman)*
Mr. Yeung Chun Fan *(Vice-chairman)*
Mr. Pau Sze Kee, Jackson
Mr. Hui Chung Shing, Herman, SBS, MH, JP
Ms. Cheung Wai Yee
Mr. Chan Wing Kan, Archie
Ms. Yeung Yin Chi, Jennifer

Independent Non-executive Directors
Mr. Lau Hon Chuen, Ambrose, GBS, JP
Dr. Chung Shui Ming, Timpson, GBS, JP
Mr. Wong Man Kong, Peter, BBS, JP *(passed away on 11 March 2019)*
Dr. Lam Lee G.

CORPORATE GOVERNANCE REPORT

One of the Independent Non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise. During the year under review, the Company has complied with Rule 3.10A of the Listing Rules which requires the number of independent non-executive directors representing at least one-third of the Board.

The biographical details of and the relationship among the members of the Board are set out in the "Directors' and senior management's biographies" section in the Report of the Directors.

The roles of the Chairman and the Chief Executive Officer are separate and are performed by Dr. Charles Yeung, GBS, JP and the General Manager of the Group, Mr. Yeung Chun Fan, respectively. Their respective responsibilities are clearly defined and are set out in writing. Mr. Yeung Chun Fan is also the Vice-chairman of the Board.

The Chairman takes the lead in formulating and setting the Group's strategies and policies in conjunction with the Board; oversees the function of the Board and encourages and facilitates constructive relations between Executive Directors and Independent Non-executive Directors.

The General Manager, supported by other Board members and senior executives, is responsible for overseeing the Group's business operation, implementing the strategies laid down by the Board and managing day-to-day operation.

The Nomination Committee, which was established by the Board in March 2012, is responsible for reviewing its size, structure and composition (including the skills, knowledge and experience) of the members of the Board to ensure that the Board has a balance of expertise, skills, knowledge and experience appropriate for the business of the Company. During the year 2018, no new Director had been selected or recommended for directorship.

The Nomination Committee has also reviewed and made recommendation to the Board on the appointments of the Directors standing for re-election at the forthcoming annual general meeting of the Company which is to be held on 28 May 2019. The Board has accepted such recommendation.

All the Independent Non-executive Directors are appointed for a specific term of two years and are required to retire and eligible for re-election at the annual general meeting of the Company in the year of expiry of the term.

The Board adopted a policy concerning the diversity of Board members in August 2013. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. All Board appointments will be based on personal virtue and meritocracy for constituting a high quality directorate team. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee monitors the implementation of the policy and reviews, as appropriate, the policy to ensure the effectiveness of the policy.

Each Independent Non-executive Director has given the Company an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee has assessed the independence of the Independent Non-executive Directors. The Board considers all the Independent Non-executive Directors to be independent.

CORPORATE GOVERNANCE REPORT

Mr. Lau Hon Chuen, Ambrose, GPS, JP has confirmed that he is the senior partner of Messrs. Chu & Lau, Solicitors & Notaries, and that he himself and the law firm have acted for the Company, its related or connected companies or persons. The Board considered that the amounts involved for the services provided are insignificant, and the services received from Mr. Lau and the law firm were in the ordinary course of business and on normal commercial terms and would in no way affect the independence of Mr. Lau. Accordingly, the Board has confirmed that Mr. Lau is independent of the Company.

MEETINGS AND ATTENDANCE

The Board met on six occasions during the year under review. The attendance of individual Directors at the Board meetings, the Board Committees (the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment Committee) meetings, the annual general meeting for the year 2018 and the special general meeting is set out in the table below:

	Meetings Attended/Held						
Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Investment Committee	Annual General Meeting	Special General Meeting
Executive							
Dr. Charles Yeung, GBS, JP	5/6*			1/1	2/2	1/1	1/1
Mr. Yeung Chun Fan	5/6*				2/2	1/1	1/1
Mr. Pau Sze Kee, Jackson	6/6		2/2		2/2	1/1	1/1
Mr. Hui Chung Shing, Herman, SBS, MH, JP	6/6					1/1	1/1
Ms. Cheung Wai Yee	5/6#					1/1	1/1
Mr. Chan Wing Kan, Archie	6/6				2/2	1/1	1/1
Ms. Yeung Yin Chi, Jennifer	6/6				2/2	1/1	1/1
Independent Non-executive							
Mr. Lau Hon Chuen, Ambrose, GBS, JP	6/6	2/2		1/1		1/1	1/1
Dr. Chung Shui Ming, Timpson, GBS, JP	3/6	0/2	2/2	1/1		0/1	1/1
Mr. Wong Man Kong, Peter, BBS, JP^	5/6	2/2	2/2		1/2	0/1	0/1
Dr. Lam Lee G.	6/6	2/2			2/2	1/1	1/1

* *these Directors had material interest in the connected transactions discussed at a Board meeting and hence they abstained from attending the meeting.*

this Director abstained from attending a Board meeting due to her relationship with those Directors who had material interest in the transactions.

^ *Mr. Wong Man Kong, Peter, BBS, JP passed away on 11 March 2019 and ceased to be a Director on the same date.*

During the year under review, the Chairman of the Board had a meeting with the Independent Non-executive Directors without the presence of Executive Directors.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee in accordance with the CG Code to oversee particular aspects of the Company's affairs. All or a majority of the members of the Committees are Independent Non-executive Directors. The Board Committees have clear written terms of reference and have to report to the Board on their decisions and recommendations.

On 10 December 2015, the Investment Committee was established by the Board with specific written terms of reference. Further details of the Investment Committee are set out in the latter part of this report.

The Audit Committee

The Audit Committee has been established since 1998. During the year under review, it comprised four Independent Non-executive Directors, namely Mr. Lau Hon Chuen, Ambrose, GBS, JP (Committee Chairman), Dr. Chung Shui Ming, Timpson, GBS, JP, Mr. Wong Man Kong, Peter, BBS, JP and Dr. Lam Lee G. While recognising the Audit Committee plays an important role in corporate governance, the Board has delegated the corporate governance functions to the Audit Committee. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

Apart from corporate governance functions, the main responsibilities of the Audit Committee are to review the accounting principles and practices adopted by the Group and to review the effectiveness of the financial reporting system, risk management and internal control system of the Group.

The Audit Committee held two meetings during the year under review. The work of the Audit Committee in 2018 included the following:

- review of the annual results announcement, the financial statements, the report of the Directors and the corporate governance report for the year 2017
- review of the 2018 interim results announcement and the interim report
- review of the internal audit reports and the risks assessment report, all prepared by the Internal Audit Department of the Company
- review of continuing connected transactions for the year 2017 and for the six months ended 30 June 2018
- approval of the terms of engagement and the remuneration of the external auditor
- assessment of the independence of the external auditor
- review of a report prepared by the external auditor on any issues arising from their audits

In addition, during the year under review, the Audit Committee met with the external auditor of the Company on one occasion, and met with the head of the Internal Audit Department of the Company in a separate private session respectively, both in the absence of management. The Audit Committee has also performed the corporate governance duties as delegated to it by the Board.

The Remuneration Committee

During the year under review, the Remuneration Committee comprised two Independent Non-executive Directors, namely Mr. Wong Man Kong, Peter, BBS, JP (Committee Chairman) and Dr. Chung Shui Ming, Timpson, GBS, JP and an Executive Director, Mr. Pau Sze Kee, Jackson. The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual Directors and senior management. The terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The main responsibilities of the Remuneration Committee are to review and endorse the remuneration policy of the Directors and senior management and to make recommendations to the Board for the remuneration of the Directors and senior management. The Remuneration Committee ensures that no Director is involved in deciding his/her own remuneration.

The Remuneration Committee held two meetings during the year under review. The work of the Remuneration Committee in 2018 included the following:

– approval of and recommendation to the Board on 2018 salary adjustment, 2017 year-end bonuses and performance bonuses for the Executive Directors and senior management

Details of the remuneration of the Directors are set out in note 8 to the financial statements of this annual report.

CORPORATE GOVERNANCE REPORT

The Nomination Committee

The Nomination Committee comprises the Chairman of the Board, Dr. Charles Yeung, GBS, JP (Committee Chairman), and two Independent Non-executive Directors, namely Mr. Lau Hon Chuen, Ambrose, GBS, JP and Dr. Chung Shui Ming, Timpson, GBS, JP. The terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Nomination Committee is responsible for making recommendations to the Board on nominations and appointments of Directors, reviewing the size, structure and composition of the Board, and assessing the independence of Independent Non-executive Directors.

The Nomination Committee held one meeting during the year under review. The work of the Nomination Committee in 2018 included the following:

– review of the structure, size and composition (including the skills, knowledge and experience) of the Board

– assessment of the independence of all Independent Non-executive Directors

– recommendation to the Board on the re-election of Directors

– review of the Board diversity policy

The Investment Committee

The Board set up the Investment Committee on 10 December 2015 with specific written terms of reference. During the year under review, the Investment Committee comprised five Executive Directors (Dr. Charles Yeung, GBS, JP (Committee Chairman), Mr. Yeung Chun Fan, Mr. Pau Sze Kee, Jackson, Mr. Chan Wing Kan, Archie and Ms. Yeung Yin Chi, Jennifer), two Independent Non-executive Directors (Mr. Wong Man Kong, BBS, JP and Dr. Lee Lam G.) and one senior staff.

The Investment Committee is responsible for setting up and reviewing investment policy of the Company and to monitor the performance of investment portfolio of the Company.

The Investment Committee held two meetings during the year under review. The work of the Investment Committee in 2018 included the following:

– monitoring of the performance of financial investment portfolio and review of the associated risk levels

– recommendation on strategic plan of financial investment activities

CORPORATE GOVERNANCE REPORT

DIRECTORS' TRAINING

Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills. All Directors are provided with monthly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties. In addition, Directors are from time to time updated with the changes and development to the Group's business and to the political and economic environment in which the Group operates.

According to the records kept by the Company, the Directors received the following training in the year under review:

Directors	
Executive	
Dr. Charles Yeung, GBS, JP	A, B, C
Mr. Yeung Chun Fan	A, B, C
Mr. Pau Sze Kee, Jackson	A, C
Mr. Hui Chung Shing, Herman, SBS, MH, JP	A, C
Ms. Cheung Wai Yee	A, C
Mr. Chan Wing Kan, Archie	A, C
Ms. Yeung Yin Chi, Jennifer	A, C
Independent Non-executive	
Mr. Lau Hon Chuen, Ambrose, GBS, JP	A, C
Dr. Chung Shui Ming, Timpson, GBS, JP	A, C
Dr. Lam Lee G.	A, B, C

A: attending seminars and/or conferences and/or forums
B: giving talks at seminars and/or conferences and/or forums
C: reading newspapers, journals and updates relating to the economy, the main businesses of the Group, or director's duties and responsibilities, etc.

LIABILITY INSURANCE FOR THE DIRECTORS

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities against possibility of legal action to be taken against the Directors and senior management. In 2018, no claims under the insurance policy were made.

DIRECTORS' SECURITIES TRANSACTIONS

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

The Board confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standards set out in the Model Code throughout the year under review.

CORPORATE GOVERNANCE REPORT

EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted dealing rules based on the Model Code (the "Dealing Rules") governing securities transactions by the employees of the Group who are likely to be in possession of unpublished inside information in relation to the Group. These employees have been individually notified and provided with a copy of the Dealing Rules.

INSIDE INFORMATION POLICY

The Board approved and adopted the Inside Information Policy in 2013. The policy contains the guidelines to the Directors, officers and all relevant employees (likely possessing unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to public in equal and timely manner in accordance with the applicable laws and regulations.

FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare consolidated financial statements for each financial year which give a true and fair view in accordance with Hong Kong Financial Reporting Standard and are in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. The Board is not aware of any material uncertainties relating to the events or condition that might cast doubt upon the Company's ability to continue as a going concern. Accordingly, the Board has prepared the consolidated financial statements of the Group on a going concern basis.

The Board acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's annual and interim reports and other financial disclosures required under the Listing Rules, and reports to the regulators and information disclosed under statutory requirements.

The responsibilities of the external auditor with respect to the financial reporting are set out in the Independent Auditor's Report contained in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises its overall responsibilities for maintaining the Group's risk management and internal control systems and for reviewing their effectiveness. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and to safeguard the assets of the Group and the interests of the Shareholders. The systems provide reasonable but not absolute assurance against material misstatement or loss. The review of the systems, which cover material control areas including financial, operational and compliance, has been carried out from time to time and at least annually.

CORPORATE GOVERNANCE REPORT

Main features of the risk management and internal control systems

The systems are featured with defined organisational and management structure with authorities properly delegated to qualified personnel from different management levels within the Group, as well as established policies and procedures.

The Board – it determines the business strategies and objectives of the Group, and evaluates and determines the nature and extent of risks it is willing to take in achieving the Group's strategic objectives; and thus bears the ultimate accountability for the effectiveness of the risk management;

The Management – it comprises different levels and departments (including their heads); it identifies, and evaluates the risks that may cause potential impact to the major processes of the business; it monitors risks and takes measures to mitigate risks in day-to-day operations; and

Internal audit – with the support and supervision of the Audit Committee, it coordinates the risk assessment exercises and procedures, communicates with the management on the identified risks and impacts to facilitate the implementation of risk mitigation measures, and follows up the results of such measures through its audit work; and reports the overall results to the Board and the Audit Committee.

The Board considers that the Group's internal control system is adequate and effective and the Company has complied with the relevant code provisions of the CG Code for the year ended 31 December 2018.

Internal audit

The Group has established an independent Internal Audit Department for years. The Internal Audit Department plays an important role in helping review and evaluate the effectiveness of the risk management and internal control systems.

Internal audit work has been carried out based on the recognised control framework outlined by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Internal Audit Department formulates annually its internal audit plan on a risk-based approach and in accordance with the Group's strategic goals and risk assessment results; the annual internal audit plan is endorsed by the Audit Committee. Key audit findings and risk factors are reported to the Board and the Audit Committee. No material control failure or significant areas of concern which might affect Shareholders' interests were found for the year under review.

Inside Information

The Company has established a policy on disclosure of inside information to ensure that inside information of the Company remains confidential until proper dissemination of such information to the public is made in equal and timely manner as required under the Securities and Futures Ordinance and the Listing Rules.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The fees in respect of audit and non-audit services provided to the Group by the external auditor of the Company, Ernst & Young, for the year ended 31 December 2018 amounted to approximately HK$3,000,000 and HK$1,158,000 respectively. The non-audit services included tax and other services.

COMMUNICATIONS WITH SHAREHOLDERS

The Company regards the annual general meeting as an important event as it provides an opportunity for direct communications between its Shareholders and the Board. At the Company's 2018 annual general meeting, the Chairman of the Board (also the Chairman of the Nomination Committee and the Investment Committee), the Chairman of the Audit Committee, a member of the Remuneration Committee representing the Chairman thereof, as well as the external auditor were present to answer Shareholders' questions.

The Company also maintains a website at www.glorisun.com which enables its Shareholders, investors and the general public to have access to the information of the Company.

A shareholder communication policy reflecting the current practices of the Company for communication with its Shareholders is available on the Company's website.

SHAREHOLDERS' RIGHTS

The Company has only one class of shares. All shares have the same voting rights and are entitled to the dividend declared. The rights of the Shareholders are set out in, amongst other things, the Bye-laws of the Company and the Companies Act 1981 of Bermuda (the "Companies Act").

Procedures for Shareholders to convene a special general meeting

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the secretary of the Company or at the registered office of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition pursuant to Section 74 of the Companies Act. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provision of Section 74(3) of the Companies Act.

The written requisition requiring a special general meeting to be called can be sent to the principal place of business of the Company as set out in the "Corporate Information" section of this annual report for the attention of the Company Secretary.

CORPORATE GOVERNANCE REPORT

Procedures for putting forward proposals at a general meeting

Shareholders may by written requisition request for including a resolution relating to matters in a general meeting by following the requirements and procedures as set out in Sections 79 and 80 of the Companies Act.

Subject to the provisions of the above-mentioned sections of the Companies Act, on the written requisition of members representing not less than one-twentieth of the total voting rights or 100 members, at the expense of the requisitionists unless the Company otherwise resolves, the Company shall give shareholders of the Company notice of any resolution which may properly be moved and is intended to be moved at that meeting and a relevant statement.

Procedures for Shareholders to propose a person for election as a Director

As regards the procedures for Shareholders to propose a person for election as a Director, please refer to the procedures available on the websites of the Company and the Stock Exchange.

Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

38/F., One Kowloon
1 Wang Yuen Street
Kowloon Bay, Hong Kong

Fax: (852) 2995 3060
Email: enquiry@glorisun.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Company's subsidiaries are engaged in financial investments, retailing and export of casual wear, and interior decoration and renovation.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Chairman's Statement and the Management Discussion and Analysis set out on pages 9 to 18 of this annual report. This discussion forms part of this Report of the Directors.

The Company's Environmental, Social and Governance Report prepared in accordance with Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") will be published on the websites of the Company and the Stock Exchange within three months from the publication of this annual report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2018 and the Group's financial position at that date are set out in the financial statements on pages 53 to 176.

An interim dividend of HK2.50 cents per ordinary share was paid on 28 September 2018. The Directors recommended the payment of a final dividend of HK3.36 cents per ordinary share in respect of the year, to shareholders on the register of members on 4 June 2019.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on pages 177 and 178 of this annual report. This summary does not form part of the audited financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's authorised or issued share capital and share options during the year are set out in notes 33 and 34 to the financial statements.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's reserves available for distribution, calculated in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK$533,643,000, of which HK$51,366,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$734,139,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$335,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers in aggregate contributed 49.71% of the Group's total turnover for the year, among which, sales to the largest customer, Jeanswest Corporation Pty. Ltd., contributed 20.31% of the Group's total turnover for the year.

In respect of the Group's transactions with Jeanswest Corporation Pty. Ltd.:

1. Dr. Charles Yeung and Mr. Yeung Chun Fan are interested as controlling shareholders by jointly holding 100% equity interest in Jeanswest Corporation Pty. Ltd.; and

2. Mr. Yeung Chun Fan is interested as a director of Jeanswest Corporation Pty. Ltd.

Save as disclosed above, no Directors, any of their close associates or any shareholders who to the knowledge of the Directors, own more than 5% of the number of issued shares of the Company has an interest in the customer disclosed above.

