偉祿集團控股有限公司

REALORD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 1196

Annual Report 2018

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lin Xiaohui *(Chairman)*
Su Jiaohua *(Chief Executive Officer)*
Lin Xiaodong

Independent Non-executive Directors

Yu Leung Fai
Fang Jixin
Li Jue

AUDIT COMMITTEE

Yu Leung Fai *(Chairman)*
Fang Jixin
Li Jue

REMUNERATION COMMITTEE

Li Jue *(Chairman)*
Lin Xiaohui
Yu Leung Fai

NOMINATION COMMITTEE

Lin Xiaohui *(Chairman)*
Yu Leung Fai
Fang Jixin

COMPANY SECRETARY

Chan Chu Kin

LEGAL ADVISER

Michael Li & Co.

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Merchants Bank
United Overseas Bank Limited
Hong Kong Branch
Guangzhou Rural Commercial Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suites 2403-2410
24/F, Jardine House
1 Connaught Place
Central, Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

STOCK CODE

1196

COMPANY WEBSITE

http://www.realord.com.hk

FIVE YEAR FINANCIAL HIGHLIGHTS

Results

	Year ended 31 December					Period from 1 April to 31 December
	2018 HK$'000 (Audited)	2017 HK$'000 (Audited)	2016 HK$'000 (Audited)	2015 HK$'000 (Represented)[1]	2014 HK$'000 (Unaudited)	2014 HK$'000 (Audited)
Revenue	**811,039**	762,959	209,784	207,732	105,761	89,184
Profit/(Loss) from operations	**979,921**	197,100	228,022	50,036	(6,380)	3,286
Finance costs	**(423,972)**	(30,819)	(19,847)	(1,690)	(156)	(101)
Profit/(Loss) before income tax	**555,949**	166,281	208,175	48,346	(6,536)	3,185
Income tax expense	**(172,238)**	(55,060)	(128,078)	(15,707)	(10,637)	(6,258)
Profit/(Loss) for the year/period from continuing operations	**383,711**	111,221	80,097	32,639	(17,173)	(3,073)
(Loss) for the year/period from discontinued operations	**–**	–	–	–	(21,411)	(3,743)
Profit/(Loss) for the year/period	**383,711**	111,221	80,097	32,639	(38,584)	(6,816)

Assets and Liabilities

	As at 31 December				
	2018 HK$'000 (Audited)	2017 HK$'000 (Audited)	2016 HK$'000 (Audited)	2015 HK$'000 (Audited)	2014 HK$'000 (Audited)
Property, plant and equipment	**100,521**	102,527	78,649	86,764	9,820
Prepaid lease payments	**4,968**	5,323	–	–	–
Investment properties	**9,081,879**	1,344,575	1,106,525	552,900	135,730
Goodwill	**28,497**	28,497	2,100	2,100	–
Other intangible assets	**13,369**	4,400	4,400	4,400	–
Investment in an associate	**66,122**	–	–	–	–
Equity instrument at fair value through other comprehensive income	**31,048**	–	–	–	–
Finance lease receivables	**–**	4,688	6,401	6,546	–
Available-for-sale investments	**–**	11,789	13,844	13,844	7,344
Deferred tax assets	**–**	–	188	31	137
Prepayments, deposits and other receivables	**82,930**	11,630	36,460	13,878	–
Current assets	**2,012,335**	662,063	359,279	456,574	331,834
Total assets	**11,421,669**	2,175,492	1,607,846	1,137,037	484,865
Current liabilities	**436,882**	205,976	48,893	49,725	20,462
Deferred tax liabilities	**377,442**	231,305	168,972	46,075	32,939
Loans from ultimate holding company	**821,460**	378,688	241,596	–	–
Promissory notes	**1,492,460**	–	–	–	–
Bank borrowings and overdrafts	**5,360,999**	255,525	250,288	186,825	100,000
Total liabilities	**8,489,243**	1,071,494	709,749	282,625	153,401
Net assets	**2,932,426**	1,103,998	898,097	854,412	331,464

1 The figures were restated upon the reclassification of property investment segment as reportable operating segment.

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is my pleasure to report the financial results of the Group for the year ended 31 December 2018.

RESULTS

During the year under review, the Group recorded a total revenue of approximately HK$811.0 million and profit attributable to equity holders of approximately HK$363.3 million. Basic earnings per share was HK$26.89 cents, based on the weighted average of 1,350,887,946 shares in issue during the year. The increase in profit of the Group was mainly attributable to increase in profit margin from the Environmental Protection Segment from 9.4% to 15.9% and the fair value gains on investment properties for the year of approximately HK$671.4 million.

DIVIDEND

The Directors do not recommend the payment of interim and final dividend (2017: Nil) for the year ended 31 December 2018. Total dividend for the year is nil (2017: Nil).

OUTLOOK

Severe competition is expected to continue for the Commercial Printing Segment in coming years. The competition in the market hindered the Group to pass the inflating operating costs to customers, therefore restricted the profit margin for the Commercial Printing Segment. The Directors will keep reviewing and assessing the risks, benefits and prospects thereof along the operations.

In view of high rental expense incurred for a retail store in Hong Kong, the Group has ceased the retail business in Hong Kong since November 2018 for the Motor Vehicles Parts Segment. The Group is now shifting its focus to sales at online platforms and automobile sales service shops, which concentrates target customers in Guangzhou, the PRC and the Directors consider that such change can reduce operating costs and at the same time capture the market trend as well as enhance distribution network in Guangzhou.

On 23 May 2016, the Group entered into an agreement with 5 other independent third parties, pursuant to which the parties agreed to set up a security company (the "Security Company") in Guangzhou Pilot Free Trade Zone, Nanshan area in the PRC, to carry out securities businesses in the PRC. Pursuant to the agreement, upon establishment of the Security Company, the Group agreed to subscribe for 350,000,000 shares of the Security Company in cash, representing 10% equity interests thereof, at an aggregate subscription price of RMB350 million. The establishment of the Security Company is subject to the necessary approvals by the relevant PRC authorities including but not limited to the China Securities Regulatory Commission (the "CSRC"). The application for the approval was filed to the CSRC in July 2016 and is still under review as at the reporting date.

CHAIRMAN'S STATEMENT

The Group has been actively identifying business opportunities to expand its Financial Services Business either in the PRC and Hong Kong. As disclosed in the 2017 annual report, in 2016, the Group participated in set up a security company in Guangzhou Pilot Free Trade Zone, Nanshan area in the PRC, to carry out securities businesses in the PRC, such application for the approval was filed to the CSRC in July 2016 and is still under review as at the reporting date.

In addition, in September 2018, the Group has entered into a sale and purchase agreement in relation to the acquisition of the entire issued share capital of a company incorporated in Hong Kong which is licensed to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO and authorised by the Hong Kong Confederation of Insurance Brokers as an intermediary to broker long term (including linked long term) insurance under Insurance Ordinance (Chapter 41 of the Laws of Hong Kong). The acquisition has been completed on 27 November 2018. Furthermore, as disclosed on 27 December 2018, the Group entered into an acquisition agreement, pursuant to which the Group has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares, representing 60% of the entire issued share capital of Optima Capital Limited (the "OCL"), subject to the terms and conditions of the acquisition agreement. OCL is a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. It principally engages in providing corporate finance advisory services in Hong Kong.

The Group believes that the acquisitions represent a viable business opportunity for the Group to strengthen its Financial Services Business in Hong Kong and will complement its existing services portfolio for the Group to provide more comprehensive financial services to its customers. The integration of above acquisitions will also strengthen the Group's ability to produce different but higher quality services to its customers and enable the group to broaden its client base.

Customers' demand of hangtags labels, shirt paper boards and plastic bags would remain sluggish during the year under review and the Directors foresee that operating environment of Hangtag Segment would remain challenging.

CHAIRMAN'S STATEMENT

On 5 September 2016, the Group and Fortune Victory Asia Corporation ("Fortune Victory"), an independent third party, entered into an acquisition agreement, pursuant to which the Group has conditionally agreed to acquire, and Fortune Victory has conditionally agreed to sell 60% of the issued share capital of Realord Environmental Protection Industrial Company Limited ("Realord Environmental Protection") at a maximum consideration of HK$60,000,000. Realord Environmental Protection in turn holds the entire equity interest in 廣西梧州市通寶再生物資有限公司(Guangxi Wuzhou City Tong Bao Renewable Materials Limited*) ("Tong Bao"), which is principally engaged in the business of dismantling and trading of scrap materials. The acquisition was completed on 28 February 2017 and the Group has engaged in the Environmental Protection Segment since then. Pursuant to the acquisition agreement, among other things, 1,750,000 consideration shares shall be allotted and issued by the Company to the vendor as part of the consideration if the qualified profit of Realord Environmental Protection sub-group for the financial year ended 31 December 2017 was not less than HK$35,000,000. Based on the audited consolidated financial statements of Realord Environmental Protection for the year ended 31 December 2017 prepared in accordance with the Hong Kong Financial Reporting Standards, the qualified profit of Realord Environmental Protection for the year ended 31 December 2017 amounted to approximately HK$46,179,000. Accordingly, the target profit for the financial year ended 31 December 2017 has been fulfilled and the relevant consideration shares were allotted and issued to the vendor in June 2018.

In the second quarter of 2018, new environmental protection regulations were launched in the PRC, which have tightened the import requirement of scrap materials since 31 December 2018. As a result, the Group postponed its plan to develop a processing plant in the PRC for recycling and production of copper and aluminium ingots to second half of 2019. In addition, the Group is also looking for suitable location in East or Southeast Asia to develop another processing plant for dismantling, crushing, and smelting of scrap materials. The Board believes that both the processing plant projects will assist the Group to derive a long-term growth for the Environmental Protection Segment.

In January 2018, the Group entered into a conditional acquisition agreement to acquire Realord Ventures Limited and Manureen Ventures Limited, the principal assets of which include properties in Shenzhen, the PRC. In April 2018, the completion of acquisition took place and the Directors are of the view that the acquisition would largely enhance the Group's portfolio of investment properties and strengthen the property investment business of the Group by creating additional stream of stable rental income and potential capital gain for the Group. The Group expects that the renovation project of Realord Villas and Realord Technology Park will be completed in late 2019 and mid 2020, respectively, and commence business in early 2020 and late 2020, respectively.

* *For identification purpose only*

CHAIRMAN'S STATEMENT

The Group has also initiated works to enable the redevelopment of the Qiankeng property and the Zhangkenjing property for years. The Zhangkenjing property was acquired by the Group in September 2015. In February 2017, the Group has made an application to the PRC government authority to change the land use of the Zhangkenjing property from industrial use to residential apartments and office use for redevelopment purpose. In accordance with the notice from the government authority, the application is being processed and reviewed by the relevant authorities. The Qiankeng property was acquired by the Group in June 2016 and the application for change of the land use of the Qiankeng property from industrial use to public housing and residential use was also made to 深圳市龍華區住房及建設局 in May 2017. The Company is uncertain about when the approvals will finally be granted but it expects that it should be granted in 2020, subject to government schedules, and thereafter the redevelopment works will commence.

APPRECIATION

On behalf of the Board of Directors, I would like to thank all our staff for their dedication and contributions and our customers, suppliers, business associates and shareholders for their continuous support at the present business environment.

By Order of the Board
Lin Xiaohui
Chairman

Hong Kong, 29 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

The principal activities of the Group during the year under review included the provision of financial printing, digital printing and other related services (the "Commercial Printing Segment"), sale of hangtags, labels, shirt paper boards and plastic bags (the "Hangtag Segment"), distribution and sale of motor vehicle parts (the "Motor Vehicle Parts Segment"), provision of advisory, asset management, securities brokerage services and margin financing (the "Financial Services Segment"), property investment (the "Property Investment Segment") and dismantling and trading of scrap materials (the "Environmental Protection Segment"). Trading Segment was removed as the Group did not generate revenue from this segment and its result is minimal for the year and the last year.

FINANCIAL REVIEW

Overview

During the year under review, the Group recorded a total revenue of approximately HK$811.0 million, representing an increase of approximately 6.3% as compared to that of the last year of approximately HK$763.0 million. The Group recorded a profit of approximately HK$383.7 million for the year as compared to a profit of HK$111.2 million for the last year.

The Group noted an increase in revenue of approximately 6.3% during the year under review, which was mainly due to increase in revenue from the Commercial Printing Segment by approximately HK$12.3 million and the Motor Vehicle Parts Segment by approximately HK$40.2 million. Revenue arising from the Environmental Protection Segment, Financial Services Segment and Property Investment Segment during the year, which were approximately HK$570.8 million, HK$10.3 million and HK$19.5 million respectively, were relatively stable as compared to that of the last year. However, the increase in revenue of the Group was slightly offset by the decrease in revenue in the Hangtag Segment. Motor Vehicle Parts Segment recorded an increase in revenue by approximately 46.3% to HK$127.1 million during the year under review, which was attributable to the substantial growth of business in Guangzhou, the PRC. As a result of procured several IPO and merger and acquisition transaction engagements, the Commercial Printing Segment have a notable increase in revenue by approximately 17.6% to HK$82.4 million.

The audited consolidated net profit after tax of the Group for the year ended 31 December 2018 was approximately HK$383.7 million, which was substantially below the expected net profit after tax of not less than HK$600 million as disclosed in the announcements of the Company dated 5 March 2019 and 22 March 2019 in relation to, among other things, the positive profit alert. The audited consolidated net profit after tax fell short of the expected amount mainly because there was a difference between the principal amount and the fair value of promissory notes issued as part of the consideration for certain investment properties acquired during 2018, which was recognised as deemed contribution from shareholders in equity rather than gain on fair value change of investment properties, net of taxation effect, in profit or loss. The increase in net profit after tax to approximately HK$383.7 million for the year ended 31 December 2018, as compared to the net profit after tax of approximately HK$111.2 million for the year ended 31 December 2017, was mainly due to increase in profit margin derived from the Environmental Protection Segment from 9.4% to 15.9% and the fair value gains on investment properties of approximately HK$671.4 million

MANAGEMENT DISCUSSION AND ANALYSIS

(2017: HK$155.7 million), which was partly offset by the deferred taxation imposed on the fair value gains of approximately HK$158.2 million (2017: HK$48.3 million) as well as the finance costs of approximately HK$424.0 million (2017: HK$30.8 million). The increase in finance costs was mainly due to the increase in bank borrowings, loans from ultimate holding company and issuance of promissory notes during the year.

Financial review

Commercial Printing Segment

The Commercial Printing Segment contributed a revenue of approximately HK$82.4 million, representing 10.2% of the Group's total revenue during the year. There was an increase in revenue by 17.6% to approximately HK$82.4 million as compared to that of the last year of approximately HK$70.0 million. As a result of procured several IPO and merger and acquisition transaction engagements and implemented certain cost control activities during the year, the Commercial Printing Segment have a notable increase in revenue and generated an operating profit of approximately HK$2.3 million as compared to the operating loss of approximately HK$8.1 million for the last year.

Motor Vehicle Parts Segment

The Motor Vehicle Parts Segment contributed a revenue of approximately HK$127.1 million, representing 15.7% of the Group's total revenue during the year. The revenue from the Motor Vehicle Parts Segment recorded a significant increase by 46.3% to approximately HK$127.1 million as compared to the revenue of the last year of approximately HK$86.9 million. Substantial growth in revenue was mainly attributable to expansion of operation in Guangzhou during the year. However, the increase in revenue was offset by increase in administrative and operating expenses incurred for expansion of the Guangzhou operation. The segment became breakeven for the year as compared to an operating profit of approximately HK$0.6 million for the last year.

Financial Services Segment

The Financial Services Segment generated a revenue of approximately HK$10.3 million, representing 1.3% of the Group's total revenue during the year. The Financial Services Segment recorded a similar level of revenue of approximately HK$10.3 million for the year as compared to approximately HK$10.8 million for the last year. The revenue level is stable for both current and last year while the segment recorded an operating loss of approximately HK$20.3 million for the year as compared to operating profit of approximately HK$2.8 million for the last year. The operating loss for the year was mainly derived from provision of impairment loss for margin financing.

MANAGEMENT DISCUSSION AND ANALYSIS

Hangtag Segment

The Hangtag Segment contributed a revenue of approximately HK$1.0 million, representing 0.1% of the Group's total revenue during the year. The revenue from the Hangtag Segment further decreased by 62.3% as compared to the revenue of the last year of approximately HK$2.6 million. The decrease was mainly resulted from less orders received from customers, which were mainly from the garment industry. Through implementation of cost control measures, included outsourcing the manufacturing processes, the segment remained breakeven for both the year and the last year.

Environmental Protection Segment

The Environmental Protection Segment generated a revenue of approximately HK$570.8 million, representing 70.4% of the Group's total revenue. Slight decrease in revenue was mainly due to launch of new environmental protection regulation by the PRC government which tightened the import requirement of scrap materials in second quarter of 2018. The segment recorded an operating profit of approximately HK$67.3 million during the year as compared to approximately HK$52.3 million during the last year.

Property Investment Segment

The Property Investment Segment recorded a revenue of approximately HK$19.5 million during the year, representing 2.4% of the total revenue of the Group. The revenue from this business decreased by 3.3% to approximately HK$19.5 million as compared to approximately HK$20.2 million in the last year. The decrease was due to less rental income derived from the properties located at Zhangkenjing Industrial Zone during the year. Due to the substantial increase in fair value gains on investment properties resulted from the acquisition of a commercial/apartment building, retail shops and all car parking spaces of the Realord Villas ("Realord Villas") and 2 blocks of office building located on the southwestern side of Jufeng Road within Guangming High-Tech Industrial Park in Shenzhen ("Realord Technology Park") during the year amounted to approximately HK$671.4 million (2017: HK$155.7 million), the profit from the segment increase to approximately HK$316.2 million during the year as compared to the profit of approximately HK$169.2 million in the last year.

Others

The Group has invested in listed securities in Hong Kong for trading purpose and recorded a net realised profit on disposal of trading securities of approximately HK$10.8 million during the year. As at 31 December 2018, the fair value of the financial assets amounted to approximately HK$96.6 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, Financial Resources and Capital Structure

The Group generally finances its operations with internally generated cash flow, cash reserve, banking facilities and facility provided by the ultimate holding company. The Group is financially sound with healthy cash position. Its cash and bank balances and pledged time deposits as at 31 December 2018 amounted to approximately HK$896.5 million (2017: HK$61.5 million) in aggregate.

Its gearing ratio as at 31 December 2018 was 266.6% (2017: 59.2%), based on the interest-bearing borrowings of approximately HK$7,674.9 million (2017: HK$634.2 million) and owners' equity of the Group of HK$2,878.4 million (2017: HK$1,070.4 million).

The Directors consider that the Group's cash holding, liquid assets, future revenue, available banking facilities and the facility provided by the ultimate holding company will be sufficient to fulfill the present working capital requirements of the Group.

Foreign Exchange

Most of the transactions of the Group were denominated in Hong Kong dollars, US dollars, Euro, Japanese Yen and Renminbi; while the Group held cash of approximately RMB536.4 million reserved for operating and treasury purpose as at 31 December 2018.

The Group is exposed to foreign exchange risk arising from exposure in the US dollars, Euro, Japanese Yen and Renminbi against Hong Kong dollars. The management has continuously monitored the level of exchange rate exposure and used foreign currency forward contracts for hedging purpose during the year ended 31 December 2018. The Group did not use any financial instruments for hedging purpose as at 31 December 2018.

Financial Guarantees and Charges on Assets

As at 31 December 2018, corporate guarantees amounting to approximately HK$4,781.5 million (31 December 2017: HK$301.5 million) were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries while corporate guarantees amounting to approximately HK$4,480 million (31 December 2017: Nil) was given to a bank in the PRC by the Company for the provision of general banking facilities granted to its PRC subsidiary. Besides, the general banking facilities granted to the subsidiaries of the Company were secured by legal charges on certain investment properties, leasehold land and building owned by the Group with a total net book value of approximately HK$8,496.7 million (31 December 2017: HK$440.1 million) and approximately HK$20.7 million (31 December 2017: HK$72.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

THE BUSINESS REVIEW AND OUTLOOK

Set out below is the business review and outlook of each segment of the Group's business:

Commercial Printing Segment

Severe competition is expected to continue for the Commercial Printing Segment in coming years. The competition in the market hindered the Group to pass the inflating operating costs to customers, therefore restricted the profit margin for the Commercial Printing Segment. The Directors will keep reviewing and assessing the risks, benefits and prospects thereof along the operations.

Motor Vehicle Parts Segment

In view of high rental expense incurred for a retail store in Hong Kong, the Group has ceased the retail business in Hong Kong since November 2018 for the Motor Vehicles Parts Segment. The Group is now shifting its focus to sales at online platforms and automobile sales service shops, which concentrates target customers in Guangzhou, the PRC and the Directors consider that such change can reduce operating costs and at the same time capture the market trend as well as enhance distribution network in Guangzhou.

Financial Services Segment

On 23 May 2016, the Group entered into an agreement with 5 other independent third parties, pursuant to which the parties agreed to set up a security company (the "Security Company") in Guangzhou Pilot Free Trade Zone, Nanshan area in the PRC, to carry out securities businesses in the PRC. Pursuant to the agreement, upon establishment of the Security Company, the Group agreed to subscribe for 350,000,000 shares of the Security Company in cash, representing 10% equity interests thereof, at an aggregate subscription price of RMB350 million. The establishment of the Security Company is subject to the necessary approvals by the relevant PRC authorities including but not limited to the China Securities Regulatory Commission (the "CSRC"). The application for the approval was filed to the CSRC in July 2016 and is still under review as at the reporting date.

The Group has been actively identifying business opportunities to expand its Financial Services Business either in the PRC and Hong Kong. As disclosed in the 2017 annual report, in 2016, the Group participated in set up a security company in Guangzhou Pilot Free Trade Zone, Nanshan area in the PRC, to carry out securities businesses in the PRC, such application for the approval was filed to the CSRC in July 2016 and is still under review as at the reporting date.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, in September 2018, the Group has entered into a sale and purchase agreement in relation to the acquisition of the entire issued share capital of a company incorporated in Hong Kong which is licensed to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO and authorised by the Hong Kong Confederation of Insurance Brokers as an intermediary to broker long term (including linked long term) insurance under Insurance Ordinance (Chapter 41 of the Laws of Hong Kong). The acquisition has been completed on 27 November 2018. Furthermore, as disclosed on 27 December 2018, the Group entered into an acquisition agreement, pursuant to which the Group has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares, representing 60% of the entire issued share capital of Optima Capital Limited (the "OCL"), subject to the terms and conditions of the acquisition agreement. OCL is a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. It principally engages in providing corporate finance advisory services in Hong Kong.

The Group believes that the acquisitions provides a viable business opportunity for the Group to strengthen its Financial Services Business in Hong Kong and will complement its existing services portfolio for the Group to provide more comprehensive financial services to its customers. The integration of above acquisitions will also strengthen the Group's ability to produce different but higher quality services to its customers and enable the group to broaden its client base.

Hangtag Segment

Customers' demand of hangtags, labels, shirt paper boards and plastic bags would remain sluggish during the year under review and the Directors foresee that operating environment of Hangtag Segment would remain challenging.

Environmental Protection Segment

On 5 September 2016, the Group and Fortune Victory Asia Corporation ("Fortune Victory"), an independent third party, entered into an acquisition agreement, pursuant to which the Group has conditionally agreed to acquire, and Fortune Victory has conditionally agreed to sell 60% of the issued share capital of Realord Environmental Protection Industrial Company Limited ("Realord Environmental Protection") at a maximum consideration of HK$60,000,000. Realord Environmental Protection in turn holds the entire equity interest in 廣西梧州市通寶再生物資有限公司 (Guangxi Wuzhou City Tong Bao Renewable Materials Limited*) ("Tong Bao"), which is principally engaged in the business of dismantling and trading of scrap materials. The acquisition was completed on 28 February 2017 and the Group has engaged in the Environmental Protection Segment since then. Pursuant to the acquisition agreement, among other things, 1,750,000 consideration shares shall be allotted and issued by the Company to the vendor as part of the consideration if the qualified profit of Realord Environmental Protection sub-group for the financial year ended 31 December 2017 was not less than HK$35,000,000. Based on the audited consolidated financial statements of Realord Environmental Protection for the year ended 31 December 2017 prepared in accordance with the Hong Kong Financial Reporting Standards, the qualified profit of Realord Environmental Protection for the year ended 31 December 2017 amounted to approximately HK$46,179,000. Accordingly, the target profit for the financial year ended 31 December 2017 has been fulfilled and the relevant consideration shares were allotted and issued to the vendor in June 2018.

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MANAGEMENT DISCUSSION AND ANALYSIS

In the second quarter of 2018, new environmental protection regulations were launched in the PRC, which have tightened the import requirement of scrap materials since 31 December 2018. As a result, the Group postponed its plan to develop a processing plant in the PRC for recycling and production of copper and aluminium ingots to second half of 2019. In addition, the Group is also looking for suitable location in East or Southeast Asia to develop another processing plant for dismantling, crushing, and smelting of scrap materials. The Board believes that both the processing plant projects will assist the Group to derive a long-term growth for the Environmental Protection Segment.

Property Investment Segment

In January 2018, the Group entered into a conditional acquisition agreement to acquire Realord Ventures Limited and Manureen Ventures Limited, the principal assets of which include properties in Shenzhen, the PRC. In April 2018, the completion of acquisition took place and the Directors are of the view that the acquisition would largely enhance the Group's portfolio of investment properties and strengthen the property investment business of the Group by creating additional stream of stable rental income and potential capital gain for the Group. The Group expects that the renovation project of Realord Villas and Realord Technology Park will be completed in late 2019 and mid 2020, respectively, and commence business in early 2020 and late 2020, respectively.

Others

The Group has also initiated works to enable the redevelopment of the Qiankeng property and the Zhangkenjing property for years. The Zhangkenjing property was acquired by the Group in September 2015. In February 2017, the Group has made an application to the PRC government authority to change the land use of the Zhangkenjing property from industrial use to residential apartments and office use for redevelopment purpose. In accordance with the notice from the government authority, the application is being processed and reviewed by the relevant authorities. The Qiankeng property was acquired by the Group in June 2016 and the application for change of the land use of the Qiankeng property from industrial use to public housing and residential use was also made to 深圳市龍華區住房及建設局 in May 2017. The Company is uncertain about when the approvals will finally be granted but it expects that it should be granted in 2020, subject to government schedules, and thereafter the redevelopment works will commence.