During the year, purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

DIRECTORS

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

Executive Directors
Dr. Charles Yeung, GBS, JP *(Chairman)*
Mr. Yeung Chun Fan *(Vice-chairman)*
Mr. Pau Sze Kee, Jackson
Mr. Hui Chung Shing, Herman, SBS, MH, JP
Ms. Cheung Wai Yee
Mr. Chan Wing Kan, Archie
Ms. Yeung Yin Chi, Jennifer

Independent Non-executive Directors
Mr. Lau Hon Chuen, Ambrose, GBS, JP
Dr. Chung Shui Ming, Timpson, GBS, JP
Mr. Wong Man Kong, Peter, BBS, JP *(passed away on 11 March 2019)*
Dr. Lam Lee G.

REPORT OF THE DIRECTORS

In accordance with bye-law 110(A) of the Company's Bye-laws, Mr. Lau Hon Chuen, Ambrose, GBS, JP, Dr. Chung Shui Ming, Timpson, GBS, JP and Dr. Lam Lee G. will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmation from each of the Independent Non-executive Directors as regards their independence to the Company and considers that each of the Independent Non-executive Directors is independent of the Company. Details are set out in the Corporate Governance Report on pages 22 to 32.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY PROVISION

The Bye-laws of the Company provides that the directors and officers for the time being of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty. The Company has also arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the sections headed "Connected Transaction" and "Continuing Connected Transactions" below and in note 43 to the financial statements, no Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2018, the interests or short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Long positions in shares of the Company

Name of Director	Capacity	Number of shares held	Total	Percentage of issued share capital (%)
Dr. Charles Yeung, GBS, JP	(i) Interest of controlled corporations	830,073,000	968,358,499 (1) & (2)	63.343
	(ii) Joint interest	138,285,499		
Mr. Yeung Chun Fan	(i) Beneficial owner	75,000,000	1,053,453,499 (1), (2) & (3)	68.909
	(ii) Interest of controlled corporations	830,073,000		
	(iii) Joint interest	138,285,499		
	(iv) Interest of spouse	10,095,000		
Mr. Pau Sze Kee, Jackson	Beneficial owner	9,370,000	9,370,000	0.613
Mr. Hui Chung Shing, Herman, SBS, MH, JP	Beneficial owner	6,250,000	6,250,000	0.409
Ms. Cheung Wai Yee	(i) Beneficial owner	10,095,000	1,053,453,499 (1), (2) & (3)	68.909
	(ii) Interest of spouse	1,043,358,499		
Mr. Lau Hon Chuen, Ambrose, GBS, JP	Beneficial owner	1,492,402	1,492,402	0.098
Dr. Chung Shui Ming, Timpson, GBS, JP	Beneficial owner	408,000	408,000	0.027

Notes:

(1) 622,263,000 shares were held by Glorious Sun Holdings (BVI) Limited and 207,810,000 shares were held by Advancetex Holdings (BVI) Limited (the entire issued voting share capital of each of which was held as to 51.934% by Mr. Charles Yeung and as to 48.066% by Mr. Yeung Chun Fan).

(2) 138,285,499 shares were held by Mr. Charles Yeung and Mr. Yeung Chun Fan jointly.

(3) Ms. Cheung Wai Yee is the spouse of Mr. Yeung Chun Fan. 10,095,000 shares related to the same block of shares held by Ms. Cheung Wai Yee and 830,073,000 shares related to the same block of shares held by two companies controlled by Mr. Yeung Chun Fan.

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2018, none of the directors of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Divisions 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEMES

Particulars of the share options granted to employees of the Group are set out in note 34 to the financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Executive Directors/Senior Management

Dr. YEUNG Chun Kam, GBS, JP, alias Charles YEUNG, aged 72, is the founder and Chairman of the Group. He is responsible for the Group's business strategies. Dr. Yeung has over 45 years of experience in the garment industry. He was an awardee of the "Young Industrialist Award of Hong Kong" in 1991 and was conferred an honorary doctorate degree by the China Textile University in 1993 and an honorary fellow by The Professional Validation Council of Hong Kong Industries in 2002. Dr. Yeung served as a Member of the 9th, 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference and is a Life Honorary Chairman of The Chinese General Chamber of Commerce. Dr. Yeung is a director and shareholder of Glorious Sun Holdings (BVI) Limited and Advancetex Holdings (BVI) Limited which are substantial shareholders of the Company (as disclosed in the section headed "Substantial shareholders" in this report).

Mr. YEUNG Chun Fan, aged 66, is the Vice-chairman and General Manager of the Group which he joined in 1975. He has over 40 years of experience in the garment industry. Mr. Yeung is an Honorary Fellow Member of the Hong Kong Institution of Textile and Apparel, the President of The Federation of Hong Kong Garment Manufacturers, the Chairman of Clothing Industry Training Authority, an advisory professor of the Nanjiang University, the Donghua University and the Qingdao University. Mr. Yeung is a Member of the National Committee of the Chinese People's Political Consultative Conference, a Vice-chairman of the China Association of Enterprises with Foreign Investment and a Vice-president of the China National Textile and Apparel Council. Mr. Yeung is responsible for the Group's overall business operations. He is a brother of Dr. Charles Yeung, GBS, JP. Mr. Yeung is a director and shareholder of Glorious Sun Holdings (BVI) Limited and Advancetex Holdings (BVI) Limited which are substantial shareholders of the Company (as disclosed in the section headed "Substantial shareholders" in this report).

REPORT OF THE DIRECTORS

Mr. PAU Sze Kee, Jackson, aged 67, joined the Group in 1987 and is a Deputy General Manager of the Group. Mr. Pau graduated from the University of Hong Kong with a bachelor's degree in Social Sciences. Before joining the Group, he had worked in several financial institutions and a listed trading company in the United Kingdom for more than 10 years. He is responsible for the finance and administrative functions of the Group.

Mr. HUI Chung Shing, Herman, SBS, MH, JP, aged 68, is responsible for the strategic planning and legal matters of the Group. Mr. Hui graduated from the University of Hong Kong with a bachelor's degree in Laws. He is a solicitor of the High Court of the Hong Kong Special Administrative Region and has also been admitted as a solicitor of the Supreme Court of England and Wales and as a solicitor and barrister of the Supreme Court of Victoria, Australia. Before joining the Group in 1995, Mr. Hui was the Group's external legal advisor. In 2010, he was conferred Honorary Fellow of the Vocational Training Council.

Ms. CHEUNG Wai Yee, aged 67, joined the Group in 1975 and is responsible for the Group's apparel sales and exports to third party customers. Ms. Cheung is the wife of Mr. Yeung Chun Fan.

Mr. CHAN Wing Kan, Archie, aged 72, has been an Executive Director of the Company since August 2005 and was the Group's business consultant in the past. Mr. Chan graduated from the University of New South Wales, Australia with a bachelor's degree in Commerce. He is a Member of the Hong Kong Institute of Certified Public Accountants and Chartered Accountants Australia and New Zealand. Mr. Chan has extensive experience in corporate investment and management. He is responsible for the business development of the Group.

Ms. YEUNG Yin Chi, Jennifer, aged 39, joined the Group in 2011 and has been an Executive Director of the Company since November 2016. Ms. Yeung has many years of experience in the financial investment industry. She is responsible for the Group's financial investment business. Ms. Yeung graduated from the Hong Kong Baptist University with a bachelor's degree in Business Administration. Ms. Yeung is a niece of Dr. Charles Yeung, GBS, JP and Mr. Yeung Chun Fan.

REPORT OF THE DIRECTORS

Independent Non-executive Directors

Mr. LAU Hon Chuen, GBS, JP, alias Ambrose LAU, aged 71, has been an Independent Non-executive Director of the Company since March 1997. He obtained a Bachelor of Laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr. Lau served as a Standing Committee Member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference. Mr. Lau is currently the senior partner of Messrs. Chu & Lau, Solicitors & Notaries, an Independent Non-executive Director of China Jinmao Holdings Group Limited, Yuexiu Property Company Limited, Yuexiu Transport Infrastructure Limited, Joy City Property Limited and Brightoil Petroleum (Holdings) Limited. He is also a Director of OCBC Wing Hang Bank (China) Limited, Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Cinda Financial Holdings Co., Limited, Sun Hon Investment And Finance Limited, Wydoff Limited, Wytex Limited, Trillions Profit Nominee & Secretarial Services Limited, Helicoin Limited, Wyman Investments Limited and Polex Limited. Mr. Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council).

Dr. CHUNG Shui Ming, Timpson, GBS, JP, aged 67, has been an Independent Non-executive Director of the Company since September 2004. Dr. Chung holds a Master of Business Administration Degree and was awarded the degree of Doctor of Social Sciences, honoris causa, by the City University of Hong Kong ("CityU"). Dr. Chung is the Pro-Chancellor of CityU and a Fellow Member of the Hong Kong Institute of Certified Public Accountants. Currently he is an Independent Non-executive Director of Miramar Hotel and Investment Company, Limited, China Unicom (Hong Kong) Limited, China Overseas Grand Oceans Group Limited, China Everbright Limited, China Construction Bank Corporation, Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited, China Railway Group Limited and Orient Overseas (International) Limited. He is also a Member of National Committee of the 13th Chinese People's Political Consultative Conference.

REPORT OF THE DIRECTORS

Dr. LAM Lee G., aged 59, has been a Non-executive Director of the Company since September 2004 and was re-designated as an Independent Non-executive Director of the Company with effect from 20 August 2012. He holds a Bachelor of Science Degree in Mathematics and Sciences, a Master of Science in Systems Science, and a Master of Business Administration Degree, all from the University of Ottawa in Canada, a Post-graduate Diploma in Public Administration from Carleton University in Canada, a Post-graduate Diploma in English and Hong Kong Law and a Bachelor of Law (Hons) from Manchester Metropolitan University in the United Kingdom, a PCLL in law from the City University of Hong Kong, a Certificate in Professional Accountancy from the Chinese University of Hong Kong SCS, a LLM in law from the University of Wolverhampton in the United Kingdom, a Master of Public Administration and a Doctor of Philosophy Degree from The University of Hong Kong. A former member of the Hong Kong Bar. Dr. Lam is a Solicitor of the High Court of Hong Kong, a Fellow of the Hong Kong Institute of Arbitrators and the Hong Kong Institute of Directors, an Honorary Fellow of CPA Australia, a Fellow of CMA Australia, an Honorary Fellow of the Hong Kong Institute of Facility Management and the University of Hong Kong School of Professional and Continuing Education (HKU SPACE). Dr. Lam has over 30 years of multinational general management, strategy consulting, corporate governance, investment banking, direct investment and investment fund management experience, and also serves on the board of directors, the investment committee and the advisory committee of a number of publicly-listed companies, investment funds and NGOs in the Asia Pacific region. Having served as a part-time member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms, and a member of the Legal Aid Services Council, the Education Bureau School Allocation Committee, the New Business Committee of the Financial Services Development Council (FSDC), the Derivatives Market Consultative Panel of Hong Kong Exchanges and Clearing Limited (HKEx) and the General Council and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies.

Dr. Lam is Chairman of Hong Kong Cyberport Management Company Limited, a member of the Hong Kong Special Administrative Region Government's Committee on Innovation, Technology and Re-Industrialization, the Council on Professional Conduct in Education (CPC), and the Court of the City University of Hong Kong, Convenor of the Panel of Advisors on Building Management Disputes of the Hong Kong Special Administrative Region Government Home Affairs Department, President of the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP) Sustainable Business Network (ESBN) Executive Council and Chairman of its Task Force on Banking and Finance, Chairman of the Permanent Commission on Economic and Financial Issues of World Union of Small and Medium Enterprises (WUSME), a board member of Pacific Basin Economic Council (PBEC), a member of the Hong Kong Trade Development Council Belt and Road Committee and Convenor of its Digital Silk Road Working Group, a member of Sir Murray MacLehose Trust Fund Investment Advisory Committee, Honorary Advisor to the Hong Kong Business Angel Network (HKBAN), Honorary Chairman – Asia Pacific of CMA Australia, Chairman of Monte Jade Science and Technology Association of Hong Kong, President of Hong Kong – ASEAN Economic Cooperation Foundation, a Vice President of the Hong Kong Real Property Federation, Special Adviser to the Asia Pacific Real Estates Association, a board member of the Chinese General Chamber of Commerce of Hong Kong and the Australian Chamber of Commerce in Hong Kong and Macau, a founding board member and the Honorary Treasurer of the Hong Kong Vietnam Chamber of Commerce, Vice Chairman of the Hong Kong Myanmar Chamber of Commerce, a founding member of the Hong Kong – Korea Business Council, and a member of the Hong Kong – Thailand Business Council.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, the register required to be kept by the Company pursuant to Section 336 of the SFO showed that the following shareholders (other than directors of the Company) had disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO an interest or a short position in the shares or underlying shares of the Company:

Long positions in shares of the Company

Name of shareholder	Capacity	Number of shares held	Percentage of issued share capital (%)
Glorious Sun Holdings (BVI) Limited	Beneficial owner	622,263,000	40.704
Advancetex Holdings (BVI) Limited	Beneficial owner	207,810,000	13.593

Save as disclosed above, no other parties (other than directors of the Company) disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 31 December 2018.

CONNECTED TRANSACTION

During the year, the Group had the following connected transaction, the disclosure requirements of which were complied with in accordance with Chapter 14A of the Listing Rules.

On 3 August 2018, Glorious Sun Enterprises (BVI) Limited, a wholly-owned subsidiary of the Company, as vendor entered into a sale and purchase agreement to dispose of its interest in Glorious Sun Production (BVI) Limited to Gantin Limited, a company owned by Dr. Charles Yeung, GBS, JP and Mr. Yeung Chun Fan, both are directors and substantial shareholders of the Company, at a consideration of HK$800,000,000. Details of the transaction are set out in the Company's announcement dated 3 August 2018 and circular dated 4 October 2018. The transaction was approved at a special general meeting of the Company held on 13 November 2018 and was completed on 23 November 2018.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following non-exempt continuing connected transactions. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

	Notes	2018 HK$'000	2017 HK$'000
Rental expenses paid to:	(i)		
G. S. (Yeungs) Limited		**1,098**	1,135
Harbour Guide Limited		**–**	2,101
Rank Profit Industries Limited		**4,888**	5,030
銀富房產(惠州)有限公司 (Yin Fu Properties (Huizhou) Company Limited)@		**541**	647
惠州市惠富置業有限公司 (Huizhou Hui Fu Properties Company Limited)@		**1,104**	1,451
Yeung Cheung Yip and Yeung Hon Yip		**–**	8,188
Gloryear Management Limited		**466**	531
Yeung's Family#		**1,186**	1,272
惠州旭興置業有限公司 (Huizhou Xuxing Property Company Limited)@		**2,569**	1,915
		11,852	22,270
Management fees paid to:	(ii)		
Rank Profit Industries Limited		**947**	974
惠州市城市花園物業管理有限公司 (Huizhou City Garden Property Management Company Limited)@		**31**	35
		978	1,009
Total		**12,830**	23,279
Design and management fee paid to:	(iii)		
Glory Star Investments Limited		**5,048**	5,820
Supply of apparel products and accessories to:	(iv)		
Jeanswest Corporation Pty. Ltd.		**258,109**	129,564
Jeanswest Corporation (New Zealand) Limited		**28,991**	12,498
		287,100	142,062
Provision of interior decoration and renovation services to:	(v)		
Advancetex Investment Limited		**1,134**	–

REPORT OF THE DIRECTORS

Notes:

(i) The rental expenses were charged with reference to the prevailing open market rentals.

(ii) The management fees were charged according to the management services agreement signed between the parties having regard to the cost of services provided.

(iii) The design and management fee was charged according to the design and management agreement signed between the parties having regard to 3% of the net sales of the relevant products under Jeanswest brand in the PRC.

(iv) The supply of apparel products and accessories were made according to the prices of apparel products and accessories mutually agreed by the parties for each individual order placed and were either at market rates or at rates no less favourable to the Company than such rates offered to any other independent third party.

(v) The interior decoration and renovation services fees were mutually agreed by the parties and were either at market rates or at rates no less favourable to the Company than such rates offered to any other independent third party.

@ Official names of these companies are in Chinese. English names of the companies are included for identification purpose only.

Yeung's family means Yeung Chun Kam, Yeung Chun Fan, the late Yeung Chun Ho, Yeung Yuk Wai, the late Yeung Wai, Ho Yu Chun, Yeung Chun Ip, David, Yeung Tak Ip, 楊振炎, 楊玉馨, 楊玉群, 楊杰霖, 蔡曉雲 and 楊尼拉.

All of the above companies are controlled by (1) Dr. Charles Yeung, GBS, JP and Mr. Yeung Chun Fan or (2) Mr. Yeung Chun Fan and Ms. Cheung Wai Yee, all of whom are directors of the Company or (3) Mr. Yeung Chun Fan, Ms. Cheung Wai Yee and their sons. Mr. Yeung Cheung Yip and Mr. Yeung Hon Yip are sons of Mr. Yeung Chun Fan.

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Ernst & Young, the Company's Auditor, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the Auditor's letter has been provided by the Company to the Stock Exchange.

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public as at the date of this report.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the year.

EQUITY-LINKED AGREEMENTS

Save as those disclosed in the sections headed "Share Option Schemes" in this Report of the Directors, no other equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2018.

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

During the year, the Company repurchased a total of 7,524,000 shares of the Company on the Stock Exchange. All the repurchased shares were subsequently cancelled by the Company. Details of those transactions are as follows:

Month of repurchase	Number of shares repurchased	Price per share Highest	Price per share Lowest	Aggregate price
		HK$	HK$	HK$'000
August 2018	372,000	0.87	0.86	323,016
September 2018	2,772,000	0.89	0.84	2,401,578
October 2018	2,148,000	0.86	0.81	1,804,232
November 2018	1,720,000	0.88	0.83	1,467,443
December 2018	512,000	0.87	0.85	409,120
	7,524,000			6,405,389

The repurchase of the Company's shares during the year was effected by the Directors, pursuant to the mandate from shareholders received at the last annual general meeting of the Company, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

REPORT OF THE DIRECTORS

EMOLUMENT POLICY

The remuneration committee reviews the emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market statistics.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and has complied with the code provisions as set out in the CG Code in Appendix 14 of the Listing Rules throughout the year ended 31 December 2018, save and except for the deviation from code provision A.6.7 of the CG Code. Details are set out in the Corporate Governance Report on pages 22 to 32.

DISCLOSURE OF INFORMATION ON DIRECTORS

Changes in Directors' information since the publication of the Interim Report of the Company for the six months ended 30 June 2018, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Dr. Lam Lee G. has been appointed as a director of Mingfa Group (International) Company Limited, Aurum Pacific (China) Group Limited (both are public listed companies in Hong Kong) and TMC Life Sciences Berhad (a public listed company in Malaysia).

Dr. Lam is a director of Asia-Pacific Strategic Investments Limited which has changed its name to China Real Estate Grp Ltd. He is also a director of China Medical (International) Group Limited which has changed its name to JCG Investment Holdings Limited. These two companies are publicly listed in Singapore.

AUDITOR

Ernst & Young retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Dr. Charles Yeung, GBS, JP
Chairman

Hong Kong, 19 March 2019

The first NIO life concept store in Shanghai was renovated by Changhong.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Glorious Sun Enterprises Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Glorious Sun Enterprises Limited (the "Company") and its subsidiaries (the "Group") set out on pages 53 to 176, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Glorious Sun Enterprises Limited
(Incorporated in Bermuda with limited liability)

KEY AUDIT MATTERS *(CONTINUED)*

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition of interior decoration and renovation business	
The Group has recorded gross interior decoration and renovation income amounted to HK$503 million during the year ended 31 December 2018. Contracts assets of HK$49 million and contracts liabilities of HK$73 million were recognised as at 31 December 2018. Revenue from interior decoration and renovation is recognised over time, using an input method to measure progress towards complete satisfaction of the contracts, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. Significant management judgement is involved in determining the total outcome of contract revenue and contract costs. The profit recognised over the contract period depends on the progress towards complete satisfaction of the relevant performance obligation. The accounting policies and disclosures in relation to revenue recognition of interior decoration and renovation business are included in notes 2.4, 3, 5 and 25 to the consolidated financial statements.	We examined the calculation of the revenue and gross profit recognised for the current year; and checked on a sample basis to contracts and variation orders signed with customers. We also performed controls testings and cut-off tests on contract costs; We evaluated the budget contract cost made by management by examining the related contracts and invoices from suppliers and subcontractors.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Glorious Sun Enterprises Limited
(Incorporated in Bermuda with limited liability)

KEY AUDIT MATTERS *(CONTINUED)*

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses on trade receivables, financial assets included in prepayments, deposits and other receivables and contract assets	
The carrying value of the Group's trade receivables, financial assets included in prepayments, deposits and other receivables and contract assets as at 31 December 2018 amounted to HK$172 million, HK$58 million and HK$49 million, respectively. The provision for expected credit losses ("ECL") for trade receivables, financial assets included in prepayments, deposits and other receivables and contract assets carried as at 31 December 2018 was HK$10 million, HK$4 million and HK$6 million. The Group has adopted HKFRS 9 on its mandatory effective date of 1 January 2018. The key changes arising from the adoption of HKFRS 9 are that the Group's credit losses are now estimated based on an ECL model rather than an incurred loss model. Management uses the simplified approach to calculate ECL for trade receivables and contract assets and the general approach to calculate ECL for other receivables. Management has engaged an independent specialist to determine the calculation of the ECL. The Group considers the available information which includes information about past events, current conditions and forecasts of future economic conditions to estimate the ECL. The Group also assesses whether the credit risk on the other receivables has increased significantly under the general approach.	We obtained an understanding of the Group's credit risk management and practices, and assessed the Group's policy on determining ECL, including an evaluation of management judgements on (i) the level of disaggregation of categories for collective assessment; (ii) the use of available credit risk information including historical and forward-looking factors; and (iii) the criteria for determining if a significant increase in credit risk has occurred. We obtained and reviewed the valuation established by management which is based on the Group's historical credit loss experience and, adjusted for forward-looking factors specific to the debtors and the economic environment. For financial assets included in prepayments, deposits and other receivables, we obtained the valuation prepared by the external specialist engaged by the Group, we involved our internal valuation specialists to assist us to evaluate the Group's estimation methodology of ECL and check the parameters to external available data sources.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Glorious Sun Enterprises Limited
(Incorporated in Bermuda with limited liability)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Glorious Sun Enterprises Limited
(Incorporated in Bermuda with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Glorious Sun Enterprises Limited
(Incorporated in Bermuda with limited liability)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is CHIU, Caroline Su Yuen.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

19 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE			
Revenue from contracts with customers		**1,144,500**	1,072,149
Revenue from other sources:			
Interest income from financial assets measured at amortised cost		**76,107**	95,431
Others		**50,394**	26,144
	5	**1,271,001**	1,193,724
Cost of sales		**(1,021,633)**	(914,268)
Gross profit		**249,368**	279,456
Other income and gains	5	**35,294**	48,701
Gains from derecognition of financial assets measured at amortised cost		**9,272**	20,594
Selling and distribution expenses		**(39,716)**	(34,584)
Administrative expenses		**(122,774)**	(140,931)
Other expenses		**(24,224)**	(10,734)
Impairment loss of financial and contract assets, net		**(5,123)**	(1,132)
Finance costs	6	**(10,782)**	(9,365)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	**91,315**	152,005
Income tax expenses	10	**(8,169)**	(19,010)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**83,146**	132,995
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations	11	**26,433**	(41,311)
PROFIT FOR THE YEAR		**109,579**	91,684
Attributable to:			
Ordinary equity holders of the Company		**107,430**	88,669
Non-controlling interests		**2,149**	3,015
		109,579	91,684
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13	**HK cents**	HK cents
Basic and diluted			
For profit for the year		**7.00**	5.77
For profit from continuing operations		**5.23**	8.44

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
PROFIT FOR THE YEAR	**109,579**	91,684
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**–**	15,492
	–	15,492
Exchange differences:		
Release of reserve upon disposal of subsidiaries	**(20,734)**	49,557
Exchange differences on translation of foreign operations	**(38,384)**	25,054
	(59,118)	74,611
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(59,118)**	90,103
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Changes in fair value for equity investments designated at fair value through other comprehensive income	**(67,745)**	–
Gains on property revaluation	**44,553**	–
Income tax effect	**(9,786)**	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**(32,978)**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(92,096)**	90,103
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**17,483**	181,787
Attributable to:		
Ordinary equity holders of the Company	**16,783**	177,498
Non-controlling interests	**700**	4,289
	17,483	181,787

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**13,468**	277,427
Investment properties	15	**–**	254,323
Prepaid land lease payments	16	**–**	4,936
Goodwill	17	**4,579**	–
Debt investments at amortised cost	19	**1,119,879**	–
Held-to-maturity investments	19	**–**	951,514
Equity investments designated at fair value through other comprehensive income	20	**748,690**	–
Available-for-sale investments	20	**–**	817,175
Rental deposits	24	**1,296**	5,259
Deferred tax assets	32	**8,539**	3,732
Total non-current assets		**1,896,451**	2,314,366
CURRENT ASSETS			
Inventories	21	**63,343**	352,638
Interior decoration and renovation contracts	22	**–**	18,241
Trade receivables	23	**171,890**	328,285
Prepayments, deposits and other receivables	24	**76,645**	330,775
Contract assets	25	**49,026**	–
Due from an associate	18(b)	**–**	1,309
Due from other related companies	26	**22,633**	27,418
Held-to-maturity investments	19	**–**	361,877
Pledged deposits	27	**6,742**	–
Cash and cash equivalents	27	**1,061,175**	971,131
Total current assets		**1,451,454**	2,391,674
CURRENT LIABILITIES			
Trade and bills payables	28	**134,554**	450,284
Interior decoration and renovation contracts	22	**–**	24,842
Contract liabilities	29	**72,740**	–
Other payables and accruals	29	**183,712**	571,902
Due to an associate	18(b)	**–**	21
Interest-bearing bank borrowings	30	**474,051**	991,847
Tax payable		**11,127**	66,346
Provision	31	**1,585**	–
Total current liabilities		**877,769**	2,105,242
NET CURRENT ASSETS		**573,685**	286,432
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,470,136**	2,600,798

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	32	**12**	43,815
Provision	31	**838**	–
Total non-current liabilities		**850**	43,815
Net assets		**2,469,286**	2,556,983
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	33	**152,876**	153,609
Reserves	35	**2,295,378**	2,391,123
		2,448,254	2,544,732
Non-controlling interests		**21,032**	12,251
Total equity		**2,469,286**	2,556,983

Charles Yeung, GBS, JP
Director

Yeung Chun Fan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

		Attributable to ordinary equity holders of the Company												
	Notes	Issued capital HK$'000 (note 33)	Share premium account HK$'000	Treasury shares HK$'000 (note 35 (iv))	Contributed surplus HK$'000 (note 35 (i))	Share option reserve HK$'000 (note 35 (ii))	Asset revaluation reserve HK$'000 (note 35 (iii))	Available-for-sale investment/ fair value reserve HK$'000	Exchange fluctuation reserve HK$'000	Other reserves HK$'000 (note 35 (v))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2017		153,609	739,640	–	192,478	69	25,806	15,492	62,078	4,015	1,351,545	2,544,732	12,251	2,556,983
Effect of adoption of HKFRS 9	2.2(b)	–	–	–	–	–	–	–	–	–	(19,298)	(19,298)	–	(19,298)
At 1 January 2018 (restated)		153,609	739,640	–	192,478	69	25,806	15,492	62,078	4,015	1,332,247	2,525,434	12,251	2,537,685
Profit for the year		–	–	–	–	–	–	–	–	–	107,430	107,430	2,149	109,579
Other comprehensive income for the year:														
Change in fair value of equity investments at fair value through other comprehensive income		–	–	–	–	–	–	(67,745)	–	–	–	(67,745)	–	(67,745)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(36,935)	–	–	(36,935)	(1,449)	(38,384)
Release of reserve upon disposal of subsidiaries	38(a)	–	–	–	–	–	–	–	(20,734)	–	–	(20,734)	–	(20,734)
Gain on property revaluation, net of tax		–	–	–	–	–	34,767	–	–	–	–	34,767	–	34,767
Total comprehensive income for the year		–	–	–	–	–	34,767	(67,745)	(57,669)	–	107,430	16,783	700	17,483
Disposal of subsidiaries		–	–	–	185,089	–	(60,573)	–	–	4,121	(128,637)	–	11,375	11,375
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(3,294)	(3,294)
Shares repurchased	35(iv)	–	–	(6,406)	–	–	–	–	–	–	–	(6,406)	–	(6,406)
Cancellation of shares repurchased	35(iv)	(733)	(5,501)	6,234	–	–	–	–	–	–	–	–	–	–
Transfer of share option reserve upon lapse of share options	34	–	–	–	–	(69)	–	–	–	–	69	–	–	–
Final 2017 dividend	12	–	–	–	–	–	–	–	–	–	(49,155)	(49,155)	–	(49,155)
Interim 2018 dividend	12	–	–	–	–	–	–	–	–	–	(38,402)	(38,402)	–	(38,402)
Transfer within reserves		–	–	–	–	–	–	–	–	882	(882)	–	–	–
At 31 December 2018		152,876	734,139*	(172)*	377,567*	–*	–*	(52,253)*	4,409*	9,018*	1,222,670*	2,448,254	21,032	2,469,286

* These reserve accounts comprise the consolidated reserves of HK$2,295,378,000 (2017: HK$2,391,123,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

		Attributable to ordinary equity holders of the Company											
	Notes	Issued capital HK$'000 (note 33)	Share premium account HK$'000	Contributed surplus HK$'000 (note 35 (i))	Share option reserve HK$'000 (note 35 (ii))	Asset revaluation reserve HK$'000 (note 35 (iii))	Available-for-sale investment reserve HK$'000	Exchange fluctuation reserve HK$'000	Other reserves HK$'000 (note 35 (v))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017		153,609	739,640	189,699	60	25,806	–	(11,259)	3,221	1,354,006	2,454,782	10,187	2,464,969
Profit for the year		–	–	–	–	–	–	–	–	88,669	88,669	3,015	91,684
Other comprehensive income for the year:													
Available-for-sale investments:													
Changes in fair value		–	–	–	–	–	15,492	–	–	–	15,492	–	15,492
Exchange differences on translation of foreign operations		–	–	–	–	–	–	23,780	–	–	23,780	1,274	25,054
Release of reserve upon disposal of subsidiaries	38(b)	–	–	–	–	–	–	49,557	–	–	49,557	–	49,557
Total comprehensive income for the year		–	–	–	–	–	15,492	73,337	–	88,669	177,498	4,289	181,787
Disposal of a subsidiary		–	–	2,779	–	–	–	–	–	(2,779)	–	–	–
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	(2,225)	(2,225)
Equity-settled share option arrangements	34	–	–	–	9	–	–	–	–	–	9	–	9
Final 2016 dividend		–	–	–	–	–	–	–	–	(49,155)	(49,155)	–	(49,155)
Interim 2017 dividend	12	–	–	–	–	–	–	–	–	(38,402)	(38,402)	–	(38,402)
Transfer within reserves		–	–	–	–	–	–	–	794	(794)	–	–	–
At 31 December 2017		153,609	739,640*	192,478*	69*	25,806*	15,492*	62,078*	4,015*	1,351,545*	2,544,732	12,251	2,556,983

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:			
From continuing operations		**91,315**	152,005
From discontinued operations		**22,200**	(48,437)
Adjustments for:			
Finance costs		**13,006**	12,984
Bank interest income		**(8,599)**	(6,066)
Depreciation	14	**31,190**	55,064
Amortisation of prepaid land lease payments	16	**153**	164
Impairment of items of property, plant and equipment	14	**696**	13,425
Revaluation deficit of items of property, plant and equipment	14	**–**	5,565
Loss/(gain) on disposal of items of property, plant and equipment, net		**4,224**	(29,607)
Gain on disposal of subsidiaries	38	**(145,171)**	(22,744)
Income received on early redemption of debt investments at amortised cost/held-to-maturity investments		**(9,272)**	(20,594)
Provision for inventories, net		**42,425**	30,624
Equity-settled share option expense	34	**–**	9
Changes in fair value of investment properties	15	**1,746**	(7,445)
Reversal of impairment of trade receivables, net		**(3,518)**	7,674
Impairment of contract assets, net		**4,083**	–
Impairment of financial assets included in prepayment, deposits and other receivables, net		**1,036**	–
Reversal of impairment of due from an associate		**(131)**	–
Reversal of impairment of due from other related companies		**(719)**	–
Effect of foreign exchange rate changes, net		**23,254**	(32,709)
		67,918	109,912
Decrease/(increase) in inventories		**50,795**	(65,143)
Decrease in interior decoration and renovation contracts		**–**	5,527
Increase in contract assets		**(37,080)**	–
Increase in trade receivables		**(16,530)**	(13,120)
Decrease/(increase) in prepayments, deposits and other receivables		**93,753**	(72,600)
Decrease in listed equity investment at fair value through profit or loss		**–**	9,243
Decrease in debt investments at amortised cost/held-to-maturity investments		**2,640**	7,595
Decrease in amounts due from other related companies		**732**	10,111
Decrease/(increase) in an amount due from an associate		**1,307**	(389)
Decrease in trade and bills payables		**(6,120)**	(25,104)
Increase in contract liabilities		**105,865**	–
Increase/(decrease) in other payables and accruals		**(220,422)**	204,003
Decrease in an amount due to an associate		**(21)**	(9)
Increase in provisions		**2,423**	–
Cash generated from operations		**45,260**	170,026

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000 (Restated)
Cash generated from operations		**45,260**	170,026
Interest paid		**(13,006)**	(12,984)
Hong Kong profits tax paid		**(5,057)**	(42,496)
Overseas taxes paid		**(10,159)**	(4,491)
Net cash flows from operating activities		**17,038**	110,055
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		**8,599**	6,066
Purchases of items of property, plant and equipment		**(23,815)**	(41,316)
Purchases of debt investments at amortised cost/held-to-maturity investments		**(244,529)**	(593,188)
Purchases of equity investments at fair value through other comprehensive income/available-for-sale investment		**–**	(789,707)
Purchase of investment properties		**(34)**	–
Proceeds from early redemption of debt investments at amortised cost/held-to-maturity investments		**431,432**	589,224
Proceeds from disposal of items of property, plant and equipment		**5,018**	70,420
Disposal of subsidiaries	38	**545,087**	177,488
Acquisition of a subsidiary	37	**(4,534)**	–
Increased in pledged bank deposit		**(6,742)**	–
Net cash flows from/(used in) investing activities		**710,482**	(581,013)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share repurchase		**(6,406)**	–
New bank loans		**474,051**	6,850,022
Repayment of bank loans		**(991,847)**	(6,197,001)
Dividends paid		**(87,557)**	(87,557)
Dividends paid to non-controlling shareholders		**(3,294)**	(2,225)
Net cash flows from/(used in) financing activities		**(615,053)**	563,239
NET INCREASE IN CASH AND CASH EQUIVALENTS		**112,467**	92,281
Cash and cash equivalents at beginning of year		**971,131**	854,311
Effect of foreign exchange rate changes, net		**(22,423)**	24,539
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,061,175**	971,131
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**960,166**	670,462
Non-pledged time deposits with original maturity of three months or less when acquired		**101,009**	300,669
Cash and cash equivalents as stated in the consolidated statement of financial position		**1,061,175**	971,131

NOTES TO FINANCIAL STATEMENTS

31 December 2018

1. CORPORATE AND GROUP INFORMATION

Glorious Sun Enterprises Limited (the "Company") is a limited liability company incorporated in Bermuda. The head office and principal place of business of the Company is located at 38/F., One Kowloon, 1 Wang Yuen Street, Kowloon Bay, Hong Kong.