EVENTS AFTER REPORTING PERIOD

Subsequent to 31 December 2018, the Group has the following significant events:

i. On 30 January 2019, an indirect wholly-owned PRC subsidiary of the Company has obtained unsecured banking facilities of RMB3,000,000,000 at 5.7% per annum and is fully repayable on 30 January 2024. Such unsecured banking facilities were supported by the corporate guarantees of the Company and certain PRC subsidiaries of the Group as well as the personal guarantees of Dr. Lin and Madam Su, the ultimate shareholders of the Company. The unsecured banking facilities would mainly be used for repayment of the outstanding promissory notes and the loans from ultimate holding company. Up to the date of report, the Company has drawn down RMB2,400,000,000 and repaid for the full amount of promissory notes and certain loans from ultimate holding company.

MANAGEMENT DISCUSSION AND ANALYSIS

ii. On 15 February 2019, an indirect wholly-owned subsidiary of the Company and an independent third party entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to purchase (i) the entire issued share capital of Bright Success Inc. (the "Target") and its subsidiary (the "Target Group"), and (ii) the shareholder's loan, at a maximum consideration of HK$513,350,000 (subject to adjustment). As of 31 December 2018, the Group has paid a cash deposit of HK$51,300,000. The Target Group mainly holds a property in Hong Kong.

PRINCIPAL RISKS AND UNCERTAINTIES

Concentration risk

The five largest customers of the Group contributed approximately 47.2% of the total turnover of the Group for the year; while the five largest suppliers of the Group contributed approximately 71.8% of the total purchases of the Group for the year. The concentration of sales and purchases on certain customers and suppliers may pose risk to the Group operation in that failure in any of these customers and suppliers may have adverse financial effect on the Group.

Credit risk

The account receivables amounted to HK$554.8 million as at 31 December 2018, which comprise amounts due from clients from Financial Services Segment amounted to HK$99.8 million; amounts due from customers from Motor Vehicle Parts Segment amounted to HK$119.3 million; amounts due from customers from Environmental Protection Segment amounted to HK$326.2 million; and amounts due from customers from other businesses amounted to HK$9.5 million.

The amounts due from clients from Financial Services Segment comprise balances receivable from cash client and margin client. The cash clients are required to place deposits before execution of any purchase transactions and are due within the settlement period which are usually within a few days from the trade date. The credit risk arising from the amounts due from cash clients is considered to be low. The amounts due from margin clients are repayable on demand and the margin clients are required to place securities and/or cash deposits as collateral. On a daily basis, the management monitored market conditions and adequacy of collateral of each margin client. Margin calls and forced liquidation are made where necessary.

The customers from Environmental Protection Segment and Motor Vehicle Parts Segment are normally granted with credit terms. The Group recognises a loss allowance for the expected credit losses ("ECL") on the account receivables to reflect credit risk. However, the default or significant increase in credit risk of any of these clients would adversely impact the financial results and position of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Market risk

Investment properties

The Group held significant assets classified as investment properties for earning rental income and capital appreciation. Revaluation of investment properties would be conducted regularly by independent appraiser at reporting date and any surplus/deficiency was recorded as fair value gain or loss in the statement of profit or loss. Fair value of investment properties could be affected by a number of factors, such as property market condition, interest rate, political environment, etc. The change in fair value could significantly affect the financial results and position of the Group.

Financial assets

The Group held certain financials assets for trading purpose, the fluctuation in stock price of the portfolio of listed securities could significantly affect the profitability of the Group. According to the Hong Kong Financial Reporting Standard, the gain/loss on listed securities should be booked as gain or loss on fair value change on financial assets at fair value through profit or loss in the statement of profit or loss. The fluctuation in stock price could impact the Group's profitability. The directors will closely monitor the stock market and make changes to the investment portfolio in order to maximize shareholders' return.

LAWS AND REGULATIONS

Laws and regulations in relation to the financial services sector, environmental protection sector and workplace quality may have a material effect on the Group's principal activities.

Operation in regulatory sector

The Financial Services Segment of the Group operates in a highly regulated sector. The risk of non-compliance with regulatory requirements could lead to the loss of operating licenses.

The Environmental Protection Segment of the Group operates under relevant environmental protection regulations, non-compliance with the regulatory requirements changes will affect the Group's operation significantly. Therefore, we make it a top priority to stay up to date on new laws and regulations, and to ensure compliance with the relevant rules and regulations. The Group has amended it business activities and implemented policies and procedures designed to ensure compliance with the most relevant laws and regulations.

To the best of our knowledge, the Group has complied with the relevant regulations for our financial services business and environmental protection business. We did not identify any material non-compliance or breach of legislation.

MANAGEMENT DISCUSSION AND ANALYSIS

Workplace Quality

The Group believes that continued business success relies on the full contribution and support of our employees. We are dedicated to promoting equal opportunities for all of our employees in different areas, including recruitment, compensation and benefits, training, staff promotion, transfer, and dismissal. All employees are assessed based on their ability, performance and contribution, irrespective of their nationality, race, religion, gender, age or family status.

The Group is committed to the health, safety and welfare of our employees. We pledge full compliance in all occupational health and safety legislations and we have implemented an effective and safe working environment for our employees.

The Group has complied with labour or other relevant legislations. We did not identify any material non-compliance or breach of legislation related to workplace quality.

Environmental Protection

The Group is committed to protecting and sustaining the environment through reduced consumption of electrical power and paper. We are committed to upholding high environmental standards to fulfill relevant requirements under applicable laws or ordinances.

We did not identify any material non-compliance or breach of relevant standards, rules and regulations on air and greenhouse gas emission, discharges into water and land, generation of hazardous or non-hazardous water, etc.

RELATIONSHIP WITH EMPLOYEES

The Group recognises employees as the most important assets of the Group. The contribution and support of employees are valued at all times. The Group regularly reviews the remuneration policies according to the market benchmarks, financial results and individual performance of employees. Other staff benefit plans are provided to enhance the employees' loyalty and satisfaction.

RELATIONSHIP WITH SUPPLIERS

Fair and Open Competition

The Group promotes fair and open competition that aims to develop long term relationships with suppliers based on mutual trust.

Public Interest and Accountability

The procurement from suppliers or service providers is conducted in a manner consistent with the highest ethical standards. This helps assure high products quality at all times to gain the confidence of customers, suppliers and the public.

MANAGEMENT DISCUSSION AND ANALYSIS

Procurement and Tendering Procedures

The contracting of services and the purchase of goods are based solely on need, quality and price. This ensures compliance with procurement policies and fosters positive and open competition.

RELATIONSHIP WITH CUSTOMERS AND CLIENTS

Customer Services

The Group seeks to provide efficient and courteous customer service to maintain customer satisfaction and co-operation. Customers have access to information about the operation and development of the Group through annual reports and the company website. The Group shall not make any misrepresentation, exaggeration or overstatement.

ENVIRONMENTAL AND SOCIAL POLICIES

Details of the environmental and social policies of the Group are set out in the Environmental, social and Governance Report on pages 35 to 54.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 December 2018, the Group had a total workforce of 199, of whom 109 were based in Hong Kong and 90 were based in the People's Republic of China.

Remuneration packages are generally structured by reference to market terms and individual qualifications, experience and merits. Salaries are normally reviewed on an annual basis and bonuses, if any, will be based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.

SOCIAL RESPONSIBILITIES AND SERVICES AND ENVIRONMENTAL POLICY

Corporate Social Responsibility has become common practice. The Group cares to save energy, reduce waste during our day-to-day operations, and to protect the environment by implementing a series of measures in energy conservation and paper recycling etc.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP

EXECUTIVE DIRECTORS

Dr. Lin Xiaohui ("Dr. Lin"), aged 45, obtained a post-graduate diploma in business administration from the Society of Business Practitioners in December 2013, a Master degree of business administration from the City University College of Science and Technology in September 2014 and a Honorary Doctorate degree of Business Administration from the SABI University in August 2015. Since 2005, Dr. Lin has held management positions in a number of private companies in which he has shareholding interests, and these companies are mainly engaged in real estate, electronics, logistics and financial investment in Shenzhen. Dr. Lin is a member of the Committee of Shenzhen City of the Chinese People's Political Consultative Conference and a member of the Committee of Futian District, Shenzhen City of the Chinese People's Political Consultative Conference. Dr. Lin is the spouse of Madam Su and the brother of Mr. Lin Xiaodong. Dr. Lin joined the Group in June 2014.

Madam Su Jiaohua ("Madam Su"), aged 46, obtained the advanced diploma in business studies from Ashford College of Management & Technology Singapore in September 2012. Since 2005, Madam Su has held management positions in a number of private companies in which she has shareholding interests, and these companies are mainly engaged in real estate, electronics, logistics and financial investment in Shenzhen. Madam Su also served as a member of the People's Congress of Futian District, Shenzhen City since April 2012, and a member of the People's Congress of Shenzhen City since May 2015. Madam Su is the spouse of Dr. Lin. Madam Su joined the Group in June 2014.

Mr. Lin Xiaodong ("Mr. Lin"), aged 36, obtained a Bachelor of Commerce and Administration in Commercial Law and International Business from the Victoria University of Wellington, New Zealand in 2007. He has worked in the Branch Office of Shenzhen Municipal Office of the State Administration of Taxation* (深圳市國家稅務局直屬分局) from 2007 to 2009. He has undertaken various managerial roles in a company owned by Dr. Lin and Madam Su since 2009. Mr. Lin Xiaodong is the brother of Dr. Lin. Mr. Lin Xiaodong joined the Group in June 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Leung Fai ("Mr. Yu"), aged 42, was appointed as an independent non-executive director of the Company in 2014 and has over 12 years of experience in corporate services field. He was an auditor of Deloitte Touche Tohmatsu from 2000 to 2001. Since 2001, Mr. Yu has joined Fung, Yu & Co. CPA Limited and is currently the company's Managing Partner. Mr. Yu has also been the company secretary of Beijing Media Corporation Ltd. (Hong Kong stock code: 01000), Yuanda China Holdings Limited (Hong Kong stock code: 02789), Sany Heavy Equipment International Holdings Limited (Hong Kong stock code: 00631) and Bamboos Health Care Holdings Limited (Hong Kong stock code: 02293), all of which are listed companies in Hong Kong, since 2010, 2012, 2017 and 2018, respectively. Mr. Yu graduated from the University of Toronto with a bachelor's degree in commerce in 2000 and from the University of London with a bachelor's degree in law in 2005. He is a member of the American Institute of Certified Public Accountants, Certified Practicing Accountants of Australia and the Hong Kong Institute of Certified Public Accountants.

* *For identification purpose only*

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND SENIOR MANAGEMENT OF THE GROUP

Mr. Fang Jixin ("Mr. Fang"), aged 37, holds a Master degree in Civil and Commercial Law from Wuhan University. Mr. Fang was a legal assistant and a solicitor in the Shu Jin Law Firm from 2005 to 2008 and in the compliance and management division of China International Capital Corporation Limited from 2008 to 2012. He has joined Shenzhen City Zhidongli Precise Technology Company Limited* (深圳市智動力精密技術股份有限公司) since 2012 and is currently the deputy general manager and secretary to the board (董事會秘書). Mr. Fang joined the Group in June 2014.

Dr. Li Jue ("Dr. Li"), aged 43, graduated in Jilin University School of Law, obtained a Bachelor degree in Laws in 1997, a Master degree in Civil and Commercial Law in 2001 and a Doctorate degree in Civil and Commercial Law in 2013. In 2014, Dr. Li joined the post-doctoral research station jointly established by the Center for Assessment and Development of Real Estate, Shenzhen* (深圳市房地產評估發展中心) and the Harbin Institute of Technology, PRC, and engaged in researches relating to the real estate industry. Dr. Li was employed by the Bank of China (Shenzhen Branch) from 2001 to 2013. Since 2015, Dr. Li has been employed by the School of Finance and Economics at the Shenzhen Institute of Information Technology. Dr. Li joined the Group in June 2014.

SENIOR MANAGEMENT

Mr. Chan Chu Kin ("Mr. Chan"), aged 40, is the chief financial officer and company secretary of the Company. Mr. Chan has over 17 years of experience in accounting and finance. Mr. Chan graduated from the University of New South Wales with a bachelor's degree in commerce in 2001. He is a member of both the Certified Public Accountants of Australia and the Hong Kong Institute of Certified Public Accountants. Mr. Chan joined the Group in June 2017.

* *For identification purpose only*

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 54 to the financial statements.

An analysis of the Group's performance for the year ended 31 December 2018 by business operating segments and geographical information is set out in note 6 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2018 and the financial position of the Group at that date are set out in the financial statements on pages 62 to 204.

No interim and final dividend have been declared during the year ended 31 December 2018 and 31 December 2017.

FIVE YEAR FINANCIAL HIGHLIGHTS

A summary of the results, assets and liabilities of the Group for the last five fiscal years is set out on page 3.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2018 is set out in the Management Discussion and Analysis on pages 8 to 18.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year ended 31 December 2018 are set out in note 39 to the financial statements.