During the year, the Group was involved in the retailing, export and production of casual wear, financial investments, and interior decoration and renovation. Since the completion of disposal of Glorious Sun Production (BVI) Limited and its subsidiaries (the "GSP Group") on 23 November 2018, the Group was no longer involved in retail business in the Mainland China as well as production of casual wear.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Glorious Sun Enterprises (BVI) Limited	British Virgin Islands/ Hong Kong	US$200	100	–	Investment holding
Jeanswest (BVI) Limited***#	British Virgin Islands	US$1	–	100	Investment holding
Glorious Sun Licensing (L) Limited***#	Malaysia	US$1	–	100	Holding of trademarks
Jeanswest International (H.K.) Limited***	Hong Kong/ Mainland China	HK$10,000,000 Ordinary	–	100	Retail of apparel in Mainland China
Advancetex Investment Limited***	Hong Kong/ Mainland China	HK$10,000,000 Ordinary	–	100	Retail of apparel in Mainland China
Glorious Sun Industries (BVI) Limited***#	British Virgin Islands	US$1	–	100	Investment holding
Pacific Potential Trading Company Limited	Hong Kong	HK$200,000 Ordinary	–	100	Provision of agency services
Advancetex International Trading (HK) Company Limited***	Hong Kong	HK$6,000,000 Ordinary	–	100	Trading and production of apparel
Advancetex Fashion Garment Mfy. (Hui Zhou) Limited (大進製衣廠(惠州)有限公司)*/***#@	Mainland China/ Hong Kong	US$10,000,000	–	100	Manufacture of apparel

NOTES TO FINANCIAL STATEMENTS

31 December 2018

1. CORPORATE AND GROUP INFORMATION *(CONTINUED)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Jeanswest Apparels (China) Company Limited (真維斯服飾(中國)有限公司)**/****#@	Mainland China	US$10,000,000	–	100	Manufacture and trading of apparel
Da Jin Trading (Huizhou) Company Limited (大進貿易(惠州)有限公司)*/****#@	Mainland China	HK$500,000	–	100	Trading of apparel
Rand Design Limited#	Hong Kong	HK$1 Ordinary	–	100	Garment design and trading of apparel
Full Yuen Investments Limited***#	Hong Kong	HK$2 Ordinary	–	100	Investment holding
Jeanswest Overseas Development Limited***	Hong Kong	HK$10,000 Ordinary	–	100	Investment holding
Shijiazhuang Changhong Building Decoration Engineering Company Limited ("Shijiazhuang Changhong") (石家莊常宏建築裝飾工程有限公司)**#@	Mainland China/ Hong Kong	RMB36,085,000	–	65	Provision of decoration and renovation services
Glorious Sun Investment (China) Company Limited (旭日投資(中國)有限公司)*/****#@	Mainland China	US$30,000,000	–	100	Investment holding
PPT International (HK) Company Limited	Hong Kong	HK$100,000	–	100	Trading of apparel

1. CORPORATE AND GROUP INFORMATION *(CONTINUED)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Glorious Sun Production (BVI) Limited***#	British Virgin Islands	US$3	–	100	Investment holding
Smart Empire Asset Management Limited ("Smart Empire") (Formerly known as Honghill Asset Management Limited)	Hong Kong	HK$5,000,000	–	100	Asset management

* Registered as wholly-foreign-owned enterprises under PRC law
** Registered as Sino-foreign equity joint ventures under PRC law
*** These companies have been disposed of on 23 November 2018
# Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network
@ Official names of these entities are in Chinese. The English translations of the names are for identification purposes only

During the year, the Group acquired Smart Empire from a third party. Further details of this acquisition are included in note 37 to the financial statements.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain equity investments which have been measured at fair value.

These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.1 BASIS OF PREPARATION

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Except for the amendments to HKFRS 4 and *Annual Improvements 2014-2016 Cycle*, which are not relevant to the preparation of the Groups financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(CONTINUED)*

(b) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

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

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

		HKAS 39 measurement		Re-		HKFRS 9 measurement	
		Category	Amount	classification	ECL	Amount	Category
	Notes		HK$'000	HK$'000	HK$'000	HK$'000	
Financial assets							
Equity investments designated at fair value through other comprehensive income	(i)	N/A	–	817,175	–	817,175	FVOCI[1] (equity)
Available-for-sale investments	(i)	AFS[2]	817,175	(817,175)	–	–	N/A
Debt investments at amortised cost	(ii)	N/A	–	1,313,391	–	1,313,391	AC[4]
Held-to-maturity investments	(ii)	HTM[3]	1,313,391	(1,313,391)	–	–	N/A
Trade receivables	(iii)	L&R[4]	321,235	–	(8,990)	312,245	AC
Financial assets included in prepayments, deposits and other receivables		L&R	214,982	–	(10,532)	204,450	AC
Due from an associate		L&R	1,309	–	(133)	1,176	AC
Due from other related companies		L&R	27,418	–	(803)	26,615	AC
Rental deposits		L&R	5,259	–	–	5,259	AC
Cash and cash equivalents		L&R	971,131	–	–	971,131	AC
Other assets							
Contract assets	(iii)		25,291	–	(2,212)	23,079	
Deferred tax assets			3,732	–	3,372	7,104	

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(CONTINUED)*

(b) *(continued)*

Classification and measurement (continued)

	HKAS 39 measurement		Re-		HKFRS 9 measurement	
	Category	Amount	classification	ECL	Amount	Category
		HK$'000	HK$'000	HK$'000	HK$'000	
Financial liabilities						
Trade and bills payables	AC	450,284	–	–	450,284	AC
Financial liabilities included in other payables and accruals	AC	278,036	–	–	278,036	AC
Interest-bearing bank and other borrowings	AC	991,847	–	–	991,847	AC
Due to an associate	AC	21	–	–	21	AC
Other liabilities						
Contract liabilities		24,842	–	–	24,842	
Deferred tax liabilities		43,815	–	–	43,815	

[1] FVOCI: Financial assets at fair value through other comprehensive income
[2] AFS: Available-for-sale investments
[3] HTM: Held-to-maturity investments
[4] L&R: Loans and receivables
[5] AC: Financial assets or financial liabilities at amortised cost

Notes:

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

(ii) The Group has classified its listed debt investments previously classified as held-to-maturity investments as debt investments at amortised cost.

(iii) The gross carrying amounts of the trade receivables and the contract assets under the column ''HKAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of HKFRS 15 are included in note 2.2(c) to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(CONTINUED)*

(b) *(continued)*

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in notes 23, 24, 25 and 26 to the financial statements.

	Impairment allowances under HKAS 39 at 31 December 2017	Re-measurement	ECL allowances under HKFRS 9 at 1 January 2018
	HK$'000	HK$'000	HK$'000
Trade receivables	13,277	8,990	22,267
Contract assets	–	2,212	2,212
Financial assets included in prepayments, deposits and other receivables	–	10,532	10,532
Due from an associate	–	133	133
Due from other related companies	–	803	803
	13,277	22,670	35,947

Impact on reserves and retained profits

As a result of the reclassification of an equity investment from available-for-sale investment to equity investment designated at fair value through other comprehensive income upon the adoption of HKFRS 9 as at 1 January 2018, the corresponding fair value reserve account is re-defined as a reserve account for gains and losses which are never recycled to the statement of profit or loss. The Group was required to re-measure the fair value of equity investment under HKFRS 9, however, the fair value change was immaterial and accordingly, no opening adjustment on fair value change on equity investment was made upon the adoption of HKFRS 9.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(CONTINUED)*

(b) *(continued)*

Impact on reserves and retained profits (continued)

The impact of transition to HKFRS 9 on retained profits is as follows:

	HK$'000
Retained profits	
Balance as at 31 December 2017 under HKAS 39	1,351,545
Recognition of expected credit losses under HKFRS 9 for:	
– trade receivables	(8,990)
– contract assets	(2,212)
– financial assets included in prepayment, deposits and other receivables	(10,532)
– due from an associate	(133)
– due from other related companies	(803)
	(22,670)
Deferred tax in relation to the above	3,372
	(19,298)
Balance as at 1 January 2018 under HKFRS 9	1,332,247

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 3 and 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(CONTINUED)*

(c) *(continued)*

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

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

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

	Notes	**Increase/ (decrease)** HK$'000
Assets		
Trade receivables	(i)	(6,444)
Interior decoration and renovation contracts	(i)	(16,635)
Contract assets	(i)	23,079
Total assets		–
Liabilities		
Interior decoration and renovation contracts	(ii)	(24,842)
Other payables and accruals	(ii)	(205,765)
Contract liabilities	(ii)	230,607
Total liabilities		–

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(CONTINUED)*

(c) *(continued)*

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

Consolidated statement of financial position as at 31 December 2018:

		Amounts prepared under		
			Previous	**Increase/**
		HKFRS 15	**HKFRS**	**(decrease)**
	Notes	**HK$'000**	**HK$'000**	**HK$'000**
Interior decoration and renovation contracts	(i)	**–**	**42,412**	**(42,412)**
Trade receivables	(i)	**171,890**	**178,504**	**(6,614)**
Contract assets	(i)	**49,026**	**–**	**49,026**
Interior decoration and renovation contracts	(ii)	**–**	**21,638**	**(21,638)**
Other payables and accruals	(ii)	**183,712**	**234,814**	**(51,102)**
Contract liabilities	(ii)	**72,740**	**–**	**72,740**

The nature of the adjustments as at 1 January 2018 and the reasons for the changes in the statement of financial position as at 31 December 2018 are described below:

(i) Interior decoration and renovation contracts

Before the adoption of HKFRS 15, contract costs were recognised as an asset provided it was probable that they would be recovered. Such costs represented an amount due from the customers and were recorded as construction contracts in the statement of financial position before the construction services were billed to customers. Upon the adoption of HKFRS 15, a contract asset is recognised when the Group performs by transferring goods or services to customers and the Group's right to consideration is conditional. Accordingly, the Group reclassified HK$16,635,000 from interior decoration and renovation contracts to contract assets as at 1 January 2018.

Before the adoption of HKFRS 15, retention receivables arising from interior decoration and renovation contracts, that were conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts, were included in trade receivables. Upon adoption of HKFRS 15, retention receivables are reclassified to contract assets. Accordingly, the Group reclassified HK$6,444,000 from trade receivables to contract assets as at 1 January 2018.

As at 31 December 2018, the adoption of HKFRS 15 resulted in a decrease in trade receivables of HK$6,614,000, a decrease in interior decoration and renovation contracts of HK$42,412,000 and an increase in contract assets of HK$49,026,000.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(CONTINUED)*

(c) *(continued)*

(ii) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Upon adoption of HKFRS 15, the Group reclassified HK$205,765,000 from other payables to contract liabilities as at 1 January 2018. Under HKFRS 15, the amount is classified as contract liabilities.

Before the adoption of HKFRS 15, the Group recognised payables to customers arising from the timing difference between the revenue recognition measured based on the percentage of completion and receivables before being unconditionally entitled to the consideration for the service in the contract. Upon adoption of HKFRS 15, the Group reclassified HK$24,842,000 from interior decoration and renovation contracts to contract liabilities as at 1 January 2018.

As at 31 December 2018, the adoption of HKFRS 15 resulted in a decrease in other payables of HK$51,102,000, a decrease in interior decoration and renovation contracts of HK$21,638,000 and an increase in contract liabilities of HK$72,740,000 in relation to the consideration received from customers in advance for the sale of goods and the provision of interior decoration and renovation services.

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

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

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

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

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

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

NOTES TO FINANCIAL STATEMENTS

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(CONTINUED)*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. As disclosed in note 41(b) to the financial statements, at 31 December 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$60,009,000.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(CONTINUED)*

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

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

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

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint venture are eliminated to the extent of the Group's investment in an associate or a joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate or joint venture is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Business combinations and goodwill *(continued)*

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

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

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

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

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

Fair value measurement

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Fair value measurement *(continued)*

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

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

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

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of non-financial assets *(continued)*

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

Related parties

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

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

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

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment and depreciation

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

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

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

Leasehold land and buildings	1.67% – 5% or over the lease terms, whichever is shorter
Leasehold improvements	20% – 25% or over the lease terms, whichever is shorter
Plant and machinery	10% – 25%
Furniture, fixtures and office equipment	10% – 33%
Motor vehicles	20% – 30%

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investment properties

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

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

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

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

Initial recognition and measurement

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are the non-derivative financial assets in listed and unlisted equity investments, which are neither classified as held for trading nor designated as at fair value through profit or loss.

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

Available-for-sale financial investments (continued)

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

Simplified approach

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

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

Financial assets carried at amortised cost

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

Financial assets carried at amortised cost (continued)

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

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables as appropriate.

These financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, amounts due to other related companies and interest-bearing bank and other borrowings.

Subsequent measurement

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

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

Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Provisions

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Income tax *(continued)*

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

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

(a) Sale of goods

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

(b) Interior decoration and renovation services

Revenue from the provision of interior decoration and renovation services is recognised over time, using an input method to measure progress towards complete satisfaction of the contacts, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the interior decoration and renovation contacts.

Revenue from other sources

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

Distribution from equity investments at fair value through other comprehensive income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Other income

Royalty income is recognised on an accrual basis in accordance with the terms of the relevant licensing agreements.

Management service income is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition (applicable before 1 January 2018)

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from interior decoration and renovation contracts, on the percentage of completion basis, as further explained in the accounting policy for "interior decoration and renovation contracts (applicable before 1 January 2018)";

(c) from the rendering of sub-contracting and management services, when the services have been rendered;

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

(e) distribution from listed available-for-sale investments and dividend income, when the shareholders' right to receive payment has been established;

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

(g) royalty income, is recognised on an accrual basis in accordance with the terms of the relevant licensing agreements.

(h) commission and services income, when the services are rendered.

Contract assets (applicable from 1 January 2018)

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

Contract liabilities (applicable from 1 January 2018)

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

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Interior decoration and renovation contracts (applicable before 1 January 2018)

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the subcontracting costs, direct labour and an appropriate proportion of variable and fixed overheads.

Revenue from fixed price contracts is recognised on the percentage of completion method, measured by reference to the percentage of cost incurred on work performed to date to the total contract sum of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model, further details of which are given in note 34 to the financial statements.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Share-based payments *(continued)*

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for most of the Group's Hong Kong employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Prior to the MPF Scheme becoming effective, the Group operated two defined contribution retirement benefit schemes for certain employees, the assets of which are held separately from those of the Group in independently administered funds. Under one of the schemes, contributions payable by the employers and employees were suspended in January 1994, but the administrator continues to manage and invest the assets of the scheme and to make payments to employees in accordance with the rules of the scheme. Under the other scheme, contributions were made based on a percentage of the eligible employees' salaries and were charged to the statement of profit or loss as they became payable in accordance with the rules of the scheme. When an employee leaves the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amounts of forfeited contributions. These schemes are still operating at the end of the reporting period and up to the date of this report.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Other employee benefits *(continued)*

Pension schemes (continued)

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

Termination benefits

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

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

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies *(continued)*

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

Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(CONTINUED)*

Revenue from contracts with customers

The Group applied the following judgements to determine the method to estimate variable consideration and assess the constraint for interior decoration and renovation services, which significantly affect the determination of the amount and timing of revenue from contracts with customers:

The Group seeks to collect claims from the customers as reimbursement of costs and margins for scope of works not included in the original interior decoration and renovation contracts, which give rise to variable consideration. The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for claims in interior decoration and renovation services, given there is a wide range of possible outcomes which are subject to negotiations with third parties.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, current negotiations with customers, profitability of the contracts of the customers and the current economic conditions.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment of all non-financial assets at the end of each reporting period. Non-financial assets other than goodwill and intangible assets with indefinite life are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use is calculated to assess for impairment, management applies assumptions to prepare cash flow forecast, i.e. discount rate, growth rate for the asset or cash-generating unit to calculate the present value of those cash flows. Since the Group’s retail business recorded a loss during the current financial year, the management of the Company performed impairment assessment of the cash-generating unit by using value in use calculations based on the discounted cash flows. Significant judgement and estimation are involved in the assessment of their recoverable amounts.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(CONTINUED)*

Write-down of inventories to net realisable value

Management reviews the ageing analysis of inventories of the Group at the end of each reporting period, and makes provision for inventory items identified that are no longer suitable for sale. The assessment of the provision amount required involves management judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying value of the inventories and provision charge/write-back in the period in which estimate has been changed. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether provision needs to be made in respect of any obsolete inventories identified. The Group carries out an inventory review at the end of each reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation at the end of each reporting period.

Income taxes and deferred taxes

Since the Group's business operates in a number of different tax jurisdictions, the complexities of local tax regulations require management to make judgements and estimates in relation to tax exposures. Change in assumptions about the decisions that might be taken by relevant tax authorities can materially impact the level of provisions recorded in the financial statements and there are significant judgements in estimating the amount of provision for taxes required.

Recognition of deferred tax assets, which principally relate to temporary differences in respect of provisions and losses available for offsetting taxable profits, depends on management's expectation of future taxable profits that will be available against which the temporary differences and tax losses can be utilised. The outcome of their actual utilisation may be different. Further details are set out in note 32 to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2018 was HK$4,579,000 (2017: Nil). Further details are included in note 17 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(CONTINUED)*

Provision for expected credit losses on trade receivables, financial assets included in prepayments, deposits and other receivables and contract assets

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is included in note 23 and note 25 to the financial statements, respectively.

The measurement of ECLs under HKFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, such as risks of default and losses given default, changes in which can result in different levels of allowances. The Group's ECLs calculations on financial assets included in prepayments, deposit and other receivables are based on assumptions about risks of default and losses given default. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculations, based on credit risks of the debtors or comparable companies in the market, existing market conditions as well as forward looking estimates (such as gross domestic product) at the end of each reporting period. The Group reviews its models in the context of actual loss experience regularly and adjusts when necessary. The information about the ECLs on the Group's financial assets included in prepayments, deposits and other receivables is included in note 24 to the financial statements.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 45 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of this investments as Level 3.

The fair value of the unlisted equity investments at 31 December 2018 was HK$11,236,000 (2017: Nil). Further details are included in note 20 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(CONTINUED)*

Provision for onerous contracts

Management estimates the provision for onerous contracts being the present obligation of the unavoidable costs less the economic benefits expected to be received under those non-cancellable operating lease contracts in connection with the retail operation. The expected economic benefits are estimated based on net discounted cash flows of the retail operation while unavoidable costs are rental payments that the Group is obligated to make under the non-cancellable operating lease contracts.

Management conducted an assessment of the non-cancellable contracts and had a provision of HK$2,423,000 (2017: Nil) for onerous contracts at 31 December 2018. Further details are included in note 31 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

(a) the "export operations" segment exports apparel;

(b) the "financial investments" segment engages in treasury management;

(c) the "interior decoration and renovation" segment engages in the interior decoration and renovation, and sales of furniture businesses; and

(d) the "retail, wholesale, franchise and others" segment mainly includes retail operation in Hong Kong, wholesale in the domestic market, and franchise sales under Jeanswest Brand in overseas marketing within casual wear and apparel domain.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

During the year ended 31 December 2018, the Group has disposed of its retail business in the PRC. Further details on the disposal are included in note 11(i) to the financial statements. Subsequent to the disposal of the retail business in the PRC, the Group's garment business mainly represented by retail clothing business in Hong Kong plus overseas franchise operations, as well as wholesale of apparel in the domestic market. As the Group's retail business after the disposal of the PRC retail operation has decreased substantially, management no longer independently review this line of business. As such, result from retail operation is now included in "retail, wholesale, franchise and others" for current year's presentation.