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

At 31 December 2018, the Company did not have any reserve available for distribution (2017: nil).

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers were as follows:

(1) The aggregate amount of turnover attributable to the Group's five largest customers represented 47.2% of the Group's total turnover. The amount of sales to the Group's largest customer represented 15.3% of the Group's total turnover.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 71.8% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented 55.2% of the Group's total purchases.

None of the directors of the Company, their associates or any shareholder (who, to the best knowledge of the directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year ended 31 December 2018.

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the year were as follows:

Executive directors:

Dr. Lin Xiaohui
Madam Su Jiaohua
Mr. Lin Xiaodong

Independent non-executive directors:

Mr. Yu Leung Fai
Mr. Fang Jixin
Dr. Li Jue

Mr. Lin Xiaodong and Mr. Yu Leung Fai will retire by rotation and, being eligible, will offer themselves for re- election at the forthcoming annual general meeting in accordance with Bye-law 87 of the Company's Bye-laws.

The independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Bye-laws.

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to rule 3.13 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and as at the date of this report, still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

No director of the Company as of the date of this report 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.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Saved as disclosed in notes 12 and 48 to the financial statements, no director nor a connected entity of a 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 holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2018, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong) (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 were as follows:

	Number of shares held					
Name of directors	Personal interests (held as beneficial owner)	Corporate interests	Spouse interests	Interest from options granted under share option scheme	Total interests	Total interests as % of the issued share capital
Dr. Lin Xiaohui	–	1,073,160,000 *(Note 1)*	–	–	1,073,160,000	74.75%
Madam Su Jiaohua	–	–	1,073,160,000 *(Note 2)*	–	1,073,160,000	74.75%
Mr. Lin Xiaodong	–	–	–	1,000,000	1,000,000	0.09%
Mr. Yu Leung Fai	–	–	–	500,000	500,000	0.04%
Mr. Fang Jixin	–	–	–	500,000	500,000	0.04%
Dr. Li Jue	–	–	–	500,000	500,000	0.04%

Notes:

1. As at 31 December 2018, Manureen Holdings Limited ("MHL") was the legal and beneficial owner of 1,073,160,000 shares. Since Dr. Lin Xiaohui owned 70% of the issued share capital of MHL, he was deemed to be interested in 1,073,160,000 shares.

2. Madam Su Jiaohua, the spouse of Dr. Lin Xiaohui, was deemed to be interested in 1,073,160,000 shares which Dr. Lin Xiaohui was deemed to be interested under the SFO as at 31 December 2018.

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2018, none of the directors or chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under 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.

INTERESTS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2018, so far as is known to the directors, the following persons (other than a director or chief executive of the Company) had interests in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares held	Percentage of issued capital
MHL	Beneficial owner	1,073,160,000	74.75%

Note:

As at 31 December 2018, MHL was the legal and beneficial owner of 1,073,160,000 Shares. MHL was owned as to 70% by Dr. Lin Xiaohui and as to 30% by Madam Su Jiaohua.

Save as disclosed above, as at 31 December 2018, other than the directors and chief executive of the Company whose interests or short positions are set out in the paragraph headed "Directors' and chief executive's interests and short position in shares, underlying shares or debentures of the Company or its associated corporations" above, the directors and chief executive of the Company were not aware of any person who had any interest or short position in the shares or underlying shares of the Company according to the register of interest required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEMES

The share option scheme (the "Scheme") adopted by the Company was approved by the shareholders at the annual general meeting of the Company held on 10 August 2012 and is effective for a period of 10 years commencing on 10 August 2012. The purpose of the Scheme is to attract and retain quality personnel and other persons and to provide them with incentive to contribute to the business and operation of the Group or any invested entity through granting of options to eligible participants. Further details of the Scheme are disclosed in note 40 to the financial statements.

REPORT OF THE DIRECTORS

Movements of the share options under the share option scheme during the year are as follows:

Name of Grantee	Date of Grant	Exercise Period	Exercise price per share (HK$)	Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2018
Directors								
Lin Xiaohui	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,080,000	–	(1,080,000)	–	–
Su Jiaohua	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,080,000	–	(1,080,000)	–	–
Lin Xiaodong	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	–	1,000,000
Yu Leung Fai	20/5/2015	20/5/2017 – 19/5/2025	4.11	500,000	–	–	–	500,000
Fang Jixin	20/5/2015	20/5/2017 – 19/5/2025	4.11	500,000	–	–	–	500,000
Li Jue	20/5/2015	20/5/2017 – 19/5/2025	4.11	500,000	–	–	–	500,000
				4,660,000	–	(2,160,000)	–	2,500,000
Direcotors' associates								
Lin Xiaohong	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	–	1,000,000
Su Jiawen	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	–	1,000,000
Lin Yixin	20/5/2015	20/5/2017 – 19/5/2025	4.11	300,000	–	–	–	300,000
Lin Jingming	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	–	1,000,000
				3,300,000	–	–	–	3,300,000
Other employees								
In aggregate	20/5/2015	20/5/2017 – 19/5/2025	4.11	2,050,000	–	(50,000)	–	2,000,000
				2,050,000	–	(50,000)	–	2,000,000
				10,010,000	–	(2,210,000)	–	7,800,000

There was no participant with options granted in excess of the individual limit.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors or any of their respective associates has interest in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group, or has any other conflict of interest with the Group.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 28 to 34.

MATERIAL CONNECTED TRANSACTIONS

On 19 April 2018, the Group acquired 100% equity interest in Realord Ventures Limited and Manureen Ventures Limited from Dr. Lin and Madam Su at a total consideration of RMB5,854,995,000 (equivalent to approximately HK$7,323,176,000). As Dr. Lin and Madam Su are the directors and controlling shareholders of the Group, it constituted a connected transaction as defined in Chapter 14A of Listing Rules. Details of the transaction could be referred to the circular of the Group dated 23 March 2018.

On 27 December 2018, the Group entered into an acquisition agreement to acquire 60% equity interest in Optima Capital Limited from vendors at a consideration of HK$96,000,000. As one of the vendors, Ms Leung Mei Han, is the spouse of a director of a subsidiary of the Company, it constituted a connected transaction as defined in Chapter 14A of the Listing Rules. Details of the transaction could be referred to the announcement of the Group dated 27 December 2018.

Save as disclosed above, the Company did not have any connected transactions and continuing connected transactions which were subject to the disclosure requirements under Chapter 14A of the Listing Rules during the year. For those other related party transactions of the Group constituted connected transactions under Chapter 14A of the Listing Rules as disclosed in note 48 to the financial statements, all were fully exempted from the disclosure requirements for reporting, announcement and independent Shareholders' approval.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the directors, the Company had maintained a sufficient public float of not less than 25% of the Company's total issued shares as required under the Listing Rules throughout the year under review.

AUDITOR

A resolution for the reappointment of Deloitte Touche Tohmatsu as independent auditor of the Company will be proposed at the forthcoming annual general meeting.

For and on behalf of the Board

Lin Xiaohui
Chairman

Hong Kong, 29 March 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance practices. In the opinion of the directors, the Company has complied all code provisions (the "Code Provisions") in the Corporate Governance Code (the "Code") set out in Appendix 14 of the Listing Rules for the year ended 31 December 2018.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors of the Company, they have confirmed compliance with the required standard set out in the Model Code during the year ended 31 December 2018.

BOARD OF DIRECTORS

The Company is governed by a board of directors (the "Board") which has the responsibility for leadership and monitoring of the Company. The directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board set strategies and directions for the Group's activities with a view to develop its business and to enhance shareholders' value.

The Board met 23 times during the year ended 31 December 2018. Its composition and the attendance of individual directors at these Board meetings were follows:

Name	**Number of Board meetings attended/held**
Executive directors	
Dr. Lin Xiaohui *(Chairman)*	23/23
Madam Su Jiaohua *(Chief Executive Officer)*	23/23
Mr. Lin Xiaodong	23/23
Independent non-executive directors	
Mr. Yu Leung Fai	22/23
Mr. Fang Jixin	22/23
Dr. Li Jue	22/23

Dr. Lin Xiaohui and Madam Su Jiaohua are spouses.
Dr. Lin Xiaohui and Mr. Lin Xiaodong are brothers.

CORPORATE GOVERNANCE REPORT

To the best knowledge of the Company and save as disclosed above, there is no financial, business and family relationship among members of the Board.

DIRECTORS' TRAINING

All directors participate in continuous professional development to enhance and refresh their knowledge and skills. During the year ended 31 December 2018, all directors had provided the Company their training records. All directors participated in continuous professional development exercise by way of attending seminars/conferences/forums organised by professional organisations and keep themselves updates on the roles, functions and duties of a listed company directors. The trainings attended by the directors are in the area of corporate governance, regulatory development, financial management or business skills and knowledge. The Company is of the view that all directors of the Company has compiled with Code Provision A.6.5.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of Chairman and Chief Executive Officer of the Company are separated, with a clear division of responsibilities to assume a balance of authority and power.

The Chairman is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and for setting its agenda and taking into account any matters proposed by other directors for inclusion in the agenda. Through the Board, he is responsible for ensuring that good corporate governance practices and procedures are followed by the Group.

The Chief Executive Officer is responsible for the day-to-day management of the Group's business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Group benefits from the experience and expertise of the independent non-executive directors of the Company. They advise the Company on strategy development and enable the Board to maintain high standards of compliance of financial and other mandatory requirements. Each independent non-executive director of the Company gives an annual confirmation of the independence to the Company and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

All the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Bye-laws of the Company, which stipulate that one-third of the directors shall retire from office by rotation so that each director shall be subject to retirement at least once every three years.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the following corporate governance functions:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company's compliance with the Code Provisions and disclosure in the Corporate Governance Report; and
- such other corporate governance and functions set out in the Code Provisions (as amended from time to time) for which the Board are responsible.

REMUNERATION COMMITTEE

During the year ended 31 December 2018, the members of the Remuneration Committee comprised one executive director and two independent non-executive directors of the Company, namely Dr. Li Jue (Chairman), Mr. Yu Leung Fai and Dr. Lin Xiaohui. The terms of reference of the Remuneration Committee have been determined with reference to the Code.

The Remuneration Committee met two times during the year ended 31 December 2018. All members attended these meetings.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and structure for all directors and senior management. During the year ended 31 December 2018, the Remuneration Committee has reviewed the Group's remuneration policy, including the policy for the remuneration of executive directors in accordance with Code Provision B.1.2(c)(ii), the levels of remuneration paid to executive directors and senior management of the Group.

NOMINATION OF DIRECTORS

During the year ended 31 December 2018, the members of the Nomination Committee comprised one executive director and two independent non-executive directors of the Company, namely Dr. Lin Xiaohui (Chairman), Mr. Yu Leung Fai and Mr. Fang Jixin. The terms of reference of the Nomination Committee have been determined with reference to the Code.

The Nomination Committee is mainly responsible for reviewing the structure, size and composition of the Board at least annually, making recommendations on the procedures and criteria for appointment of Directors and implementing those that are adopted by the Board.

CORPORATE GOVERNANCE REPORT

The nomination policy of the Company specifies the selection criteria of Directors including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above) cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

AUDIT COMMITTEE

During the year ended 31 December 2018, the members of the Audit Committee comprised three independent non-executive directors of the Company, namely Mr. Yu Leung Fai (Chairman), Mr. Fang Jixin and Dr. Li Jue. The terms of reference of the Audit Committee follow the guidelines set out in the Code.

The Audit Committee met two times during the year ended 31 December 2018, which were attended by all members.

During the year, the Audit Committee had reviewed the Group's interim and annual results, risk management and internal control system and financial reporting matters. The Audit Committee oversees the overall financial reporting process as well as the adequacy and effectiveness of the Company's internal control procedures.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The directors acknowledge their responsibility for preparing the financial statements of the Company, which give a true and fair view of the financial position of the Group on a going concern basis. As at 31 December 2018, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going-concern basis.

The responsibilities of the external auditor about their financial reporting are set out in the Independent Auditor's Report attached to the Company's Financial Statements for the year ended 31 December 2018.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility to ensure that an appropriate and effective risk management and internal control systems are maintained so as to safeguard the Group's assets and the interests of the Shareholders. The Board has developed its risk management and internal control systems, and is also responsible for overseeing the performance of the risk management and internal control system on an ongoing basis. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year, the Board has, through Audit Committee, conducted a review on the adequacy and effectiveness of the risk management and internal control systems of the Group, which covered financial, compliance and operational controls as well as risk management mechanisms. The Board also reviewed the adequacy of resources, staff qualifications for those who are responsible for accounting and financial reporting function and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. The internal auditor of the Group has performed an independent review on the adequacy and effectiveness of the risk management and internal control systems of the Group. The review results has been properly reported to the Audit Committee.

The Board has established a policy and guideline on the procedures and internal controls for the handling and dissemination of inside information, which stipulated the duties and responsibilities of inside information announcement, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemption and wavier to the disclosure of inside information, and also compliance and reporting procedures.

Based on the internal control reviews conducted in 2018, no significant control deficiency was identified.

AUDITOR'S REMUNERATION

For the year ended 31 December 2018, fees paid/payable to the Company's external auditor for annual audit services totalled HK$1,880,000 (year ended 31 December 2017: HK$1,500,000). For other audit/review-related services, the fees amounted to HK$2,630,000 (year ended 31 December 2017: HK$2,677,000).

COMPANY SECRETARY

The Company Secretary is to ensure there is a good information flow within the Board and between the Board and senior management, provide advice to the Board in relation to directors' obligations under the Listing Rules and applicable laws and regulations and assist the Board in implementing the corporate governance practices. The Company Secretary confirmed that he has taken not less than 15 hours of relevant professional training during the year ended 31 December 2018 and has provided training record to the Company indicating his compliance with the training requirement under the Listing Rules. The Company is of the view that the Company Secretary has compiled with Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

CONSTITUTIONAL DOCUMENTS

The Bye-laws of the Company has been amended at the 2012 annual general meeting held on 10 August 2012 so as to bring the Bye-laws in line with the current revised requirements of the Listing Rule and certain changes to the laws of Bermuda. The amendments were disclosed in details on pages 32 to 36 of the Company's circular to shareholders dated 11 July 2012 published on the websites of the Company and the Stock Exchange.

An updated version of the Bye-laws of the Company is available on the website of the Company (www.realord.com.hk) and the Stock Exchange (http://www.hkexnews.hk/index.htm).

DIVIDEND POLICY

The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, acquisitions, capital requirements and surplus, general financial conditions, contractual restrictions and other factors which our Directors deem relevant.

SHAREHOLDERS' RIGHTS

Convenes a special general meeting of the Company

Pursuant to Bye-law 58 of the Company, shareholder(s) 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 at all times have the right, by written requisition to the Board or the Company Secretary 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; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may convene a special general meeting.

Enquiries to the Board

Shareholder(s) may at any time send their enquires to the Board in writing through the Company Secretary whose contact details are as follows:

Company Secretary
Realord Group Holdings Limited
Suites 2403-2410
24/F, Jardine House
1 Connaught Place
Central, Hong Kong

CORPORATE GOVERNANCE REPORT

Procedures for putting forward proposals at general meetings

The following shareholder(s) are entitled to put forward a proposal (which may properly be put to the meeting) for consideration at a general meeting of the Company:

1. any shareholder(s) representing not less than one-twentieth of the total voting rights of the Company on the date of the requisition; or

2. not less than one hundred shareholders.

The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement with respect to the matter referred to in the proposal must be deposited at the registered office of the Company in the case of:

(1) a requisition requiring notice of a resolution, not less than six weeks before the meeting; and

(2) any other requisition, not less than one week before the meeting.

The Company would take appropriate actions and make necessary arrangements, and the shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under Sections 79 and 80 of the Companies Act 1981 of Bermuda (as amended) once valid documents received.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to develop and maintain continuing relationships and effective communications with its shareholders and investors. To facilitate and enhance the relationships and communication, the Company has established, including but not limited to, the following various channels:

1. annual general meeting provides a forum for shareholders of the Company to raise comments and exchange views with the Board. The Chairman and the directors are available at annual general meetings to address shareholders' queries;

2. separate resolutions are proposed at general meetings on each substantially separate issue to facilitate the enforcement of shareholders' rights. Pursuant to rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. As such, all resolutions set out in the notice of the annual general meeting of the Company will be voted by poll;

3. interim and annual results are announced as early as possible so that the shareholders are kept informed of the Group's performance and operations; and

4. corporate website www.realord.com.hk contains extensive information and updates on the Company's business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OVERVIEW

The board is pleased to present the Environmental, Social and Governance Report in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Guide") as published by The Stock Exchange of Hong Kong Limited.

1. Scope

This Environmental, Social and Governance Report covers the reporting period from 1 January 2018 to 31 December 2018 and includes the operations of the Group's Shenzhen and Guangxi office during the reporting period. The content of this Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange and is published once a year.

2. Communication with Stakeholders

The Group's annual general meetings provide an effective platform for the board of directors to communicate with the shareholders. In addition to shareholder meetings, to maintain a close relationship with the stakeholders such as customers and suppliers, the Group maintains communication with all stakeholders from time to time via various means including visits, conference calls and meetings, post and emails, follow-ups by customer service personnel, etc., in order to listen to stakeholders' opinions and understand their needs. The operating data and overall performance of the Group are summarized in the Company's interim report and annual report semi-annually and reported to investors through the Company's official website (www.realord.com.hk).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Communication with stakeholders

Major stakeholders	**Communication means**
Investors	Maintain close, transparent and efficient communication with shareholders through regular investor meetings, annual general meetings, emails, investor relations hotline and investor mailbox and announcements.
Customers	Set up a customer service hotline for customers to express their opinions. Where a complaint is received, customer service staff shall give the customer a proper reply as soon as possible.
Employees	Develop employment and employee benefits systems, and strengthen employees' awareness of occupational safety and health through training.
Suppliers	Carry out open and transparent procurement through emails, meetings, review and evaluation process to achieve mutual benefit and win-win results with suppliers.
Communities	Assign employees to participate in environmental activities in communities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

3.1 Environment

3.1.1 Emissions

The Group actively monitors environmental management issues in the course of operations and adopts a series of measures to reduce environmental impacts, including curbing exhaust gas and greenhouse gas emissions; sewage and land and reducing the generation of hazardous and non-hazardous waste. The Group has adopted a series of environmental protection policies and measures to continuous commitment to environmental protection. The environmental measures implemented by the Group in business operations are detailed as below by type:

Air pollution reduction

The Group has been focusing on the exhaust emissions of various equipment and implementation a series of emission control such as arranging regular repairment and maintenance for the Group's automobiles, ensure to maintain their engines' and other mechanical systems' in proper condition and improve fuel efficiency and reduce pollutant emissions. In order to reduce from exhaust emissions, the Group has prepared to replace traditional diesel vehicles with electric cars gradually, expecting to achieve zero emission.

The table below sets out the Group's exhaust emissions in the reporting year of 2018 and 2017:

	2018	2017
Nitrogen Oxides (NOx)(kg)	12.39	6.89
Sulfur Oxides (SOx)(kg)	0.23	0.11
Particles (PM) (kg)	0.91	0.55

Reducing greenhouse gas emissions

With respect to greenhouse gas emissions, the Group also conducts data monitoring to identify and classify sources of greenhouse gas emissions, so as to compare the data performance of various sources.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The table below sets out the greenhouse gas' total emissions and density of the Group in the reporting year of 2018 and 2017:

	2018	2017
Emissions of greenhouse gas (Carbon dioxide equivalent (tonne))		
Direct Emissions (Carbon dioxide equivalent (tonne))	38.41	88
Energy indirect emissions	129.54	102.68
Total greenhouse gas emissions (Carbon dioxide equivalent (tonne))	167.94	190.68
Total number of employees (person)	142	63
Emission density of greenhouse gas (Carbon dioxide equivalent (tonne)/person)	1.18	3.03

Business travel reduction

The Group thoroughly understands that long-distance transportation in business travel will increase energy consumption, leading to increase in emission of greenhouse gas. The Group also encourages employees to communicate in a green manner including the widely-used Internet videoconferencing and WeChat, to reduce the need for long-distance business travel and thus lower carbon emissions caused by long-distance transport. When it is necessary for employees to make business trips, they will prefer taking public transport to reduce additional carbon emissions.

Exhaust gas reduction management

In order to minimize the impact of wasted gas produced by waste plastics processing machines on the surrounding environment, the Group has installed new devices for the Group's waste plastics processing machines, adopting activated carbon fiber adsorption technology to discharge waste gas after it is being collected and processed. In addition, the Group also focuses on improving the ventilation in the workshops, reducing the concentration of exhaust gas in the workshops effectively through air-diluting. Relevant exhaust gas meets the standards of the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and regulatory criterion after being processed and purified.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Noise pollution management

In accordance with the standards of the Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise, the Group adopted enclosed design for its Guangxi Recycling Yard and set up sound barriers to prevent noise from affecting the surrounding environment during operation.

Procurement policy supporting local suppliers

In order to reduce the emissions and energy consumption due to the transportation, the Group will prioritize in selecting local suppliers if they are qualified for the Group's software and hardware conditions so permit, with an aim to avoid additional carbon emissions resulting from the need to transport goods over long distances. When local suppliers are selected, we also adopt a centralized approach to arrange as few deliveries as possible, and optimize delivery plans to reduce exhaust emissions during transportation.

Waste management

The Group adopts waste and resource management strategies to promote and implement waste recycling and reuse while reducing the consumption of raw materials. In addition, the Group implements these strategies in accordance with the provisions of the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste issued by the Government of the People's Republic of China to ensure that waste is disposed of in a responsible manner.

Hazardous waste disposal

In terms of hazardous wastes, the hazardous wastes generated during the operation of the Group's Guangxi Recycling Yard mainly involve waste machine oil, circuit boards, scrap rubber, activated carbon, etc. The Group strictly comply with the regulations and requirements in the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste and the Administrative Measures for Hazardous Waste Transfer Manifest on hazardous waste disposal in the course of centralized collection and temporary storage management of hazardous wastes, and have entered into service agreements with qualified waste disposal companies designated by local governments to assist the Group in proper disposal of all hazardous wastes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The table below sets out the hazardous wastes' total volume and density of the Group in the reporting year of 2018 and 2017:

	2018	2017
Total volume of hazardous wastes (tonne)	0	0.33
Total number of employees (person)	176	63
Emission density per employee (kg/person)	0	5.24

Disposal of non-hazardous waste

The Group's Guangxi Recycling Yard, in accordance with the Law on Prevention and Control of Environmental Pollution by Solid Waste and the Administrative Measures for Municipal Domestic Waste, has set up a recycling center where employees collect, mark and separate different types of solid waste. The reusable waste, including paper, plastic and metal, will be sent to recycling agencies for proper treatment. We endeavour to improve the recycling rate and achieve the highest resource efficiency through internal operation management, publicity, training, labeling, classification, recycling and other policy controls. In addition, in order to improve the efficiency of energy and resource use, the Group regularly engages qualified professional agencies to carry out environmental monitoring, and from time to time invites environmental experts to propose improvement plans which will be studies and implemented.

The table below sets out the non-hazardous wastes' total volume and density of the Group in the reporting year of 2018 and 2017:

	2018	2017
Total volume of non-hazardous wastes (tonne)	2.16	529.49
Total number of (person)	176	63
Emission density per employee (kg/person)	0.01	8.40

Non-hazardous wastes in 2018 decreased by approximately 99% as compared with that of 2017.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.1.2 *Use of Resources*

The Group understands that the natural resources in the Earth are so precious that they are by no means inexhaustible. As such, we have put in place appropriate operational measures to enhance our resource utilization efficiency.

Energy conservation

In terms of energy conservation, the Group implements a variety of strategies to reduce damage to the ecological environment.

Energy conservation measures

(1) It is planned to gradually replace the existing office and warehouse lighting with LED lighting, which can lower power consumption and reduce hazardous waste from replacement of short-lived traditional lighting fixtures.

(2) All employees are required to participate in energy saving and emission reduction actions; employees are educated to properly use office electrical equipment including lighting, electric fans, air conditioners and other facilities, to turn off the equipment not in use in their responsible areas, and to check and ensure that all energy-consuming equipment is turned off before leaving work. In addition, the Group disseminates knowledge of energy conservation and emission reduction to encourage employees to develop energy-saving and environment-friendly work habits.

(3) It is required to set the air conditioning temperature at 25 degrees and turn it off 30 minutes before leaving work to avoid waste of energy.

(4) Office equipment (such as refrigerators and air conditioners) is cleaned on a regular basis to improve operational efficiency.

(5) Environment-friendly and energy-efficient appliances and equipment are preferred.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Water conservation

The Group has not found any problems with the applicable water source and has no difficulty in obtaining water in daily operation. Daily usable water comes from municipal water-supplying system for office use without taking from underground water or other natural resources. We often remind our employees the concept of saving water and strengthen the repairment management of water facilities to achieve the goal of water conservation. In particular, Guangxi Recycling Yard has implemented the reuse of water resources, as the water used in washing clothes and hands in the staff dormitory are collected for flushing toilets. We have also put up "Save Water" reminders in appropriate places to remind employees to reduce water consumption in their daily operations and to close the taps immediately after use so as to reduce unnecessary waste. We further enhanced daily maintenance and management of water equipment, including regular maintenance of water mains and pipes to reduce hidden leakage. Water consumption in 2018 decreased by approximately 7.9% as compared with that of 2017.

Green office policy

The Group has implemented a series of measures to reduce the use of office supplies, including the group-wide implementation of electronic file management, encouraging employees to process documents on computers and transmit information electronically as far as possible, and reducing the printing, transmission, sorting and archiving of paper files. For files that must be printed, the Group requires employees to print on double-sided of paper. The number of envelopes, portfolios and brochures issued by the Company is also subject to verification and control to minimize the demand for paper. To facilitate waste sorting, recycling and the transfer of recyclable resources to qualified recyclers, various collection bins have been placed in the office for the recycling of single-sided printed paper and printer cartridges.

Various green plants have been placed in different areas of the office, and the green area coverage in Guangxi's factory area has reached 15%, which helps clean air and improve indoor and surrounding air quality.