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4. OPERATING SEGMENT INFORMATION (CONTINUED)

Information regarding the Group's reportable segments, together with their related revised comparative information, is presented below:

By business

	Year ended 31 December 2018				
	Export operations HK$'000	Financial investments HK$'000	Interior decoration and renovation HK$'000	Retail, wholesale, franchise and others HK$'000	Total from continuing operations HK$'000
Segment revenue:					
Revenue from external parties	560,761	126,501	503,151	80,588	1,271,001
Other income and gains	14,340	9,272	3,325	5,482	32,419
Total	575,101	135,773	506,476	86,070	1,303,420
Segment results	11,699	115,136	9,849	5,678	142,362
Interest income					3,858
Unallocated revenue					8,289
Corporate and other unallocated expenses					(52,412)
Finance costs					(10,782)
Profit before tax from continuing operations					91,315
Income tax expenses					(8,169)
Profit for the year from continuing operations					83,146
Other segment information:					
Depreciation and amortisation	125	–	1,716	1,105	2,946
Impairment loss on trade receivables, financial assets included in prepayments, deposit and other receivables and contract assets	325	–	3,472	1,326	5,123
Impairment of items of properties, plant and equipment	–	–	–	875	875
Provision/(write-back of provision) for inventories	–	–	(506)	155	(351)
Capital expenditure*	–	–	1,247	910	2,157

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

By business *(continued)*

	Year ended 31 December 2017				
	Export operations HK$'000 (Restated)	Financial investments HK$'000 (Restated)	Interior decoration and renovation HK$'000	Retail, wholesale, franchise and others HK$'000 (Restated)	Total from continuing operations HK$'000 (Restated)
Segment revenue:					
Revenue from external parties	476,554	121,575	460,571	135,024	1,193,724
Other income and gains	30,978	20,594	967	6,555	59,094
Total	507,532	142,169	461,538	141,579	1,252,818
Segment results	21,926	131,768	14,297	9,537	177,528
Interest income					3,175
Unallocated revenue					7,026
Corporate and other unallocated expenses					(26,359)
Finance costs					(9,365)
Profit before tax from continuing operations					152,005
Income tax expenses					(19,010)
Profit for the year from continuing operations					132,995
Other segment information:					
Depreciation and amortisation	366	–	2,275	1,065	3,706
Impairment losses recognised in the consolidated statement of profit or loss	–	–	1,957	350	2,307
Other non-cash income, net	–	–	–	9	9
Capital expenditure*	1,174	–	2,587	22,788	26,549

* Capital expenditure consists of additions to property, plant and equipment and investment properties.

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4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

By region

	Mainland China HK$'000	Hong Kong HK$'000	Australia and New Zealand HK$'000	United States of America and Canada HK$'000	Others HK$'000	Total HK$'000
Year ended 31 December 2018						
Revenue from external parties from continuing operations	**517,339**	**155,065**	**309,255**	**234,112**	**55,230**	**1,271,001**
Non-current assets	**11,521**	**6,526**	**–**	**–**	**–**	**18,047**
Year ended 31 December 2017						
Revenue from external parties from continuing operations (restated)	498,191	165,197	163,800	294,523	72,013	1,193,724
Non-current assets	529,985	6,701	–	–	–	536,686

The revenue information of continuing operations above is based on the locations of the customers. The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers from continuing operations

Revenue from continuing operations from each major customer which accounted for 10% or more of the Group's revenue for the year, is set out below:

	2018 HK$'000	2017 HK$'000
Customer A	**258,109**	N/A*
Customer B	**202,731**	N/A*

* Less than 10% of the Group's revenue from continuing operations

The revenue from customer A above constitutes continuing connected transactions as defined in Chapter 14A of the Listing Rules.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue from continuing operations is as follows:

	2018 HK$'000	2017 HK$'000 (Restated)
Revenue from contracts with customers		
Export operations	**560,761**	476,554
Interior decoration and renovation	**503,151**	460,571
Retail, wholesale, franchise and others	**80,588**	135,024
	1,144,500	1,072,149
Revenue from other sources		
Interest income from held-to-maturity investments	**–**	95,431
Interest income from debt investments at amortised cost	**76,107**	–
	76,107	95,431
Distribution from an available-for-sale investment	**–**	26,144
Distribution from equity investments at fair value through other comprehensive income	**50,394**	–
	50,394	26,144
	1,271,001	1,193,724

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments	Export operations HK$'000	Interior decoration and renovation HK$'000	Retail, wholesale, franchise and others HK$'000	Total from continuing operations HK$'000
Geographical markets				
Mainland China	212	503,151	13,976	517,339
Hong Kong	920	–	27,644	28,564
Australia and New Zealand	309,255	–	–	309,255
United States of America and Canada	234,112	–	–	234,112
Others	16,262	–	38,968	55,230
Total revenue from contracts with customers	560,761	503,151	80,588	1,144,500

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5. REVENUE, OTHER INCOME AND GAINS *(CONTINUED)*

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information (continued)

Segments	Export operations HK$'000	Interior decoration and renovation HK$'000	Retail, wholesale, franchise and others HK$'000	Total from continuing operations HK$'000
Timing of revenue recognition				
Goods transferred at a point in time	560,761	269,763	80,588	911,112
Services transferred over time	–	233,388	–	233,388
Total revenue from contracts with customers	560,761	503,151	80,588	1,144,500

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the year ended 31 December 2018

Segments	Export operations HK$'000	Interior decoration and renovation HK$'000	Retail, wholesale, franchise and others HK$'000	Total from continuing operations HK$'000
Revenue from contracts with customers				
External customers	560,761	503,151	80,588	1,144,500
Intersegment sales	–	5,515	6,416	11,931
	560,761	508,666	87,004	1,156,431
Intersegment adjustments and eliminations	–	(5,515)	(6,416)	(11,931)
Total revenue from contracts with customers	560,761	503,151	80,588	1,144,500

5. REVENUE, OTHER INCOME AND GAINS *(CONTINUED)*

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information (continued)

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

	2018 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Interior decoration and renovation service	145,690
Sales of goods	84,917
	230,607

(ii) Performance obligations

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

Retail sales

The performance obligation is satisfied upon delivery of goods and payment is generally due immediately.

Sales of goods other than retail sales

The performance obligation is satisfied when the control of the goods is transferred, generally upon delivery of goods and payment is generally due within 45 days from delivery.

Interior decoration and renovation services

The performance obligation is satisfied over time as services are rendered and payment is generally due within 15 days from the date of billing. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

NOTES TO FINANCIAL STATEMENTS

31 December 2018

5. REVENUE, OTHER INCOME AND GAINS *(CONTINUED)*

Revenue from contracts with customers *(continued)*

(ii) Performance obligations (continued)

Interior decoration and renovation services *(continued)*

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	HK$'000
Within one year	77,038

An analysis of other income and gains from continuing operations is as follows:

	2018 HK$'000	2017 HK$'000 (Restated)
Other income		
Bank interest income	**3,858**	3,175
Services fee income	**6,383**	15,225
Other sales income	**2,872**	2,139
Commission and management fee income	**771**	3,669
Claims received	**2,054**	3,107
Royalty income	**5,104**	6,401
Others	**14,233**	8,662
	35,275	42,378
Gains		
Net gains on disposal of items of property, plant and equipment	**19**	48
Foreign exchange differences, net	**–**	6,275
	19	6,323
	35,294	48,701

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2018 HK$'000	2017 HK$'000 (Restated)
Interest on bank loans	**10,782**	9,365

7. PROFIT BEFORE TAX

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

	Notes	2018 HK$'000	2017 HK$'000 (Restated)
Employee benefit expenses (including directors' remuneration (note 8)):			
Wages and salaries		**142,733**	180,559
Equity-settled share option expense	34	**–**	9
Pension scheme contributions		**3,928**	6,685
Total employee benefit expenses		**146,661**	187,253
Cost of inventories sold		**1,021,984**	913,093
Depreciation		**2,946**	3,706
Minimum lease payments under operating leases		**21,159**	23,980
Auditor's remuneration		**3,000**	2,780
Foreign exchange differences, net#		**12,705**	(6,275)
Impairment of items of property, plant and equipment, net#		**875**	–
Provision/(write-back of provision) for inventories*		**(351)**	1,175
Impairment of financial and contract assets, net#:			
Impairment of trade receivables		**1,072**	1,132
Impairment of financial assets included in prepayments, deposits and other receivables		**818**	–
Impairment of contract assets	25	**4,083**	–
Reversal of impairment of due from an associate		**(131)**	–
Reversal of impairment of due from other related companies		**(719)**	–

* Write-back of provision for inventories of approximately HK$351,000 (2017: provision of HK$1,175,000) for the year is included in "Cost of sales" on the face of the consolidated statement of profit or loss.

These items are included in "Other income and gains" or "Other expenses" on the face of the consolidated statement of profit or loss.

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8. DIRECTORS' REMUNERATION

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

	2018 HK$'000	2017 HK$'000
Fees	**660**	570
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	**8,009**	8,204
Discretionary bonuses*	**2,851**	4,627
Pension scheme contributions	**312**	313
	11,172	13,144
	11,832	13,714

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the operational performance of the Group.

(a) Independent non-executive directors

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

	2018 HK$'000	2017 HK$'000
Mr. Lau Hon Chuen, Ambrose, GBS, JP	**210**	180
Dr. Chung Shui Ming, Timpson, GBS, JP	**210**	150
Mr. Wong Man Kong, Peter, BBS, JP	**120**	120
Dr. Lam Lee G.	**120**	120
	660	570

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

8. DIRECTORS' REMUNERATION *(CONTINUED)*

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2018					
Executive directors:					
Dr. Charles Yeung, GBS, JP	**–**	**–**	**–**	**–**	**–**
Mr. Yeung Chun Fan	**–**	**1,182**	**705**	**59**	**1,946**
Mr. Pau Sze Kee, Jackson	**–**	**2,799**	**1,147**	**112**	**4,058**
Mr. Hui Chung Shing, Herman, SBS, MH, JP	**–**	**1,200**	**447**	**60**	**1,707**
Ms. Cheung Wai Yee	**–**	**1,250**	**320**	**63**	**1,633**
Mr. Chan Wing Kan, Archie	**–**	**1,200**	**200**	**–**	**1,400**
Ms. Yeung Yin Chi, Jennifer	**–**	**378**	**32**	**18**	**428**
	–	**8,009**	**2,851**	**312**	**11,172**
2017					
Executive directors:					
Dr. Charles Yeung, GBS, JP	–	26	609	1	636
Mr. Yeung Chun Fan	–	1,366	1,569	59	2,994
Mr. Pau Sze Kee, Jackson	–	2,784	1,246	112	4,142
Mr. Hui Chung Shing, Herman, SBS, MH, JP	–	1,200	447	60	1,707
Ms. Cheung Wai Yee	–	1,250	466	63	1,779
Mr. Chan Wing Kan, Archie	–	1,200	200	–	1,400
Ms. Yeung Yin Chi, Jennifer	–	378	90	18	486
	–	8,204	4,627	313	13,144

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

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9. FIVE HIGHEST PAID EMPLOYEES

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

	2018 HK$'000	2017 HK$'000
Salaries, allowances and benefits in kind	**4,676**	4,676
Discretionary bonuses	**1,407**	1,555
Pension scheme contributions	**192**	192
	6,275	6,423

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

	Number of employees 2018	2017
HK$2,500,001 - HK$3,000,000	**1**	1
HK$3,500,001 - HK$4,000,000	**1**	1
	2	2

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

Under the income tax law of the People's Republic of China (the "PRC"), companies with operations in Mainland China are subject to corporate income tax ("CIT") at a rate of 25% on the taxable income.

NOTES TO FINANCIAL STATEMENTS

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10. INCOME TAX *(CONTINUED)*

	2018 **HK$'000**	2017 HK$'000 (Restated)
Current – Hong Kong		
Charge for the year	**4,541**	10,161
Underprovision/(overprovision) in prior years	**(34)**	4,642
Current – Elsewhere		
Charge for the year	**5,372**	7,690
Underprovision in prior years	**3**	202
Deferred	**(1,713)**	(3,685)
Total tax charge for the year from continuing operations	**8,169**	19,010
Total tax credit for the year from discontinued operations	**(4,233)**	(7,126)
	3,936	11,884

The tax on the Group's profit before tax differs from theoretical amounts that would arise using the weighted average rate applicable to profit on the consolidated entities as follows:

	2018 **HK$'000**	2017 HK$'000 (Restated)
Profit before tax from continuing operations	**91,315**	152,005
Profit/(loss) before tax from discontinued operations	**22,200**	(48,437)
	113,515	103,568
Tax calculated at domestic tax rates applicable to profits and losses in the respective jurisdictions	**7,806**	21,833
Adjustments in respect of current tax of previous periods	**(7,965)**	(15,677)
Income not subject to tax	**(34,007)**	(14,628)
Expenses not deductible for tax	**7,885**	11,646
Tax losses utilised from previous periods	**(7,608)**	(48,472)
Tax losses not recognised	**38,399**	55,308
Others	**(574)**	1,874
Tax charge at the Group's effective rate	**3,936**	11,884

For the year ended 31 December 2018, the weighted average applicable tax rate was 7.4% (2017: 21.1%). The change in the weighted average applicable tax rate is caused by a change in the profitability of the Group's subsidiaries in the respective jurisdictions.

NOTES TO FINANCIAL STATEMENTS

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11. DISCONTINUED OPERATIONS

The breakdown of profit/(loss) from discontinued operations is presented below:

	Notes	2018 HK$'000	2017 HK$'000 (Restated)
The GSP Group	(i)	**26,433**	(45,097)
Jeanswest International (L) Limited and its subsidiaries (the "JWIL Group")	(ii)	**–**	3,786
		26,433	(41,311)
Attributable to:			
Ordinary equity holders of the Company		**27,239**	(40,998)
Non-controlling interests		**(806)**	(313)
		26,433	(41,311)

	2018 HK cents	2017 HK cents (Restated)
Basic and diluted earnings/(loss) per share from the discontinued operations	**1.77**	(2.67)

The calculations of basic and diluted earnings/(loss) per share from the discontinued operations are based on:

	2018 HK$'000	2017 HK$'000 (Restated)
Profit/(loss) attributable to ordinary equity holders of the Company from the discontinued operations	**27,239**	(40,998)
	'000	'000
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculation (note 13)	**1,534,450**	1,536,084

11. DISCONTINUED OPERATIONS *(CONTINUED)*

(i) Disposal of the GSP Group

On 3 August 2018, Glorious Sun Enterprises (BVI) Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a company owned by Mr. Charles Yeung and Mr. Yeung Chun Fan, directors and substantial shareholders of the Company, for the disposal of the entire interest in the GSP Group at a cash consideration of HK$800,000,000. The disposed business principally consists of retailing of casual wear in Mainland China. The transaction was completed on 23 November 2018. Details of the transaction are set out in the Company's announcement dated 3 August 2018 and circular dated 4 October 2018.

The results of the GSP Group for the period/year are presented below:

	Period from 1 January 2018 up to the date of completion HK$'000	Year ended 31 December 2017 HK$'000
Revenue	**1,161,390**	1,536,110
Other income and gains	**52,216**	97,258
Expenses and costs	**(1,336,577)**	(1,683,822)
Loss before tax from the discontinued operation	**(122,971)**	(50,454)
Income tax credit	**4,233**	5,357
Loss for the period/year	**(118,738)**	(45,097)
Gain on disposal of the discontinued operation*	**145,171**	–
Profit/(loss) for the period/year from the discontinued operation	**26,433**	(45,097)

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11. DISCONTINUED OPERATIONS *(CONTINUED)*

(i) Disposal of the GSP Group *(continued)*

* Gain on disposal of a discontinued operation comprised the following:

	2018 HK$'000
Gain on disposal in respect of the net assets disposed of	**131,354**
Exchange fluctuation reserve released	**20,734**
Direct costs and tax	**(6,917)**
Gain on disposal of a discontinued operation	**145,171**

The net cash flows of the GSP Group up to the date of disposal are as follows:

	Period from 1 January 2018 up to the date of completion HK$'000	Year ended 31 December 2017 HK$'000
Operating activities	**(39,874)**	(19,024)
Investing activities	**(13,540)**	48,642
Financing activities	**(30,724)**	(94,347)
Net cash outflow	**(84,138)**	(64,729)

11. DISCONTINUED OPERATIONS *(CONTINUED)*

(ii) Disposal of JWIL Group

On 6 April 2017, Jeanswest (BVI) Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a company owned by Mr. Charles Yeung and Mr. Yeung Chun Fan, directors and substantial shareholders of the Company, for the disposal of the entire interest in the JWIL Group and related shareholders' loan in the amount of HK$174,000,000, at a total cash consideration of HK$220,000,000 (the "Disposal"). The disposed business consists of the retailing of casual wear in Australasia. The transaction was completed on 1 July 2017. Upon completion of the Disposal, the principal retail business of the Group ceased its operation in Australasia. As the disposed business is considered as a separate major geographic area of operation, the corresponding operations in Australasia has been classified as a discontinued operation as a result of the Disposal. Details of the transaction are set out in the Company's announcement dated 6 April 2017 and circular dated 12 May 2017.

The results of the JWIL Group for the period are presented below:

	Period from 1 January 2017 up to the date of completion HK$'000
Revenue	453,264
Other income and gains	7,985
Expenses and costs	(481,976)
Loss before tax from the discontinued operation	(20,727)
Income tax credit	1,769
Loss for the period	(18,958)
Gain on disposal of a discontinued operation*	22,744
Profit for the period from the discontinued operation	3,786

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11. DISCONTINUED OPERATIONS *(CONTINUED)*

(ii) Disposal of JWIL Group *(continued)*

* Gain on disposal of a discontinued operation comprised the following:

	2017 HK$'000
Gain on disposal in respect of the net assets disposed of	74,333
Exchange fluctuation reserve realised	(49,557)
Direct costs and tax	(2,032)
Gain on disposal of a discontinued operation	22,744

The net cash flows of the JWIL Group up to the date of disposal are as follows:

	2017 HK$'000
Operating activities	(51,744)
Investing activities	(14,431)
Financing activities	25,261
Net cash outflow	(40,914)

12. DIVIDENDS

	2018 **HK$'000**	2017 HK$'000
Interim – HK2.50 cents (2017: HK2.50 cents) per ordinary share	**38,402**	38,402
Proposed final – HK3.36 cents (2017: HK3.20 cents) per ordinary share	**51,366**	49,155
	89,768	87,557

The final dividend for the year ended 31 December 2018 proposed subsequent to the reporting period has not been recognised as a liability at the end of the reporting period and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK$107,430,000 (2017: HK$88,669,000) and the weighted average number of ordinary shares of 1,534,450,000 (2017: 1,536,084,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2018 and 2017 in respect of a dilution as the exercise prices of the share options of the Company outstanding during these two years are higher than the average market prices of the Company's ordinary shares during those respective years and, accordingly, they have no dilutive effect on the basic earnings per share amounts presented.