Packaging materials wastes reduction

Guangxi Recycling Yard mainly uses trucks to deliver goods directly to customers. Under the premise of reasonable protection, the company try to committed reuse the packaging materials which were imported along with raw materials, so as to minimize resource consumption in the transportation process without producing large quantity of packaging materials wastes.

The table below sets out the main resources' total consumption and density of the Group in the reporting year of 2018 and 2017:

	Shenzhen office		**Guangxi recycling yard**	
	2018	2017	2018	2017
Total number of employees (person)	27	24	115*	39
Gasoline consumption of automobiles (L)	5,716.72	6,926.05	9,942.15	14,743
Consumption density (L/person)	211.73	288.59	86.45	378.03
Power consumption of facility (kWh in '000s)	68,889	39,774	80,412	99,284
Consumption density (kWh in '000s/person)	2,551.44	1,657.25	699.23	2,545.74
Water consumption (m^3)	299	303	2,619	2,868
Consumption density (m^3/person)	11.07	12.63	22.77	73.54

* Total number of employees of Guangxi recycling yard include temporary employees

All employees of the Group have improved the awareness of energy and water resource conservation of which, power consumption of Guangxi Recycling Yard in 2018 decreased by approximately 19% as compared with that of last year.

3.1.3 *Environment and Natural Resources*

The Group understands the concerns of the community and its stakeholders about conserving environment and natural resources. Therefore, we have formulated a set of green resolution measures and actively reduce the consumption of natural resources during operation to address their concerns. In particular, the Guangxi Plant has an environmental management committee to monitor and manage environmental protection measures in the factory and office to reduce safety risks and improve environmental performance.

To reduce the consumption of paper, a main type of natural resource consumed by the Group, we encourage our employees to transmit information electronically and process documents on computers as much as possible, and require them to print on both sides as far as possible. The number of company envelopes, portfolios, brochures, etc. for internal use is also verified to avoid overprinting. Meanwhile, when it is necessary to acquire or upgrade operating equipment, we will make reference to the information on the energy label to select energy-efficient models as far as possible in order to achieve better energy management efficiency.

For reusable and recyclable resources in waste, such as waste paper and printer ink cartridges, we have set up collection bins for classification management to facilitate internal recycling or transfer to qualified recyclers for further recycling. To ensure that employees implement the Group's environmental protection philosophy in their daily work, all new employees will go through the training in environmental protection. At the same time, employees are encouraged to actively participate in the design of various energy-saving and consumption-reduction schemes so as to enhance the awareness of environmental protection among all staff.

We grow vegetables and poultry in the open space of our Guangxi Plant to meet our daily needs and reduce purchases of such goods. We also actively cooperate with environmental protection agencies, and organize our staff to participate in activities recycling and donating waste clothes and articles, so as to convey the message of environmental protection to the public.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.2 Social

3.2.1 Employment

In order to comply with local employment laws and regulations of the Group's operating locations, we have formulated a series of employment policies to ensure that employees are treated in a fair and reasonable manner.

Equal opportunities for employee recruitment

The Group treats all job applicants equally in compliance with national laws and policies, and does not set unequal restrictions or preferential policies in order to ensure equal opportunities for job applicants. Moreover, our recruitment process is open and transparent with zero tolerance for black-box operations and welcomes any supervision. In addition, the Group treats all employees equally and provides equal treatment to male and female employees. To this end, we consider and determine the employment, salaries, benefits, rewards, promotion and dismissal of employees only based on their education background, professional qualifications and work ability.

Work-life balance

Employees are the most important core asset of the Group. The Group attentively takes care of the needs of employees and the Group pays close attention to employees' work and life balance. With a relaxation of the life for employees can help to enchance the overall operational efficiency of the Group. As such, the Group strictly abides by the Labour Contract Law of the People's Republic of China to guarantee appropriate working hours and sufficient leave days for employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Remuneration and benefits policy

The Group strictly complies with legislative requirements (including the Employment Ordinance, the Mandatory Provident Fund Schemes Ordinance, and the Labour Law and the Labour Contract Law of the PRC, etc.) to develop its remuneration and benefits policy, and observes local requirements relating to minimum wage, working hours and the overtime limit, paid statutory holidays and paid annual leave. In addition to wage adjustments based on the results of employee assessment, the Group also determines annual bonuses based on individual performance to motivate their interest and enthusiasm and share the Group's results with the staff. In addition, the Group even establishes the Benefits Committee in charge of reviewing matters related to employees' benefits. The Group currently provides comprehensive benefits guarantees for all employees, including medical insurance, allowance for further study. In order to promote the bilateral communication and interaction between employees and employer, the Group also delivers the most recent update of the Group to every employee timely via information special section and survey and listens to the employees' opinions and advices actively, taking corresponding measures timely on issues which employees care about and protecting the interest of our employees.

Compensation, termination of employment and retirement policy

In accordance with the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and other relevant laws and regulations, the Group initiates compensation and retirement procedures, including relevant provisions on indemnification and compensation and the planning of retirement arrangements.

Anti-discrimination

The Group prohibits any discrimination based on race, skin color, nationality, language, wealth, social origin, social status, age, gender, sexual orientation, ethnicity, disability, pregnancy, religious belief, political affiliation, community membership or marital status in all aspects of employee recruitment, promotion, development, punishment, benefits and termination of labour contracts, in an effort to achieve employee diversity.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The table below sets out the number of total employees and distribution of the Group in the reporting year of 2018 and 2017:

	Shenzhen office		Guangxi recycling yard	
	2018	2017	2018	2017
Gender				
Male	13	8	62	17
Female	14	16	53	22
Employment category				
Full-time	27	24	33	39
Part-time	0	0	0	0
Temporary Employees	0	0	82	0
Age				
15 – 24	2	2	10	2
25 – 34	6	8	58	16
35 – 44	11	7	21	11
45 – 54	7	7	20	9
55 – 64	1	0	4	1
> 65	0	0	2	0
Total	27	24	115	39
Geographical area				
China	27	24	115	39
Hong Kong	0	0	0	0

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.2.2 *Health and Safety*

In order to prevent occupational diseases or work casualties, the Group has developed a number of policies on occupational health and safety management to protect the health and safety of all employees.

Occupational health and safety policy

The Group strictly implements the legislative requirements on occupational health and safety at its operating locations to avoid any injuries of employees at work.

Workplace safety management

All the Group's operating facilities are under overall supervision by the dedicated departments in accordance with Occupation Health and Safety Policies issued by the Group, and regular reviews are held at meetings to examine the Group's occupational health and safety performance. Any employee being found of a mis-operation or risky operation will be immediately warned. At the same time, corrective and preventive measures will be adopted to manage the risks identified, to reduce unsafe behaviors of on-site personnel and accidents.

The Group's production workshops and offices are equipped with dust removal, noise elimination, gas protection and other equipment, with standards in place for dangerous goods identification marks and for the proper use and storage of inflammable and explosive materials in order to minimize potential harm to the health of employees.

To further enhance the safety of the Group's workplaces, we have set up first aid kits, fire extinguishers and exit signs at all operating locations and reminded our employees of the need to keep the passage or escapes clean and clear at all times. It is forbidden to place too many miscellaneous items in the offices to ensure a rapid and safe evacuation in case of emergency.

Personal protective equipment

The Group is committed to providing employees with a legitimate, safe and dignified working environment, and to providing frontline employees with personal protective equipment such as dust masks, noise reduction earplugs and emergency medicines for occasional needs.

Workplace hygiene

The Group has advised employees to maintain cleanliness in the workplace. We set up designated areas in offices and plant areas to collect wastes discarded by our employees. Hygiene in public areas is regularly managed by dedicated departments. Regular cleaning of air conditioning systems and carpets in office areas is also arranged to keep hygiene in the workplace.

Employee work safety training

In order to ensure the effective implementation of established procedures and the safe operation of equipment, the Group has developed appropriate training sessions, mainly covering the correct use of protective equipment, knowledge and cases of safety production and occupational health, and safe operation of positions/equipment. To maintain employees' safety awareness and emergency response ability, the Group regularly organizes its staff to participate in large-scale fire drills organized by property management companies of office buildings every year.

Stress management

The Group cooperates with psychological counsellors to provide a psychological counselling hotline for employees in need to relieve their work pressure. We also provide stress management training for the employees in high-pressure positions to help reduce their negative emotions. Furthermore, we have complaint and confidential feedback channels in place for all employees, allowing them to express any views or concerns to the department heads or executives at the higher rank.

3.2.3 Development and Training

Career development policy

The Group expects to create an environment conducive to sustainable development for its employees and encourage them to pursue better career leaps. We have orientation training to help new employees familiarize themselves with the Company's corporate culture and work environment as soon as possible. The Group has also continued to pay attention to staff development aspirations and career planning, and has arranged training courses for its employees to meet the needs of different jobs and ranks. For some internal key talents, we have developed career paths and defined career ladders for key positions, in order to strengthen overall professionalism and individual calibre of employees, and help competent employees to pursue excellence and grow together with the Company.

The table below sets out the average percentage of trained employees within the Group in the reporting year of 2018 and 2017:

	Shenzhen office		Guangxi recycling yard	
	2018	2017	2018	2017
Gender				
Male	100	32.7	100	100
Female	100	67.3	100	100
Employee category				
Senior management	100	16.51	100	100
Middle management	100	22.01	100	100
General staff	100	61.48	100	100

The table below sets out the average training hours per employee within the Group in the reporting year of 2018 and 2017:

	Shenzhen office		Guangxi recycling yard	
	2018	2017	2018	2017
Gender				
Male	13	26	40	93
Female	14	27	40	72
Employee category				
Senior management	35	35	40	192
Middle management	35	35	40	96
General staff	25	23	40	48

3.2.4 *Labour Standards*

Policy of child labour prevention

The Group prohibits the recruitment of child labour and has zero tolerance of forced labour. In accordance with the Regulations of the People's Republic of China on Special Protection of Juvenile Workers and relevant foreign laws and regulations, the Group reviews the valid identity certificates of job applicants in the employee recruitment, onboarding approval and onboarding registration process.

Prevention on forced labour

In the process of employment, the Group, in accordance with the Labour Contract Law of the People's Republic of China, respects the right and freedom of every employee to choose jobs, including freedom of employment, freedom to resign, freedom to work overtime and freedom of movement. The Group strictly prohibits any forms of forced labour, including contract labour and bonded labour, and never forces employees to work overtime. Employees have the right to form and join trade unions to safeguard their personal rights.

3.2.5 *Supply Chain Management*

In terms of material procurement and supplier management, the Group has in place a regulatory system to ensure the quality of its services or products. We require suppliers to comply with all laws, international conventions, contractual requirements, and all codes of the Group. When selecting service providers, we consider them mainly on the basis of their past experience, price, reputation, professional qualifications, ethics, environmental protection and corporate social responsibility performance. To ensure that the suppliers' performance continues to meet the Group's requirements, we assess their performance over the past year through an annual assessment to review whether to continue cooperation with them.

The table below sets out the number of suppliers and their geographic locations of the Group in the reporting year of 2018 and 2017:

	2018	2017
China	42	42
Hong Kong	19	19
Others	10	10

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.2.6 *Product Responsibility*

The Group is very concerned about the performance of its products, and has therefore formulated an array of policies to facilitate better quality products and services.

Quality management policy

The Group values the spirit of contract. The specifications of all products and services will be clearly specified in the contract to ensure that the customer understands details of the contract and to protect the interests of the buyer and the seller. We seek to provide the highest standards of products and services throughout our operations, which involve the application of proprietary systems and procedures to ensure compliance with local and international standards. In order to strengthen customer confidence in our products, the Group has established a quality inspection and evaluation team for incoming and outgoing products, to closely monitor the quality of products prior to delivery in accordance with the corresponding inspection procedures.

Fair promotion policy

The Group adheres to the principle of fair promotion to ensure that product information on the Group's publicity website and other promotional materials is true and accurate, and does not contain any false, exaggerated or excessive statements. In accordance with the Advertisement Law, the Group requires sales staff to disseminate information from the Group's recognized product strengths when promoting products, and avoid negative representations involving rivals or competing products to prevent customers from being misled when purchasing.

Customer data protection policy

According to the importance of protecting customer information, the Group strictly manages and keeps confidential information and documents related to customers' intellectual property rights in accordance with the requirements of the Confidentiality Measures and the Employee Handbook issued within the Group. Without permission, employees are not allowed to copy, privately store or take away such information and documents from the Company.

After-sale service policies

The Group is committed to providing efficient and courteous after-sale service to its customers, and has established e-mail boxes and hotlines as channels to maintain communication with customers and assist in answering any customer enquiries, resolving detail contract problems or other follow-up matters.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.2.7 *Anti-corruption*

In respect of anti-corruption and business ethics, the Group has a number of policies to monitor the conduct and behaviour of employees.

Corporate governance policy

The Group has followed and complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, including maintaining good corporate governance practices.

Anti-corruption policy

No employee or director may seek or receive any preferential benefits, including money, gifts, loans, remuneration, work, contracts, services and sponsorship, especially when there is a conflict of interest between such benefits and the Company's business dealings.

Whistle-blowing policy

The Group encourages employees to report to the directors any suspected corruption cases, including bribery, extortion, fraud and money laundering, either directly or through their immediate superiors.

Policy on declaration of conflicts of interest

All major transactions involving conflicts of interest within the Group must be disclosed to the board of directors. Board members involved in a conflict of interest may not vote on any resolution on such transactions.

Third-party audit policy

Each year, the Group engages a third-party audit firm to verify the accuracy of its financial accounts and defend the interests of shareholders. The selection of a third-party audit firm is determined by the Audit Committee, which is composed of all independent non-executive directors.

Policy on approval of service contracts

All the important service contracts are subject to approval by the board of directors. Approved service contracts shall be reviewed by the Nomination Committee, which consists of one executive director and two independent non-executive directors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.2.8 Community Investment

Realord Group is committed to promoting charity, helping the disadvantaged, and supporting academic and scientific research for the well-being of the next generation in the principle of "From the Community, For the Community". On 13 January 2015, Dr. Lin Xiaohui, the Chairman of the Group, donated in his own name HK$10 million to the Department of Paediatrics & Adolescent Medicine of Hong Kong University, and established "Bryan Lin Professorship" to support Professor Cheung Yiu-Fai, a paediatric cardiologist in the department, and his team in scientific and research development.

The Group keeps actively taking part in community activities, while regularly studying and identifying community needs with local governments and stakeholders. In 2016, the Chairman of the Group, jointly with four members of Shenzhen Municipal Chinese People's Political Consultative Conference (CPPCC), donated a total of RMB1 million to the Heyuan Municipal CPPCC as poverty alleviation funds to support charitable activities. The Group has also set up a team of staff volunteers to participate in public welfare activities such as visiting the elderly living alone, supporting needy families and helping students in need. In the future, the Group will continue to focus its community investment efforts on scientific research and development, national development and poverty alleviation to give back to the society.

4. Awards and Achievements

During the reporting period, the Group received awards and achievements, including:

Name of award/achievement	Issuing authority	Date of award
Third-grade Enterprise of Work Safety Standardization	Guangxi Wuzhou City Tong Bao Renewable Materials Limited	December 2018

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF REALORD GROUP HOLDINGS LIMITED
偉祿集團控股有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Realord Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 204, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 judgment, 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the management judgment associated with determining the fair value. The Group's investment properties are located in Hong Kong and the People's Republic of China. As at 31 December 2018, the Group's investment properties amounted to HK$9,081,879,000 and represented 79% of the Group's total assets. As disclosed in note 18, gain on fair value changes of investment properties of HK$671,422,000 was recognised in profit or loss. All of the Group's investment properties are stated at fair value based on valuations performed by a firm of independent qualified professional valuers (the "Valuer"). The valuations are dependent on certain significant unobservable inputs, including price per square meter/bay/square feet, which are determined based on comparable sales transactions after applying adjusting factors to reflect the conditions and locations of the subject properties. Details of the valuation methodology and significant unobservable inputs used in the valuations are disclosed in note 18 to the consolidated financial statements.	Our procedures in relation to the valuation of the investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuer; • Obtaining an understanding from the Valuer about the valuation methodology, significant unobservable inputs and critical judgement on key inputs and data used in the valuations; • Assessing the reasonableness of significant unobservable inputs used by the Valuer with the assistance from our internal valuation experts by comparing them, on a sample basis, to publicly available information of similar comparable properties; and • Evaluating the reasonableness of adjusting factors on the locations and conditions of the properties made by the Valuer with the assistance from our internal valuation experts by comparing them with historical adjusting factors applied, comparability and other market factors for similar properties.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables and receivables arising from securities broking	
We identified the impairment assessment of trade receivables and receivables arising from securities broking as a key audit matter due to the significance of trade receivables and receivables arising from securities broking to the consolidated financial statements and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables and receivables arising from securities broking at the end of the reporting period. As at 31 December 2018, net trade receivables and receivables arising from securities broking amounted to HK$455,015,000 and HK$99,832,000, respectively. As explained in note 2 to the consolidated financial statements, in the current year, the Group adopted Hong Kong Financial Reporting Standard 9 "Financial Instruments" (HKFRS 9) and recognised an additional impairment of HK$7,525,000 and HK$8,187,000, respectively, on trade receivables and receivables arising from securities broking as at 1 January 2018 in accordance with the transitional provisions of HKFRS 9.	Our procedures in relation to impairment assessment of trade receivables and receivables arising from securities broking included: • Obtaining an understanding of the process over credit risk assessment and how management estimates the credit loss allowance for trade receivables and receivables arising from securities broking; • Assessing the appropriateness of the credit loss allowance calculation methodology used by the management; • Testing the accuracy of the ECL adjustment made by the Group as at 1 January 2018 on initial adoption of HKFRS 9 and 31 December 2018; • Testing the integrity of information used by management in assessing the credit risk of individual debtors, on a sample basis, by checking the loss rates of the debtors to independent source and comparing historical default rates to the actual losses recorded during the current year;

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS (Continued)

Key audit matter

Impairment loss on trade receivables and receivables arising from securities broking (Continued)

As set out in note 4 to the consolidated financial statements, the Group recognises a credit loss allowance for trade receivables and receivables arising from securities broking by adopting the ECL model individually on each debtor in the current year. In calculating the credit loss allowance, the loss rates are estimated based on comparable probability of default and recovery rate quoted from international credit-rating agencies; and exposure at default after consideration of underlying collaterals, if any, and adjusted for forward-looking information that is available without undue cost or effort.

As disclosed in 51(b) to the consolidated financial statements, the Group recognised additional impairment losses of HK$5,352,000 and HK$20,816,000 on trade receivables and receivables arising from securities broking, respectively, for the current year. As at 31 December 2018, the Group's ECL on trade receivables and receivables arising from securities broking amounted to HK$10,387,000 and HK$2,649,000, respectively.

How our audit addressed the key audit matter

- Challenging management's basis and judgement in determining credit loss allowance on trade receivables and receivables arising from securities broking as at 1 January 2018 and 31 December 2018, including their identification of credit impaired trade receivables and receivables arising from securities broking and the reasonableness of the basis of estimated loss rates applied and exposure of default for each individual debtor with reference to historical default rates, forward-looking information and value of pledged securities; and

- Evaluating the disclosures regarding the impairment assessment of trade receivables and receivables arising from securities broking in note 51(b) to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 judgment and maintain professional skepticism 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 (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 those charged with governance 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 those charged with governance 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 those charged with governance, we determine that matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe this matter 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 the independent auditor's report is Chan Tsz Wai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	5		
Goods and services		**782,622**	733,883
Rental income		**19,532**	20,206
Interest		**8,885**	8,870
Total revenue		**811,039**	762,959
Cost of sales		**(629,311)**	(621,451)
Gross profit		**181,728**	141,508
Other income	7a	**3,801**	2,434
Other gains and losses	7b	**310,319**	41,406
Impairment losses, net of reversal	8	**(27,168)**	(176)
Gain on fair value changes of investment properties	18	**671,422**	155,749
Selling and distribution expenses		**(10,108)**	(5,730)
Administrative expenses		**(145,086)**	(128,387)
Other expenses		**(3,551)**	(9,704)
Share of result of an associate	21	**(1,436)**	–
Finance costs	9	**(423,972)**	(30,819)
Profit before tax		**555,949**	166,281
Income tax expense	10	**(172,238)**	(55,060)
Profit for the year	11	**383,711**	111,221
Attributable to:			
Owners of the Company		**363,282**	93,254
Non-controlling interests		**20,429**	17,967
		383,711	111,221
Earnings per share			
Basic (HK cents)	15	**26.89**	8.11
Diluted (HK cents)	15	**26.82**	8.09

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Profit for the year	**383,711**	111,221
Other comprehensive (expense) income		
Items that will not be reclassified to profit or loss:		
Gain on property revaluation	**1,407**	2,324
Income tax relating to gain on property revaluation	**(352)**	(581)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations:		
– subsidiaries	**(462,429)**	51,656
– an associate	**(57)**	–
Loss on fair value changes on available-for-sale investments	**–**	(2,055)
Other comprehensive (expense) income for the year, net of income tax	**(461,431)**	51,344
Total comprehensive (expense) income for the year	**(77,720)**	162,565
Attributable to:		
Owners of the Company	**(98,584)**	144,209
Non-controlling interests	**20,864**	18,356
	(77,720)	162,565

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**100,521**	102,527
Prepaid lease payments	17	**4,968**	5,323
Investment properties	18	**9,081,879**	1,344,575
Goodwill	19	**28,497**	28,497
Other intangible assets	20	**13,369**	4,400
Investment in an associate	21	**66,122**	–
Equity instrument at fair value through other comprehensive income	22	**31,048**	–
Finance lease receivables	23	**–**	4,688
Available-for-sale investments	24	**–**	11,789
Prepayments, deposits and other receivables	27	**82,930**	11,630
		9,409,334	1,513,429
CURRENT ASSETS			
Inventories	25	**146,170**	42,536
Trade receivables	26	**455,015**	310,702
Receivables arising from securities broking	26	**99,832**	130,067
Prepaid lease payments	17	**114**	120
Prepayments, deposits and other receivables	27	**306,112**	38,892
Finance lease receivables	23	**–**	2,283
Tax recoverable		**3,463**	2,674
Financial assets at fair value through profit or loss	28	**96,631**	55,991
Cash held on behalf of clients	29	**8,454**	17,321
Bank balances and cash	30	**896,544**	61,477
		2,012,335	662,063
CURRENT LIABILITIES			
Trade payables	31	**223,016**	67,543
Payables arising from securities broking	31	**19,645**	37,744
Contract liabilities	32	**4,832**	–
Other payables and accruals	33	**100,282**	53,260
Bank borrowings and overdrafts	34	**496,953**	255,525
Amounts due to related parties	35	**78,524**	37,531
Tax payable		**10,583**	9,898
		933,835	461,501
NET CURRENT ASSETS		**1,078,500**	200,562
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,487,834**	1,713,991

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
EQUITY			
Share capital	39	**143,571**	115,075
Reserves		**2,734,877**	955,317
Equity attributable to owners of the Company		**2,878,448**	1,070,392
Non-controlling interests		**53,978**	33,606
		2,932,426	1,103,998
NON-CURRENT LIABILITIES			
Deferred tax liabilities	36	**377,442**	231,305
Loans from ultimate holding company	37	**821,460**	378,688
Promissory notes	38	**1,492,460**	–
Bank borrowings	34	**4,864,046**	–
		7,555,408	609,993
		10,487,834	1,713,991

The consolidated financial statements on pages 62 to 204 were approved and authorised for issue by the board of directors on 29 March 2019 and are signed on its behalf by:

LIN XIAOHUI
DIRECTOR

SU JIAOHUA
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company											
	Share capital HK$'000 (note 39)	Share premium HK$'000	Shares to be issued HK$'000 (note 41(b))	Share options reserve HK$'000 (note 40)	Statutory reserve HK$'000 (note (i))	Capital reserve HK$'000 (note (ii))	Assets revaluation reserve HK$'000	Exchange translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017	115,000	590,590	–	15,796	–	–	28,274	(35,470)	183,907	898,097	–	898,097
Profit for the year	–	–	–	–	–	–	–	–	93,254	93,254	17,967	111,221
Other comprehensive income (expense) for the year												
Gain on property revaluation	–	–	–	–	–	–	2,324	–	–	2,324	–	2,324
Income tax relating to item that will not be reclassified	–	–	–	–	–	–	(581)	–	–	(581)	–	(581)
Loss on fair value changes of available-for-sale investments	–	–	–	–	–	–	(2,055)	–	–	(2,055)	–	(2,055)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	51,267	–	51,267	389	51,656
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(312)	51,267	93,254	144,209	18,356	162,565
Acquisition of subsidiaries (note 41(b))	–	–	24,273	–	–	–	–	–	–	24,273	15,250	39,523
Issue of shares	75	3,757	(3,832)	–	–	–	–	–	–	–	–	–
Recognition of equity-settled share-based payment expense	–	–	–	3,813	–	–	–	–	–	3,813	–	3,813
Transfer of share options reserve upon forfeiture of share options	–	–	–	(290)	–	–	–	–	290	–	–	–
Transferred from retained profits	–	–	–	–	1,900	–	–	–	(1,900)	–	–	–
At 31 December 2017	**115,075**	**594,347**	**20,441**	**19,319**	**1,900**	**–**	**27,962**	**15,797**	**275,551**	**1,070,392**	**33,606**	**1,103,998**
Impact on initial application of HKFRS 9 (note 2)	**–**	**–**	**–**	**–**	**–**	**–**	**2,055**	**–**	**(14,594)**	**(12,539)**	**(492)**	**(13,031)**
At 1 January 2018 (restated)	**115,075**	**594,347**	**20,441**	**19,319**	**1,900**	**–**	**30,017**	**15,797**	**260,957**	**1,057,853**	**33,114**	**1,090,967**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**363,282**	**363,282**	**20,429**	**383,711**
Other comprehensive income (expense) for the year												
Gain on property revaluation	**–**	**–**	**–**	**–**	**–**	**–**	**844**	**–**	**–**	**844**	**563**	**1,407**
Income tax relating to item that will not be reclassified	**–**	**–**	**–**	**–**	**–**	**–**	**(211)**	**–**	**–**	**(211)**	**(141)**	**(352)**
Exchange differences arising on translation of foreign operations												
– subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(462,442)**	**–**	**(462,442)**	**13**	**(462,429)**
– an associate	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(57)**	**–**	**(57)**	**–**	**(57)**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**633**	**(462,499)**	**363,282**	**(98,584)**	**20,864**	**(77,720)**
Acquisition of assets through acquisition of subsidiaries (note 42)	**28,100**	**1,295,402**	**–**	**–**	**–**	**586,594**	**–**	**–**	**–**	**1,910,096**	**–**	**1,910,096**
Issue of shares	**175**	**8,768**	**(8,943)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Transferred from retained profits	**–**	**–**	**–**	**–**	**1,049**	**–**	**–**	**–**	**(1,049)**	**–**	**–**	**–**
Exercise of shares options	**221**	**8,862**	**–**	**(4,265)**	**–**	**–**	**–**	**–**	**4,265**	**9,083**	**–**	**9,083**
At 31 December 2018	**143,571**	**1,907,379**	**11,498**	**15,054**	**2,949**	**586,594**	**30,650**	**(446,702)**	**627,455**	**2,878,448**	**53,978**	**2,932,426**