The calculation of basic earnings per share is based on:

	2018 **HK$'000**	2017 HK$'000 (Restated)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation		
From continuing operations	**80,191**	129,667
From discontinued operations	**27,239**	(40,998)
	107,430	88,669

	Number of shares **2018** **'000**	 2017 '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,534,450**	1,536,084

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14. PROPERTY, PLANT AND EQUIPMENT

	Notes	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2018							
At 31 December 2017 and 1 January 2018:							
Cost		301,506	149,469	65,331	113,031	20,480	649,817
Accumulated depreciation and impairment		(90,102)	(113,821)	(58,449)	(92,970)	(17,048)	(372,390)
Net carrying amount		211,404	35,648	6,882	20,061	3,432	277,427
At 1 January 2018, net of accumulated depreciation and impairment		211,404	35,648	6,882	20,061	3,432	277,427
Additions		–	20,111	316	3,172	216	23,815
Disposals/write-off		(101)	(4,332)	(2,393)	(1,901)	(515)	(9,242)
Disposal of subsidiaries	38(a)	(144,699)	(29,511)	(206)	(13,309)	(1,439)	(189,164)
Acquisition of a subsidiary	37	–	–	–	55	–	55
Depreciation		(5,266)	(19,832)	(909)	(4,370)	(813)	(31,190)
Impairment		–	(696)	–	–	–	(696)
Surplus on revaluation		44,553	–	–	–	–	44,553
Transferred to investment properties	15	(86,809)	–	–	–	–	(86,809)
Exchange realignment		(12,599)	(1,344)	(277)	(976)	(85)	(15,281)
At 31 December 2018, net of accumulated depreciation and impairment		6,483	44	3,413	2,732	796	13,468
At 31 December 2018:							
Cost		14,495	16,559	14,119	21,255	6,136	72,564
Accumulated depreciation and impairment		(8,012)	(16,515)	(10,706)	(18,523)	(5,340)	(59,096)
Net carrying amount		6,483	44	3,413	2,732	796	13,468

14. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Notes	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2017							
At 1 January 2017:							
Cost		350,555	199,862	157,496	525,789	25,322	1,259,024
Accumulated depreciation and impairment		(81,708)	(162,745)	(116,516)	(395,699)	(21,562)	(778,230)
Net carrying amount		268,847	37,117	40,980	130,090	3,760	480,794
At 1 January 2017, net of accumulated depreciation and impairment		268,847	37,117	40,980	130,090	3,760	480,794
Additions		108	19,237	4,160	15,350	2,461	41,316
Disposals/write-off		(29,011)	(8,505)	(95)	(2,334)	(868)	(40,813)
Disposal of subsidiaries	38(b)	–	–	(34,433)	(103,803)	(894)	(139,130)
Depreciation		(8,714)	(12,872)	(6,017)	(26,290)	(1,171)	(55,064)
Impairment		(12,070)	(1,355)	–	–	–	(13,425)
Revaluation deficit		(5,565)	–	–	–	–	(5,565)
Transferred to investment properties	15	(14,491)	–	–	–	–	(14,491)
Exchange realignment		12,300	2,026	2,287	7,048	144	23,805
At 31 December 2017, net of accumulated depreciation and impairment		211,404	35,648	6,882	20,061	3,432	277,427
At 31 December 2017:							
Cost		301,506	149,469	65,331	113,031	20,480	649,817
Accumulated depreciation and impairment		(90,102)	(113,821)	(58,449)	(92,970)	(17,048)	(372,390)
Net carrying amount		211,404	35,648	6,882	20,061	3,432	277,427

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14. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

For the year ended 31 December 2018, the directors considered that certain items of property, plant and equipment of the Group were subject to impairment losses because certain retail stores are underperforming in recent years. The directors performed impairment assessments on those items of property, plant and equipment. As a result of the impairment assessment, impairment loss of HK$696,000 (2017: HK$1,355,000) was recognised in respect of the leasehold improvements of certain retail stores, respectively, which continued to underperform during the year.

15. INVESTMENT PROPERTIES

	Notes	**2018 HK$'000**	2017 HK$'000
Carrying amount at 1 January		**254,323**	220,250
Transfer from owner-occupied properties	14	**86,809**	14,491
Additions		**34**	–
Net gain/(loss) from a fair value adjustment		**(1,746)**	7,445
Disposal of subsidiaries	38	**(323,782)**	–
Exchange realignment		**(15,638)**	12,137
Carrying amount at 31 December		**–**	254,323

As at 31 December 2017, the Group's investment properties consisted of 33 commercial and 1 industrial properties in Mainland China. The directors of the Company had determined that the investment properties consisted of two classes, i.e., commercial and industrial, based on the nature, characteristics and risks of each property. The Group's investment properties were leased to third parties under operating leases, further summary details of which are included in note 41(a) to the financial statements. During the year ended 31 December 2018, the investment properties were disposed of upon disposal of the GSP Group. Details are included in notes 11 and 38 to the financial statements.

The Group's investment properties were revalued at the end of the reporting period by DTZ Debenham Tie Leung Limited, an independent professionally qualified valuer. The valuations were based on the capitalisation of rental income derived from the existing tenancy agreements and potential rental income after the tenancy terms discounted by market rate of return, after considering the remaining useful life of the properties.

In the opinion of the directors, for all investment properties that are measured at fair value, the current use of the properties is their highest and best use.

15. INVESTMENT PROPERTIES *(CONTINUED)*

Fair value hierarchy

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

	Fair value measurement using significant unobservable input (Level 3)	
	2018	2017
	HK$'000	HK$'000
Recurring fair value measurement for:		
Commercial properties	**–**	228,215
Industrial property	**–**	26,108
	–	254,323

During the year ended 31 December 2017, there were no transfers of fair value measurements between Level 1 and Level 2, and no transfer into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties	**Industrial property**	**Total**
	HK$'000	HK$'000	HK'000
Carrying amount at 1 January 2017	195,557	24,693	220,250
Transfer from owner-occupied properties	14,491	–	14,491
Net gain from a fair value adjustment recognised in in profit or loss	7,364	81	7,445
Exchange realignment	10,803	1,334	12,137
Carrying amount at 31 December 2017 and 1 January 2018	**228,215**	**26,108**	**254,323**
Additions	**34**	**–**	**34**
Transfer from owner-occupied properties	**44,719**	**42,090**	**86,809**
Net gain/(loss) from a fair value adjustment recognised in profit or loss	**(1,911)**	**165**	**(1,746)**
Disposal of subsidiaries (note 38(a))	**(257,040)**	**(66,742)**	**(323,782)**
Exchange realignment	**(14,017)**	**(1,621)**	**(15,638)**
Carrying amount at 31 December 2018	**–**	**–**	**–**

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15. INVESTMENT PROPERTIES *(CONTINUED)*

Fair value hierarchy *(continued)*

Below is a summary of the valuation techniques used and key inputs of valuation on investment properties:

	Valuation techniques	Significant unobservable inputs	Range 2018	2017
Commercial properties	Income capitalisation method	Estimated monthly rental value per square metre	**RMB60 to RMB816**	RMB60 to RMB814
		Capitalisation rate	**5.0% to 5.5%**	5.0% to 5.5%
Industrial property	Income capitalisation method	Estimated monthly rental value per square metre	**RMB13 to RMB20**	RMB15
		Capitalisation rate	**8.0% to 8.75%**	8.0%

Significant increase/(decrease) in estimated monthly rental value per square metre in isolation would result in significantly higher/(lower) fair value of the investment properties. Significant increase/(decrease) in the capitalisation rate in isolation would result in a significantly lower/(higher) fair value of the investment properties.

16. PREPAID LAND LEASE PAYMENTS

	Note	2018 HK$'000	2017 HK$'000
Carrying amount at 1 January		**5,106**	5,006
Recognised during the year		**(153)**	(164)
Exchange realignment		**(309)**	264
		4,644	5,106
Disposal of subsidiaries	38(a)	**(4,644)**	–
Carrying amount at 31 December		**–**	5,106
Current portion included in prepayments, deposits and other receivables		**–**	(170)
Non-current portion		**–**	4,936

17. GOODWILL

	2018 **HK$'000**	2017 HK$'000
At beginning of year:		
Cost	–	40,004
Accumulated impairment	–	(5,512)
Net carrying amount	–	34,492
Cost at beginning of year, net of accumulated impairment	–	34,492
Acquisition of a subsidiary (note 37)	**4,579**	–
Disposal of subsidiaries (note 38(b))	–	(37,096)
Exchange realignment	–	2,604
Net carrying amount at end of year	**4,579**	–
At end of year:		
Cost	**4,579**	–
Accumulated impairment	–	–
Net carrying amount	**4,579**	–

Impairment testing of goodwill

Goodwill acquired through business combination had been allocated to the financial investments operation cash-generating unit, which is a reportable segment, for impairment testing.

In 2018, the recoverable amount of the financial investments operation cash-generating unit had been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections was 18.9% and cash flows beyond the five-year period were extrapolated using a growth rate of 2%.

Assumptions were used in the value in use calculation of the financial investments operation cash-generating unit for 31 December 2018. The following describes each key assumption on which management had based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins was the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used was before tax and reflects specific risks relating to the financial investments operation in Hong Kong.

The values assigned to the key assumptions on budgeted gross margins and discount rates were consistent with external information sources.

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18. INVESTMENTS IN ASSOCIATES

	Notes	2018 HK$'000	2017 HK$'000
Share of net assets	(d)	**–**	–
Loans to an associate	(b)	**56,375**	56,375
		56,375	56,375
Provision for impairment of loans to an associate		**(56,375)**	(56,375)
		–	–

Notes:

(a) Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation or registration/ business	Percentage of ownership interest attributable to the Group 2018	2017	Principal activity
Quiksilver Glorious Sun JV Limited ("Quiksilver GS")	Ordinary shares of HK$10,000	Hong Kong	**50**	50	Retail of apparel

The Group's shareholdings in the associate are held through wholly-owned subsidiaries of the Company.

(b) The loans to an associate and other balances with associates are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these loans are considered as part of the Group's investments in an associate.

(c) The Group has discontinued the recognition of its share of losses from certain of its associates because the share of losses of these associates exceeded the Group's interests therein and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses for the current year and cumulatively were HK$7,714,000 (2017: HK$15,533,000) and HK$99,999,000 (2017: HK$92,285,000), respectively.

(d) Quiksilver GS was considered a material associate of the Group in prior years and was accounted for using the equity method. Quiksilver GS and its subsidiaries (collectively the "Quiksilver GS Group") are engaged in the retail of apparel.

Due to the downsizing of business and share of losses of the Quiksilver GS Group exceeded the Group's interests therein, during the years ended 31 December 2018 and 2017, the directors of the Company considered that the Quiksilver GS Group was no longer a material associate of the Group and did not disclose its financial information accordingly.

19. DEBT INVESTMENTS AT AMORTISED COST/ HELD-TO-MATURITY INVESTMENTS

	2018 **HK$'000**	2017 HK$'000
Financial assets measured at amortised cost		
Listed debt investments	**1,119,879**	–
Held-to-maturity investments		
Listed debt investments	**–**	1,313,391
Less: current portion	**–**	(361,877)
Non-current portion	**–**	951,514

As at 31 December 2018, the effective interest rates of the debt investments ranged from 5.11% to 8.43% (2017: 5.11% to 11.36%) per annum and these investments will mature in years from 2020 to 2023.

In December 2017, the Group was informed that one of the listed debt investments with a carrying amount of HK$228,918,000 would be early redeemed in January 2018. Further, the Group had one other debt investment with carrying amount of HK$132,959,000 which would mature in May 2018. Accordingly, these listed debt investments were re-classified to current assets as at 31 December 2017.

The Group applies the general approach and measures impairment allowance for listed debt investments at an amount equal to 12-month expected credit losses as there were no significant increase in credit risk since initial recognition. The listed debt investments are categorised in Stage 1 as at 31 December 2018 as they have no history of default and was not overdue. They were of investment grades on the credit rating of Moody's and being listed on a recognised stock exchange. Furthermore, the remaining maturity periods of the listed debt investments are less than 5 years and there were no unfavorable current conditions and forecast of future economic conditions as at 31 December 2018. As such, the Group did not expect any investment counterparty will fail to meet its obligation and considered the listed debt investments are of low credit risk and the associated expected credit loss of these listed debt investments was minimal. Therefore, no impairment allowance was made for the listed debt investments as at 31 December 2018.

The fair value of listed debt investments at amortised cost as at 31 December 2018 was HK$1,071,975,000 which was determined by reference to published prices in an active market.

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20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENTS

	Notes	**2018** **HK$'000**	2017 HK$'000
Equity investments designated at fair value through other comprehensive income			
Unlisted equity investment, at fair value			
Hebei Jialian Industrial Group Co., Ltd	(i)	**11,236**	–
Listed perpetual security, at fair value			
Shui On Development (Holding) Limited	(ii)	**737,454**	–
		748,690	–
Available-for-sale investments			
Unlisted equity investment, at cost less impairment	(i)	**–**	11,976
Listed perpetual security, at market value	(ii)	**–**	805,199
		–	817,175

The above equity investments were irrevocably designed at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

(i) As at 31 December 2018, the unlisted equity investment in Hebei Jialian Industrial Group Co., Ltd(河北省嘉聯實業集團有限公司*)with a carrying amount of HK$11,236,000 was stated at fair value. As at 31 December 2017, the investment was stated at cost less impairment. The Group does not intend to dispose of this investment in the near future.

(ii) During the year ended 31 December 2018, the gross loss in respect of the Group's listed perpetual security in Shui On Development (Holding) Limited, which is stated at fair value, was recognised in other comprehensive income amounting to HK$67,745,000 (2017: gross gain of HK$15,492,000).

* Official name of this entity is in Chinese. The English translation is for identification purpose only.

21. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	**3,163**	8,218
Work in progress	**38,810**	84,498
Finished goods	**21,370**	259,922
	63,343	352,638

22. INTERIOR DECORATION AND RENOVATION CONTRACTS

	2017 HK$'000
Gross amounts due from contract customers	18,241
Gross amounts due to contract customers	(24,842)
	(6,601)
Contract costs incurred plus recognised profits less recognised losses to date	98,180
Less: Progress billings	(104,781)
	(6,601)

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23. TRADE RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables	**181,820**	341,562
Impairment allowance	**(9,930)**	(13,277)
	171,890	328,285

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 15 to 45 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2018 HK$'000	2017 HK$'000
Less than 4 months	**122,002**	292,126
4 to 6 months	**17,664**	14,972
Over 6 months	**32,224**	21,187
	171,890	328,285

The movements in the loss allowance of trade receivables are as follows:

	2018 HK$'000	2017 HK$'000
At beginning of year	**13,277**	5,402
Effect of adoption of HKFRS 9 (note 2.2(b))	**8,990**	–
At beginning of year (restated)	**22,267**	5,402
Impairment losses/(reversal of impairment losses), net	**(3,518)**	7,674
Disposal of subsidiaries	**(8,819)**	–
Exchange realignment	**–**	201
At end of year	**9,930**	13,277

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23. TRADE RECEIVABLES *(CONTINUED)*

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and credit rating). 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.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

		Past due			
	Current	Less than 4 months	4 to 6 months	Over 6 months	Total
Expected credit loss rate (%)	–	4.2	8.2	13.9	5.46
Gross carrying amount (HK$'000)	46,830	80,788	16,797	37,405	181,820
Expected credit loss (HK$'000)	–	3,364	1,385	5,181	9,930

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$13,277,000 with a carrying amount before provision of HK$13,277,000.

The individually impaired trade receivables as at 31 December 2017 related to customers that were in financial difficulties or were in default in principal payments and a full provision was made in respect of these outstanding balances.

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23. TRADE RECEIVABLES *(CONTINUED)*

Impairment under HKAS 39 for the year ended 31 December 2017 *(continued)*

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 HK$'000
Neither past due nor impaired	256,986
Less than 6 months past due	55,659
Over 6 months past due	15,640
	328,285

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

Receivables that were past due but not impaired related to a number of independent customers that had good repayment records with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Prepayments	**18,361**	115,792
Deposits and other receivables	**63,572**	220,242
	81,933	336,034
Impairment allowance	**(3,992)**	–
Total	**77,941**	336,034
Portion classified as non-current portion	**(1,296)**	(5,259)
Current portion	**76,645**	330,775

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(CONTINUED)*

The movements in the loss allowance of prepayment, deposit and other receivables are as follows:

	2018 HK$'000
At beginning of year	–
Effect of adoption of HKFRS 9 (note 2.2(b))	**10,532**
At beginning of year (restated)	**10,532**
Impairment losses, net	**1,036**
Disposal of subsidiaries	**(7,576)**
At end of year	**3,992**

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. As at 31 December 2018, the probability of default applied ranged from 0.5% to 27.32% and the loss given default was estimated to be 37.7%. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

As at 31 December 2017, other receivables included a loan granted to a franchisee of RMB23,000,000 (equivalent to approximately HK$27,550,000) which was unsecured, interest-bearing at 5.66% and repayable within one year.

25. CONTRACT ASSETS

	31 December 2018 HK$'000	1 January 2018 HK$'000	31 December 2017 HK$'000
Contract assets arising from:			
Interior decoration and renovation services	**55,321**	25,291	–
Impairment allowance	**(6,295)**	(2,212)	–
	49,026	23,079	–

Contract assets are initially recognised for revenue earned from the provision of interior decoration and renovation services as the receipt of consideration is conditional on successful completion of the decoration and renovation. Included in contract assets for interior decoration and renovation services are retention receivables. Upon completion of decoration or renovation and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. During the year ended 31 December 2018, HK$6,295,000 was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 5 to the financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December 2018 is as follows:

	HK$'000
Within one year	**42,412**
More than one year	**6,614**
	49,026

The movements in the loss allowance for impairment of contract assets are as follows:

	2018 HK$'000
At beginning of year	**–**
Effect of adoption of HKFRS 9 (note 2.2(b))	**2,212**
At beginning of year (restated)	**2,212**
Impairment losses, net (note 7)	**4,083**
At end of year	**6,295**

25. CONTRACT ASSETS *(CONTINUED)*

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer base. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type and credit rating). 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.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

As at 31 December 2018

Expected credit loss rate	**11.4%**
	HK$'000
Gross carrying amount	**55,321**
Expected credit losses	**6,295**

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26. DUE FROM OTHER RELATED COMPANIES

Particulars of the amounts due from other related companies, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	**Balance at 31 December 2018 HK$'000**	Maximum amount outstanding during the year HK$'000	Balance at 31 December 2017 and 1 January 2018 HK$'000	Maximum amount outstanding during the prior year HK$'000	Balance at 1 January 2017 HK$'000
G.S. Property Management Limited	**404**	720	720	972	399
Golden Sunshine Enterprises Limited	**186**	186	149	149	1
Harbour Guide Limited	**–**	–	–	146	146
Gloryear Management Limited	**1,457**	6,528	1,877	7,456	7,456
Rank Profit Industries Limited	**302**	886	670	2,807	948
Gennon Enterprises Limited	**2**	2	2	2	2
Gennon International Trading (H.K.) Limited	**1**	1	1	1	–
The Glorious Sun Holdings Limited	**102**	631	583	7,159	6,913
Glory Star Investments Limited	**678**	7,694	5,547	17,073	13,929
Jeanswest Corporation Pty. Ltd.	**–**	16,472	16,472	16,955	–
Jeanswest Corporation (New Zealand) Limited	**–**	1,397	1,397	1,929	–
Gantin Limited	**19,585**	19,585	–	–	–
	22,717		27,418		29,794
Impairment allowance	**(84)**		–		–
	22,633		27,418		29,794

All of the above related companies are controlled by Mr. Charles Yeung and/or Mr. Yeung Chun Fan, both of them are directors of the Company.

The amounts are unsecured, interest-free and have no fixed terms of repayment.

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Note	**2018 HK$'000**	2017 HK$'000
Cash and bank balances		**960,166**	670,462
Time deposits		**107,751**	300,669
		1,067,917	971,131
Less: Pledged time deposit for short term bank loan	30(b)	**(6,742)**	–
		1,061,175	971,131

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$70,692,000 (2017: HK$431,102,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

28. TRADE AND BILLS PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	**134,554**	413,834
Bills payable	**–**	36,450
	134,554	450,284

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28. TRADE AND BILLS PAYABLES *(CONTINUED)*

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

	2018 HK$'000	2017 HK$'000
Less than 4 months	**133,940**	447,731
4 to 6 months	**107**	102
Over 6 months	**507**	2,451
	134,554	450,284

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

29. OTHER PAYABLES AND ACCRUALS

	Notes	2018 HK$'000	2017 HK$'000
Accruals		**137,465**	478,546
Other payables	(a)	**39,436**	92,135
Amounts due to other related companies	(b)	**6,811**	1,221
		183,712	571,902
Contract liabilities	(c)	**72,740**	–

Notes:

(a) Other payables are non-interest-bearing and have an average credit term of three months.

(b) Amounts due to other related companies are unsecured, interest free and do not have a fixed term of repayment.

(c) Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018 HK$'000	1 January 2018 HK$'000
Interior decoration and renovation services	**72,740**	145,690
Sale of goods	**–**	84,917
	72,740	230,607

Contract liabilities include short-term advances received to deliver apparel products and furniture and render interior decoration and renovation services. The decrease in contract liabilities in 2018 was mainly due to the completion of interior decoration and renovation services at the end of the year.

30. INTEREST-BEARING BANK BORROWINGS

	2018			2017		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans – unsecured	**3.15 – 3.35**	**On demand or 2019**	**467,309**	1.94 – 2.52	On demand or 2018	991,847
Bank loans – secured	**5.50**	**On demand or 2019**	**6,742**	–	–	–
			474,051			991,847

	2018 HK$'000	2017 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**474,051**	991,847

Notes:

(a) As at 31 December 2017, certain of the Group's bank loans were secured by corporate and personal guarantees provided by the non-controlling shareholders of a subsidiary up to approximately HK$12,409,000. The guarantees were released during the year.

(b) As at 31 December 2018, certain of the Group's bank loans were secured by the pledge of certain of the Group's time deposit amounting to RMB6,000,000 (equivalent to HK$6,742,000) (2017: Nil).

(c) Except for one bank borrowing of approximately HK$6,742,000 as at 31 December 2018 (2017: Nil), which is denominated in RMB, all of the Group's bank borrowings were denominated in USD.

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31. PROVISION

	Onerous contracts HK$'000
At 1 January 2017, 31 December 2017, and 1 January 2018	–
Additional provision	2,423
At 31 December 2018	2,423
Portion classified as current liabilities	(1,585)
Non-current portion	838

The provision of HK$2,423,000 for onerous contracts with respect to the operating leases of retail shops in Hong Kong was recognised during the year ended 31 December 2018. The provision amount represented the present value of future lease payments that the Group is obligated to make under non-cancellable onerous operating lease contracts, less economic benefits expected to be earned on those leases. The estimate might vary as a result of changes in the utilisation of the leased premises. The unexpired terms of the leases ranged from within 1 year to 3 years. Provision has been made for such onerous contracts based on the estimated minimum net cost of exiting from the operating lease contracts.

32. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation		Revaluation of properties		Fair value gain on a listed equity investment at fair value through profit or loss		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**20,564**	20,629	**23,251**	19,211	**–**	244	**43,815**	40,084
Deferred tax charged/(credited) to the statement of profit or loss during the year	**(1,205)**	(1,127)	**2,087**	2,900	**–**	(244)	**882**	1,529
Deferred tax charged to other comprehensive income during the year	**–**	–	**9,786**	–	**–**	–	**9,786**	–
Disposal of subsidiaries (note 38)	**(18,134)**	–	**(33,593)**	–	**–**	–	**(51,727)**	–
Exchange realignment	**(1,213)**	1,062	**(1,531)**	1,140	**–**	–	**(2,744)**	2,202
Gross deferred tax liabilities at 31 December	**12**	20,564	**–**	23,251	**–**	–	**12**	43,815

Deferred tax assets

	Impairment of financial and contract assets		Provisions		Losses available for offsetting taxable profits		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**–**	–	**1,962**	30,185	**1,770**	32,111	**3,732**	62,296
Effect of adoption of HKFRS 9	**3,372**	–	**–**	–	**–**	–	**3,372**	–
At 1 January (restated)	**3,372**	–	**1,962**	30,185	**1,770**	32,111	**7,104**	62,296
Deferred tax credited/(charged) to the statement of profit or loss during the year	**1,350**	–	**1,084**	1,914	**(873)**	3,539	**1,561**	5,453
Disposal of subsidiaries (note 38)	**–**	–	**–**	(31,996)	**–**	(36,011)	**–**	(68,007)
Exchange realignment	**–**	–	**(126)**	1,859	**–**	2,131	**(126)**	3,990
Gross deferred tax assets at 31 December	**4,722**	–	**2,920**	1,962	**897**	1,770	**8,539**	3,732

NOTES TO FINANCIAL STATEMENTS

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32. DEFERRED TAX *(CONTINUED)*

Deferred tax assets *(continued)*

The Group has tax losses arising in Hong Kong of HK$14,906,000 (2017: HK$33,888,000), subject to agreement by the Hong Kong Inland Revenue Department (the “IRD”), that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of certain of the Group’s subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in these subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$27,863,000 at 31 December 2018 (2017: HK$253,769,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

33. SHARE CAPITAL

Shares

	Number of ordinary shares 2018 '000	2017 '000	2018 HK$'000	2017 HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**6,000,000**	6,000,000	**600,000**	600,000
Issued and fully paid:				
Ordinary shares of HK$0.10 each	**1,528,760**	1,536,084	**152,876**	153,609

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

	Number of shares in issue of HK$0.1 each '000	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2017, 31 December 2017 and 1 January 2018	1,536,084	153,609	739,640	893,249
Cancellation of shares repurchased (note 35(iv))	(7,324)	(733)	(5,501)	(6,234)
At 31 December 2018	1,528,760	152,876	734,139	887,015

34. SHARE OPTION SCHEME

On 2 June 2015, the shareholders of the Company approved the termination (to the effect that the Company can no longer grant any further options) of the share option scheme adopted by the Company on 1 September 2005 (the "Old Scheme") and the adoption of a new share option scheme (the "New Scheme"). All share options granted and outstanding prior to the termination of the Old Scheme will remain in full force and effect.

The purpose of the Old Scheme and the New Scheme (collectively the "Schemes") is to attract and retain the best quality personnel for the development of the Group's businesses; to provide additional incentives to employees, officers and directors of the Group; and to promote the long term financial success of the Group by aligning the interests of option holders to shareholders.

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34. SHARE OPTION SCHEME *(CONTINUED)*

(a) Old Scheme

Pursuant to the Old Scheme, the maximum number of shares in respect of which options may be granted must not in aggregate exceed 10% of the shares in issue at the date of approval of the Old Scheme. The maximum number of shares issuable under share options to each eligible participant in the Old Scheme in any 12-month period is limited to 1% of the ordinary shares of the Company in issue.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options.

The subscription price of the share options is determinable by the board of directors, but shall not be less than whichever is the highest of (i) the closing price of the ordinary shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the ordinary shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of an ordinary share of the Company.

The following share options were outstanding under the Old Scheme during the year:

	2018		2017	
	Weighted average subscription price HK$ per share	**Number of options '000**	Weighted average subscription price HK$ per share	Number of options '000
At 1 January	**1.8099**	**1,556**	1.8099	12,414
Lapsed during the year	**1.8099**	**(1,556)**	1.8099	(10,858)
At 31 December	**1.8099**	**–**	1.8099	1,556

34. SHARE OPTION SCHEME *(CONTINUED)*

(a) Old Scheme *(continued)*

There were no share options granted or exercised under the Old Scheme for the years ended 31 December 2018 and 2017. During the year, 1,556,000 share options were lapsed as the grantees either could not meet the performance target of the share option or ceased to be employees of the Group.

Particulars of the share options outstanding under the Old Scheme as at the end of the reporting period are as follows:

	Number of shares subject to options					Share options			
		During the year							
Category of participant	At 1 January 2018 '000	Granted '000	Exercised '000	Lapsed or cancelled '000	At 31 December 2018 '000	Date of grant	Fully vested by	Exercise period	Subscription price* HK$ per share
Employees in aggregate	**338**	**–**	**–**	**(338)**	**–**	20/2/2014**	1/4/2015	1/4/2017 to 19/2/2024	1.8099
	609	**–**	**–**	**(609)**	**–**	20/2/2014**	1/4/2018	1/4/2020 to 19/2/2024	1.8099
	609	**–**	**–**	**(609)**	**–**	20/2/2014**	1/4/2019	1/4/2021 to 19/2/2024	1.8099
	1,556	**–**	**–**	**(1,556)**	**–**				

* The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The vesting of the share options is subject to the achievement of the prescribed performance targets to be met by the grantees.

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34. SHARE OPTION SCHEME *(CONTINUED)*

(b) New Scheme

The New Scheme was adopted by the Company on 2 June 2015, unless otherwise terminated or amended, the New Scheme will remain in force for 10 years from the date of adoption.

Pursuant to the New Scheme, the maximum number of shares in respect of which options may be granted must not in aggregate exceed 10% of the shares in issue at the date of approval of the New Scheme. The maximum number of shares issuable under share options to each eligible participant in the New Scheme in any 12-month period is limited to 1% of the ordinary shares of the Company in issue.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the offer of the share options.

The subscription price of the share options is determinable by the board of directors, but shall not be less than whichever is the highest of (i) the closing price of the ordinary shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the ordinary shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of an ordinary share of the Company.

No share options were granted under the New Scheme for the years ended 31 December 2018 and 2017. 103,871,400 shares are issuable under the New Scheme, representing approximately 6.79% of the total number of issued shares of the Company at the reporting date.

During the year ended 31 December 2018, the Group transferred lapsed share option reserve of HK$69,000 to retained profits. The Group recognised a share option expense of approximately HK$9,000 during the year ended 31 December 2017.

At the end of the reporting period, the Company did not have any share options outstanding under the Schemes (2017: 1,555,075 share options).

At the date of approval of these financial statements, the Company did not have any share options outstanding under the Schemes.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(i) Contributed surplus

The Group's contributed surplus represents the excess of the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares in 1996.

(ii) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

(iii) Asset revaluation reserve

The asset revaluation arose from changes in use from owner-occupied properties to investment properties carried at fair value.

(iv) Treasury shares

During the year ended 31 December 2018, the Company repurchased its own ordinary shares of 7,524,000 on the Stock Exchange at an aggregate consideration of HK$6,406,000, of which 7,324,000 repurchased ordinary shares were cancelled by the Company as at 31 December 2018. Upon the cancellation of the 7,324,000 shares repurchased, the issued share capital of the Company was reduced by the par value of HK$733,000 and the premium paid on the repurchase of these cancelled shares of HK$5,501,000, including transaction costs, was deducted from share premium of the Company. As at 31 December 2018, 200,000 ordinary shares were repurchased but not yet cancelled by the Company and were included in "Treasury Shares" in the Company's reserves at the purchase consideration (including transaction costs) of HK$172,000. These treasury shares were subsequently cancelled after the end of the reporting period.

The Company did not repurchase any of its own ordinary shares on the Stock Exchange during the year ended 31 December 2017.

(v) Other reserves

Other reserves comprise:

(1) pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries in Mainland China has been transferred to other reserves, which are restricted as to use; and

(2) the difference between the amounts of consideration and the carrying amounts of non-controlling interests acquired.

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36. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

Shijiazhuang Changhong and its subsidiaries

	2018	2017
Percentage of equity interest held by non-controlling interests	**35.0%**	35.0%

	2018 HK$'000	2017 HK$'000
Profit for the year allocated to non-controlling interests	**2,981**	3,262
Dividends payable/paid to non-controlling interests	**3,294**	2,225
Accumulated balances of non-controlling interests at the reporting date	**20,913**	22,566

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	2018 HK$'000	2017 HK$'000
Revenue	**508,666**	474,336
Total expenses	**(503,881)**	(467,116)
Profit for the year	**8,627**	9,319
Total comprehensive income for the year	**4,707**	9,347
Current assets	**287,978**	292,252
Non-current assets	**26,423**	27,110
Current liabilities	**(255,777)**	(257,451)
Net cash flows from/(used in) operating activities	**(34,528)**	42,855
Net cash flows used in investing activities	**(1,723)**	(2,230)
Net cash flows from/(used in) financing activities	**25,281**	(42,030)
Net decrease in cash and cash equivalents	**(10,970)**	(1,405)

37. BUSINESS COMBINATION

On 20 February 2018, the Group acquired a 100% interest in Smart Empire from a third party. Smart Empire is engaged in the financial investments business. The acquisition was made as part of the Group's strategy to expand its financial investments business. The purchase consideration for the acquisition was in the form of cash, with HK$5,000,000 paid at the acquisition date.

The fair values of the identifiable assets and liabilities of Smart Empire as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000
Property, plant and equipment	14	**55**
Prepayments and other receivables		**151**
Cash and cash equivalents		**466**
Amounts due to related parties		**(121)**
Accruals and other payables		**(130)**
Total identifiable net assets at fair value		**421**
Goodwill on acquisition	17	**4,579**
Satisfied by cash		**5,000**

The Group incurred transaction costs of HK$80,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

Included in the goodwill of HK$4.6 million recognised above is the licensed corporation status of Smart Empire to carry out Type 9 (Asset Management) regulated activity as defined in Schedule 5 to the Securities and Futures Ordinance, which is not recognised separately. The licensed corporation status is not separable and therefore it does not meet the criteria for recognition as an intangible asset under HKAS 38 *Intangible Assets*. None of the goodwill recognised is expected to be deductible for income tax purposes.

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37. BUSINESS COMBINATION *(CONTINUED)*

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(5,000)
Cash and bank balances acquired	466
Net outflow of cash and cash equivalents included in cash flows from investing activities	(4,534)
Transaction costs of the acquisition included in cash flows from operating activities	80
	(4,454)

Since the acquisition, Smart Empire did not contribute any revenue to the Group and contributed a loss of HK$3,971,000 to the consolidated profit for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been HK$1,271,043,000 and HK$109,436,000, respectively.

38. DISPOSAL OF SUBSIDIARIES

(a) Disposal of the GSP Group

The major classes of assets and liabilities of the GSP Group as at 23 November 2018, the disposal date, were as follows:

	2018 HK$'000
Net assets disposed of:	
Property, plant and equipment	189,164
Prepaid land lease payment	4,644
Investment properties	323,782
Deposit paid	2,615
Inventories	196,075
Trade receivables	167,453
Prepayments, deposits and other receivables	150,138
Due from related parties	3,969
Cash and bank balances	247,996
Trade and bills payables	(309,610)
Other payables and accruals	(168,019)
Contract liabilities	(57,967)
Tax payables	(41,242)
Deferred tax liabilities	(51,727)
Non-controlling interests	11,375
	668,646
Release of exchange fluctuation reserve upon disposal	(20,734)
Professional fees and expenses	6,917
Gain on disposal of the discontinued operation	145,171
	800,000
Satisfied by:	
Cash	800,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the GSP Group is as follows:

	2018 HK$'000
Cash consideration	800,000
Cash and cash equivalents disposed of	(247,996)
Professional fees and expenses	(6,917)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries the GSP Group	545,087

NOTES TO FINANCIAL STATEMENTS

31 December 2018

38. DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(b) Disposal of the JWIL Group

The major classes of assets and liabilities of the JWIL Group as at 1 July 2017, the disposal date, were as follows:

	2017 HK$'000
Net liabilities disposed of:	
Property, plant and equipment	139,130
Goodwill	37,096
Deferred tax assets	68,007
Inventories	158,238
Trade receivables	6,906
Prepayments, deposits and other receivables	9,753
Cash and bank balances	40,480
Tax payable	727
Trade payables	(50,140)
Other payables and accruals	(164,395)
Interest-bearing bank and other borrowings	(92,400)
Amount due to related companies	(7,735)
Shareholders' loan	(174,000)
	(28,333)
Release of exchange fluctuation reserve upon disposal	49,557
Professional fees and expenses	2,032
Gain on disposal of the discontinued operation	22,744
Repayment of shareholders' loan	174,000
	220,000
Satisfied by:	
Cash	220,000

38. DISPOSAL OF SUBSIDIARIES *(CONTINUED)*

(b) Disposal of the JWIL Group *(continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the JWIL Group is as follows:

	2017 HK$'000
Cash consideration	220,000
Cash and cash equivalents disposed of	(40,480)
Professional fees and expenses	(2,032)
Net inflow of cash and cash equivalents in respect of the disposal of the JWIL Group	177,488

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings	
	2018 **HK$'000**	2017 HK$'000
At beginning of the year	**991,847**	425,839
New bank borrowings made during the year	**474,051**	6,850,022
Repayment during the year	**(991,847)**	(6,197,001)
Disposal of a subsidiary	**–**	(92,400)
Exchange realignment	**–**	5,387
At end of the year	**474,051**	991,847

NOTES TO FINANCIAL STATEMENTS

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40. CONTINGENT LIABILITIES

For the year ended 31 December 2017, one of the GSP Group's wholly-owned subsidiaries (the "Subsidiary") was under investigation by the IRD regarding previous years' tax computations. The Subsidiary was requested by the IRD to pay additional taxes, and was found by the District Court to be liable to pay a judgement debt of approximately HK$7,250,000, which included the above additional taxes under dispute. The additional assessments are under vigorous objection by the Subsidiary and the investigation is not yet finalised at the date on which these financial statements were approved.

The management of the Subsidiary believes that previous years' tax computations were prepared on a proper basis and the Subsidiary has reasonable grounds to defend against the additional assessments. Should the IRD's final assessments be held against the Subsidiary and should the Subsidiary be required to pay additional taxes, the directors of the Company, based on the presently available information, believe that the amount of additional taxes to be borne by the Group would not have any material adverse impact on the financial position of the Group. In the opinion of the directors of the Company, the Group has made appropriate tax provision in the consolidated financial statements as at 31 December 2017.

On 23 November 2018, the Subsidiary was disposed of as a result of the disposal of GSP Group.

41. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from two to nine years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 **HK$'000**	2017 HK$'000
Within one year	–	12,207
In the second to fifth years, inclusive	–	22,684
After five years	–	4,094
	–	38,985

41. OPERATING LEASE ARRANGEMENTS *(CONTINUED)*

(b) As lessee

The Group leases certain of its retail stores and office properties under operating lease arrangements, with leases negotiated for terms ranging from three to fifteen years.

During the year ended 31 December 2018, the Group has disposed of its retail business in the PRC. The future minimum lease payments under non-cancellable operating leases for retail business has decreased substantially as a result of the disposal of the GSP Group. Further details on the disposal of the GSP Group are included in note 11(i) to the financial statements.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018	2017
	HK$'000	HK$'000
Within one year	**18,761**	60,930
In the second to fifth years, inclusive	**41,248**	52,746
After five years	**–**	1,563
	60,009	115,239

In respect of the above non-cancellable operating lease commitments, the following provision for onerous contracts has been recognised:

	2018	2017
	HK$'000	HK$'000
Onerous contracts (note 31)		
Within one year	**1,585**	–
In the second to fifth years, inclusive	**838**	–
	2,423	–

42. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 41(b) above, the Group had the following capital commitments at the end of the reporting period:

	2018	2017
	HK$'000	HK$'000
Contracted, but not provided for:		
Leasehold improvements	**–**	1,265

NOTES TO FINANCIAL STATEMENTS

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43. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		Group	
		2018	2017
	Notes	**HK$'000**	HK$'000
Sales of accessories and apparel to companies controlled by certain directors of the Company	(i)	**287,100**	142,062
Service fee income related to sales of accessories and apparel to companies controlled by certain directors of the Company	(ii)	**1,253**	1,032
Rental expenses paid to companies controlled by certain directors of the Company	(iii)	**11,852**	14,082
Rental expenses paid to sons of a director of the Company	(iii)	**–**	8,188
Management fees paid to companies controlled by certain directors of the Company	(iv)	**978**	1,009
Design and management fees paid to companies controlled by certain directors of the Company	(v)	**5,048**	5,820
Interior decoration and renovation service fee paid to companies controlled by certain directors of the Company	(vi)	**1,134**	–

Notes:

(i) The sales of accessories and apparel were made according to the prices mutually agreed by the parties on the individual orders placed and were either at market rates or at rates no less favourable to the Group than such rates offered to any other independent third party.

(ii) The service fee income related to sales of accessories and apparel were made according to the prices mutually agreed by the parties on the individual orders placed and were either at market rates or at rates no less favourable to the Group than such rates offered to any other independent third party.

(iii) The rental expenses were charged according to the rental agreements which were based on the prevailing open market rentals.

(iv) The management fees were charged according to the management services agreements signed between the parties and by reference to the cost of services provided.

(v) The design and management fees were charged according to the prices mutually agreed by the parties on the individual orders placed and were either at market rates or at rates no less favourable to the Group than such rates offered to any other independent third party.

(vi) The interior decoration and renovation services fees were charged according to the prices mutually agreed by the parties and were either at market rates or at rates no less favourable to the Company than such rates offered to any other independent third party.

43. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Other transactions with related parties:

Disposal of subsidiaries

As set out in notes 11 and 38(a), on 3 August 2018, Glorious Sun Enterprises (BVI) Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a company owned by Mr. Charles Yeung and Mr. Yeung Chun Fan, directors and substantial shareholders of the Company, for the disposal of the entire interest in the GSP Group at a cash consideration of HK$800,000,000. The transaction was completed on 23 November 2018.

The cash proceeds for the disposal of the GSP Group has been fully received by the Group during the year and the Group recognised a gain on disposal in profit or loss amounting to HK$145,171,000 upon the completion of the disposal.

As set out in notes 11 and 38(b), on 6 April 2017, Jeanswest (BVI) Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a company owned by Mr. Charles Yeung and Mr. Yeung Chun Fan, directors and substantial shareholders of the Company, for the disposal of the entire interest in the JWIL Group and a shareholders' loan at a total cash consideration of HK$220,000,000. The transaction was completed on 1 July 2017. The cash proceeds for the disposals were fully received by the Group during the year and the Group recognised a gain on disposal in profit or loss amounting to HK$22,744,000 upon the completion of the disposal.

(c) Commitments with related parties:

Subsidiaries of the Group entered into several non-cancellable operating lease arrangements as lessees with companies controlled by certain directors of the Company or family members of a director of the Company with lease terms ranging between two to three years. The total amount of rental expenses for the year is included in note 43(a)(iv) to the financial statements. The Group expects the total rental to related parties under these non-cancellable operating lease arrangements in 2019 and 2020 to be HK$5,203,000 and HK$2,851,000 respectively.

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43. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(d) Outstanding balances with related parties:

The Group had outstanding receivables from and payable to other related companies of HK$22,633,000 (2017: HK$27,418,000) and HK$6,811,000 (2017: HK$1,221,000), respectively, as at the end of the reporting period. The balances with other related companies are unsecured, interest-free and have no fixed terms of repayment.

(e) Compensation of key management personnel of the Group:

	2018	2017
	HK$'000	HK$'000
Short term employee benefits	**17,896**	21,990
Post-employment benefits	**519**	592
Total compensation paid to key management personnel	**18,415**	22,582

Further details of directors' emoluments are included in note 8 to the financial statements.

The related party transactions in respect of items (a)(i), (a)(ii), (a)(iii), (a)(iv), (a)(v), (a)(vi) and (b) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

44. FINANCIAL INSTRUMENTS BY CATEGORY

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

2018

Financial assets

	Debt investments at amortised cost HK$'000	Financial assets at amortised cost HK$'000	Equity investments through other comprehensive income HK$'000	Total HK$'000
Debt investments at amortised cost	1,119,879	–	–	1,119,879
Equity investments designated at fair value through other comprehensive income	–	–	748,690	748,690
Trade receivables	–	171,890	–	171,890
Financial assets included in prepayments, deposits and other receivables	–	58,285	–	58,285
Due from other related companies	–	22,633	–	22,633
Pledged deposits	–	6,742	–	6,742
Cash and cash equivalents	–	1,061,175	–	1,061,175
	1,119,879	1,320,725	748,690	3,189,294

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	134,554
Financial liabilities included in other payables and accruals	155,054
Interest-bearing bank borrowings	474,051
	763,659

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44. FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

2017

Financial assets

	Held-to-maturity investments HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Held-to-maturity investments	1,313,391	–	–	1,313,391
Available-for-sale investments	–	–	817,175	817,175
Trade receivables	–	328,285	–	328,285
Financial assets included in prepayments, deposits and other receivables	–	214,982	–	214,982
Due from an associate	–	1,309	–	1,309
Due from other related companies	–	27,418	–	27,418
Cash and cash equivalents	–	971,131	–	971,131
	1,313,391	1,543,125	817,175	3,673,691

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	450,284
Financial liabilities included in other payables and accruals	278,036
Due to an associate	21
Interest-bearing bank borrowings	991,847
	1,720,188

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Debt investments at amortised cost	**1,119,879**	1,313,391	**1,071,975**	1,348,325

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade and bills payables, the current portion of financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from other related companies, amounts due from/to an associate and the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of rental deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2018 was assessed to be insignificant. The fair values of the non-current portion of rental deposits and interest-bearing bank borrowings approximate to their carrying amounts as at 31 December 2018 and 2017.

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45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(CONTINUED)*

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income, which were previously classified as available-for-sale equity investments, have been estimated using a market-based valuation technique discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, which were previously classified as available-for-sale equity investments, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model and has quantified this as a reduction in fair value of approximately HK$643,000, using less favourable assumptions, and an increase in fair value of approximately HK$643,000, using more favourable assumptions.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2018:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investment	Market approach	Average P/B	1.7	0.1 increase/decrease in multiple would result in decrease/ increase in fair value by HK$643,000

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(CONTINUED)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Equity investments designated at fair value through other comprehensive income				
Listed equity investment	**737,454**	**–**	**–**	**737,454**
Unlisted equity investment	**–**	**–**	**11,236**	**11,236**
	737,454	**–**	**11,236**	**748,690**

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Available-for-sale investment	805,199	–	–	805,199

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 for both financial assets and financial liabilities and no transfers into or out of Level 3 for financial assets (2017:Nil).

The Group did not have any financial liabilities measured at fair value as at 31 December 2018 and 31 December 2017.

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45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(CONTINUED)*

Fair value hierarchy *(continued)*

Assets measured at fair value (continued):

The movements in fair value measurements within Level 3 during the year are as follows:

	2018 HK$'000
Equity investment designated at fair value through other comprehensive income/available-for-sale investments – unlisted equity investment:	
At 1 January	–
Reclassification upon adoption of HKFRS 9	11,976
At 1 January (restated)	11,976
Exchange realignment	(740)
At 31 December	11,236

Assets for which fair values are disclosed:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Debt investments at amortised cost	1,071,975	–	–	1,071,975

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Held-to-maturity investments	1,348,325	–	–	1,348,325

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprised financial assets at amortised cost, financial assets at fair value through other comprehensive income, bank and other borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents and interest-bearing bank borrowings with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

For floating-rate borrowings, assuming the amount of liability outstanding as at the end of the reporting period was outstanding for the whole year, a 50-basis point increase/decrease in interest rates at 31 December 2018 and 2017 would have decreased/increased the Group's profit before tax by HK$2,337,000 and HK$4,959,000, respectively. The sensitivity to the interest rate used is considered reasonable, with all other variables held constant.

Cash at banks earns interest at floating rates based on daily bank deposit rates. A 50-basis point increase/decrease in interest rates at 31 December 2018 and 2017 would have increased/decreased the Group's profit before tax by HK$4,799,000 and HK$3,346,000, respectively. The sensitivity to the interest rate used is considered reasonable, with all other variables held constant.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales and purchases by operating units in currencies other than the units' functional currencies, mostly in United States dollars. As the Hong Kong dollar is pegged to the United States dollar, the Group does not anticipate significant movements in the exchange rate. The Group monitors the foreign exchange rate risk on an ongoing basis.

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. For listed debt investments, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	HK$'000
Debt investments at amortised cost					
– BB+ to B-	1,119,879	–	–	–	1,119,879
Contract assets*	–	–	–	49,026	49,026
Trade receivables*	–	–	–	171,890	171,890
Financial assets included in prepayments, deposits and other receivables					
– Normal**	58,285	–	–	–	58,285
Due from other related companies	22,633	–	–	–	22,633
Pledged deposits					
– Not yet past due	6,742	–	–	–	6,742
Cash and cash equivalents					
– Not yet past due	1,061,175	–	–	–	1,061,175
	2,268,714	–	–	220,916	2,489,630

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 23 and note 25 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Maximum exposure and year-end staging as at 31 December 2018 *(continued)*

The closing loss allowances for trade receivables, contract assets and loans and receivables other than trade receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Trade receivables 2018 HK$'000	Contract assets 2018 HK$'000	Financial assets include in prepayments, deposits and other receivables 2018 HK$'000	Due from an associate 2018 HK$'000	Due from other related companies 2018 HK$'000
At beginning of year	13,277	–	–	–	–
Effect of adoption of HKFRS 9 (note 2.2(b))	8,990	2,212	10,532	133	803
At beginning of year (restated)	22,267	2,212	10,532	133	803
Impairment loss/ (reversal of impairment loss), net	(3,518)	4,083	1,036	(131)	(719)
Disposal of subsidiaries	(8,819)	–	(7,576)	(2)	–
At end of year	9,930	6,295	3,992	–	84

Maximum exposure as at 31 December 2017

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, held-to-maturity investments, available-for-sale investments, amounts due from an associate and other related companies, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/ counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 23 to the financial statements.

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other borrowings. The Group's policy is to match the maturity of borrowings with expected cash inflows from the relevant assets acquired to ensure proper funding.

The maturity profile of the Group's financial liabilities as at end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2018			
	On demand or within 1 year HK$'000	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Trade and bills payables	**134,554**	**–**	**–**	**134,554**
Financial liabilities included in other payables and accruals	**155,054**	**–**	**–**	**155,054**
Interest-bearing bank borrowings	**474,275**	**–**	**–**	**474,275**
	763,883	**–**	**–**	**763,883**

	2017			
	On demand or within 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade and bills payables	450,284	–	–	450,284
Financial liabilities included in other payables and accruals	278,036	–	–	278,036
Due to an associate	21	–	–	21
Interest-bearing bank borrowings	992,863	–	–	992,863
	1,721,204	–	–	1,721,204

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to equity price risk arising from its listed equity investments at fair value through other comprehensive income (note 20) as at 31 December 2018. The Group's listed equity investment was listed on the Singapore Exchange and was valued at quoted market prices as at 31 December 2018.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, raise and repay debts or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

The Group monitors capital using a gearing ratio, which is total borrowings divided by the total shareholders' equity plus total borrowings. Total borrowings include interest-bearing bank and other borrowings. Total shareholders' equity comprises all components of equity attributable to ordinary equity holders of the Company. The Group's policy is to maintain the gearing ratio at a reasonable level. The gearing ratios as at the end of the reporting periods were as follows:

	2018 **HK$'000**	2017 HK$'000
Interest-bearing bank borrowings	**474,051**	991,847
Total shareholders' equity	**2,448,254**	2,544,732
Borrowings and total shareholders' equity	**2,922,305**	3,536,579
Gearing ratio	**16%**	28%

NOTES TO FINANCIAL STATEMENTS

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47. COMPARATIVE AMOUNTS

As further explained in note 4 and note 11 to the financial statements, the comparative consolidated statement of profit or loss has been re-presented as if the discontinued operations have been discontinued at the beginning of the comparative period. In addition, certain comparative amounts have been reclassified to conform with the current year's presentation.

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018	2017
	HK$'000	HK$'000
NON-CURRENT ASSET		
Investment in a subsidiary	**377,717**	377,786
CURRENT ASSETS		
Amount due from a subsidiary	**335,056**	1,108,709
Other receivables	**872**	–
Cash and cash equivalents	**707,214**	17,118
Total current assets	**1,043,142**	1,125,827
CURRENT LIABILITIES		
Interest-bearing bank borrowings	**–**	97,650
Other payables	**373**	334
Total current liabilities	**373**	97,984
NET CURRENT ASSETS	**1,042,769**	1,027,843
Net assets	**1,420,486**	1,405,629
EQUITY		
Issued capital	**152,876**	153,609
Other reserves (note)	**1,267,610**	1,252,020
Total equity	**1,420,486**	1,405,629

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Treasury shares HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2017	739,640	–	377,567	60	108,203	1,225,470
Total comprehensive income for the year	–	–	–	–	114,098	114,098
Equity-settled share option arrangements	–	–	–	9	–	9
Final 2016 dividend	–	–	–	–	(49,155)	(49,155)
Interim 2017 dividend	–	–	–	–	(38,402)	(38,402)
At 31 December 2017 and 1 January 2018	**739,640**	**–**	**377,567**	**69**	**134,744**	**1,252,020**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**108,889**	**108,889**
Shares repurchased	**(5,501)**	**(172)**	**–**	**–**	**–**	**(5,673)**
Transfer of share option reserve upon lapse of share options	**–**	**–**	**–**	**(69)**	**–**	**(69)**
Final 2017 dividend	**–**	**–**	**–**	**–**	**(49,155)**	**(49,155)**
Interim 2018 dividend	**–**	**–**	**–**	**–**	**(38,402)**	**(38,402)**
At 31 December 2018	**734,139**	**(172)**	**377,567**	**–**	**156,076**	**1,267,610**

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 March 2019.

FINANCIAL SUMMARY

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

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
CONTINUING OPERATIONS					
REVENUE	**1,271,001**	1,193,724	997,176	865,979	952,369
Operating profit	**91,315**	152,005	94,160	95,630	126,111
Share of profits and losses of associates	**–**	–	5,694	–	–
Profit before tax	**91,315**	152,005	99,854	95,630	126,111
Income tax expense	**(8,169)**	(19,010)	(19,543)	(17,749)	(15,802)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**83,146**	132,995	80,311	77,881	110,309
DISCONTINUED OPERATIONS					
Profit/(loss) for the year from discontinued operations	**26,433**	(41,311)	11,440	15,854	11,572
Profit for the year	**109,579**	91,684	91,751	93,735	121,881
Attributable to:					
Ordinary equity holders of the Company	**107,430**	88,669	88,320	88,152	119,405
Non-controlling interests	**2,149**	3,015	3,431	5,583	2,476
	109,579	91,684	91,751	93,735	121,881

FINANCIAL SUMMARY *(CONTINUED)*

A summary of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**3,347,905**	4,706,040	4,107,478	3,696,484	4,836,549
TOTAL LIABILITIES	**(878,619)**	(2,149,057)	(1,642,509)	(1,647,290)	(2,690,983)
NON-CONTROLLING INTERESTS	**(21,032)**	(12,251)	(10,187)	(9,356)	(11,336)
	2,448,254	2,544,732	2,454,782	2,039,838	2,134,230


Jeans west