Notes:

(i) In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China (the "PRC"), those subsidiaries are required to transfer 5% to 10% of the profit after taxation to the statutory reserve until the reserve reaches 50% of the corresponding registered capital. Transfer to reserve must be made before the distribution of dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

(ii) Capital reserve of Hong Kong Dollar ("HK$")586,594,000 represents the deemed contribution by Dr. Lin and Madam Su (as defined in note 1) through Manureen Holdings (as defined in note 1) as the controlling shareholders of the Company, in the acquisition of assets through acquisition of subsidiaries by the Company from them in the current year, details of which are set out in note 42. The contribution by the controlling shareholders represents the difference between the net assets acquired (net of settlement of outstanding debts) of HK$7,909,770,000 and the fair value of Total Consideration (as defined in note 42) of HK$7,323,176,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**555,949**	166,281
Adjustments for:			
Amortisation of prepaid lease payments		**118**	116
Bank interest income		**(842)**	(126)
Depreciation	16	**11,958**	10,297
Equity-settled share-based payment expense		**–**	3,813
Exchange (gain) loss on loans from ultimate holding company		**(3,889)**	7,493
Exchange gain on promissory notes		**(133,402)**	–
Exchange gain on bank borrowings		**(6,164)**	–
Finance costs	9	**423,972**	30,819
Finance lease interest income		**(330)**	(657)
Gain on fair value changes of investment properties		**(671,422)**	(155,749)
Impairment losses, net of reversal		**27,168**	176
Interest income from margin financing		**(8,885)**	(8,870)
Interest income on credit-impaired loan receivable		**(963)**	–
Loss on disposal of property, plant and equipment		**61**	428
Revaluation deficit (gain) on property, plant and equipment		**361**	(2,940)
Unrealised gain on fair value changes on held for trading investments		**(35,063)**	(40,349)
Share of result of an associate		**1,436**	–
Operating cash flows before movements in working capital		**160,063**	10,732
(Increase) decrease in inventories		**(105,819)**	32,257
Increase in trade receivables		**(147,991)**	(157,904)
Decrease (increase) in receivables arising from securities broking		**868**	(10,508)
(Increase) decrease in prepayments, deposits and other receivables		**(79,530)**	37,492
(Increase) decrease in financial assets at fair value through profit or loss		**(238)**	3,006
Decrease (increase) in cash held on behalf of clients		**8,867**	(5,687)
Decrease in restricted cash		**–**	4,171
Increase (decrease) in trade payables		**155,473**	(526)
(Decrease) increase in payables arising from securities broking		**(18,103)**	17,860
Increase in contract liabilities		**1,782**	–
(Decrease) increase in other payables and accruals		**(12,833)**	31,376
Cash used in operations		**(37,461)**	(37,731)
Interest received		**8,885**	8,870
Income tax paid		**(14,186)**	(7,412)
NET CASH USED IN OPERATING ACTIVITIES		**(42,762)**	(36,273)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
INVESTING ACTIVITIES			
Acquisition of subsidiaries	41, 42	**(4,507,157)**	(12,294)
Payment for acquisition of an equity investment	22	**(120,741)**	–
Proceeds from disposal of an equity instrument	22	**89,154**	–
Deposits paid for acquisition of non-current assets	27	**(71,300)**	–
Acquisition of an associate	21	**(67,615)**	–
Purchase of property, plant and equipment	16	**(9,944)**	(5,735)
Purchase of financial assets at fair value through profit or loss		**(150)**	–
Additions to investment properties	18	**(75)**	(3,350)
Payment for purchased or originated credit-impaired loan receivable		**(29,776)**	–
Receipt of finance lease receivables		**7,302**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**6,600**	43
Proceeds from repayment of other receivables from a local government authority		**13,021**	–
Bank interest received		**842**	126
Repayment of finance lease receivables		**–**	2,687
NET CASH USED IN INVESTING ACTIVITIES		**(4,689,839)**	(18,523)
FINANCING ACTIVITIES			
New bank borrowings raised		**8,007,510**	191,653
Loans from ultimate holding company		**853,698**	129,599
Proceeds from exercise of share options		**9,083**	–
Repayment of bank borrowings		**(2,668,773)**	(204,805)
Repayment to ultimate holding company		**(407,037)**	–
Interest paid		**(229,827)**	(30,819)
Repayment to related parties		**(1,986)**	(31,733)
NET CASH FROM FINANCING ACTIVITIES		**5,562,668**	53,895
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**830,067**	(901)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**46,632**	43,192
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES		**(155)**	4,341
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**876,544**	46,632
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by			
Bank balances and cash	30	**896,544**	61,477
Bank overdrafts	34	**(20,000)**	(14,845)
		876,544	46,632

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

Realord Group Holdings Limited (the “Company”) is a public limited company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its parent and ultimate holding company is Manureen Holdings Limited (“Manureen Holdings”), a private limited company incorporated in the British Virgin Islands (“BVI”). The ultimate shareholders of Manureen Holdings are Dr. Lin Xiaohui (“Dr. Lin") and Madam Su Jiaohua ("Madam Su”), who own 70% and 30% equity interests of Manureen Holdings, respectively. Dr. Lin is also the chairman and an executive director of the Company and Madam Su is an executive director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries and an associate are set out in notes 54 and 21, respectively.

The consolidated financial statements are presented in Hong Kong dollar (“HK$”), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Sales of motor vehicle parts, scrap materials and other goods
- Rendering of financial printing, digital printing and other related services
- Commission income from securities broking
- Interest income from margin financing
- Gross rental income from property investment

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 6 and 3 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 15 Revenue from Contracts with Customers (Continued)

Summary of effects arising from initial application of HKFRS 15

The Group has assessed the impact of application of HKFRS 15 and based on its assessment, the adoption has no significant impact on the retained profits as at 1 January 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under HKFRS 15 at 1 January 2018*
	HK$'000	HK$'000	HK$'000
Current liabilities			
Contract liabilities	–	3,050	3,050
Other payables and accruals	53,260	(3,050)	50,210

* The amounts in this column are before the adjustments from the application of HKFRS 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 15 Revenue from Contracts with Customers (Continued)

Summary of effects arising from initial application of HKFRS 15 (Continued)

As at 1 January 2018, advances from customers of HK$3,050,000 in respect of services contracts from the rendering of financial printing, digital printing and other related services previously included in other payables and accruals were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position and consolidated statement of cash flows as at 31 December 2018 for each line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustment	Amount without application of HKFRS 15
	HK$'000	HK$'000	HK$'000
Current liabilities			
Contract liabilities	4,832	(4,832)	–
Other payables and accruals	100,282	4,832	105,114

Impact on the consolidated statement of cash flows

	As reported	Adjustment	Amount without application of HKFRS 15
	HK$'000	HK$'000	HK$'000
Operating activities			
Increase in contract liabilities	1,782	(1,782)	–
Decrease in other payables and accruals	(12,833)	1,782	(11,051)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.2 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.2 HKFRS 9 Financial Instruments (Continued)

Summary of effects arising from initial application of HKFRS 9 (Continued)

	Notes	Available-for-sale investments HK$'000	Financial assets at fair value through profit or loss ("FVTPL") required by HKAS 39/ HKFRS 9 HK$'000	Trade receivables HK$'000	Receivables arising from securities broking HK$'000	Deferred tax liabilities HK$'000	Retained profits HK$'000	Assets revaluation reserve HK$'000	Non-controlling interests HK$'000
Closing balance at 31 December 2017 – HKAS 39		11,789	55,991	310,702	130,067	231,305	275,551	27,962	33,606
Effects arising from initial application of HKFRS 9:									
Reclassification									
– From available-for-sale investments	(a)	(11,789)	11,789	–	–	–	(2,055)	2,055	–
Remeasurement									
– Impairment under ECL model	(b)	–	–	(7,525)	(8,187)	(2,681)	(12,539)	–	(492)
Opening balance at 1 January 2018		–	67,780	303,177	121,880	228,624	260,957	30,017	33,114

Notes:

(a) **Available-for-sale investments**

From available-for-sale investments to financial assets at FVTPL

At the date of initial application of HKFRS 9, the Group's investments in club and school debentures of HK$11,789,000 were reclassified from available-for-sale investments to financial assets at FVTPL. The fair value loss of HK$2,055,000 relating to those investments previously carried at fair value were transferred from the assets revaluation reserve to retained profits as at 1 January 2018.

(b) **Impairment under ECL model**

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and for receivables arising from securities broking, the Group recognises 12m ECL, unless when there has been a significant increase in credit risk since initial recognition and the Group should recognise lifetime ECL. Except for those which had been determined as credit impaired under HKAS 39, trade receivables and receivables arising from securities broking have been assessed individually. In calculating the credit loss allowance, the loss rates are estimated based on comparable probability of default and recovery rate quoted from international credit-rating agencies; and exposure at default after consideration of underlying collaterals, if any, and adjusted for forward-looking information that is available without undue cost or effort.

ECL for other financial assets at amortised cost, including other receivables and bank balances, are assessed on 12m ECL unless when there has been a significant increase in credit risk since initial recognition and the Group should recognise lifetime ECL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.2 HKFRS 9 Financial Instruments (Continued)

Summary of effects arising from initial application of HKFRS 9 (Continued)

Notes: (Continued)

(b) Impairment under ECL model (Continued)

As at 1 January 2018, the additional credit loss allowance of HK$15,712,000 has been recognised against retained profits. The additional loss allowance is charged against trade receivables and receivables arising from securities broking.

The loss allowances for trade receivables and receivables arising from securities broking as at 31 December 2017 reconcile to the opening loss allowances as at 1 January 2018 are as follows:

	Trade receivables HK$'000	**Receivables arising from securities broking** HK$'000	**Total** HK$'000
At 31 December 2017 – HKAS 39	–	–	–
Amounts remeasured through opening retained profits	7,525	8,187	15,712
At 1 January 2018	7,525	8,187	15,712

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited)	HKFRS 15	HKFRS 9	1 January 2018 (Restated)
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current Asset				
Available-for-sale investments	11,789	–	(11,789)	–
Current Assets				
Trade receivables	310,702	–	(7,525)	303,177
Receivables arising from securities broking	130,067	–	(8,187)	121,880
Financial assets at FVTPL	55,991	–	11,789	67,780
Current Liabilities				
Other payables and accruals	53,260	(3,050)	–	50,210
Contract liabilities	–	3,050	–	3,050
Non-current Liability				
Deferred tax liabilities	231,305	–	(2,681)	228,624
Capital and Reserves				
Retained profits	275,551	–	(14,594)	260,957
Assets revaluation reserve	27,962	–	2,055	30,017
Non-controlling interests	33,606	–	(492)	33,114

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

HKFRS 16 *Leases* (Continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as operating cash flows and financing cash flows respectively, and upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

As at 31 December 2018, the Group had non-cancellable operating lease commitments of HK$68,702,000 as disclosed in note 46(b). These arrangements meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases.

In addition, the Group currently considers refundable rental deposits paid of HK$6,981,000 and refundable rental deposits received of HK$4,523,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits received would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKFRSs *Annual Improvements to HKFRSs 2015-2017 Cycle*

The annual improvement packages amended the following four standards.

HKAS 12 Income Taxes

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

HKAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

HKFRS 3 Business Combinations

The amendments clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The previously held interest to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

Amendments to HKFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide additional guidance with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. Furthermore, an optional concentration test is introduced to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments will be mandatorily effective to the Group prospectively for acquisition transactions completed on or after 1 January 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (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.

For financial instruments and properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Investment in an associate

An associate is an entity over which the Group has 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in an associate (Continued)

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's investment in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the investment in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in an associate (Continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9/HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and
- the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, other similar allowances and sales related taxes.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Income from the rendering of services is recognised when the services have been rendered.

Commissions and brokerage income on dealings in securities is recognised on the transaction dates when the relevant contract notes are executed.

The Group's accounting policy for recognition of revenue from operating lease is described in the accounting policy for leasing below.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as lessee

Operating lease payment are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and buildings elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and buildings element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the payments cannot be allocated reliably between the leasehold land and buildings elements, the entire property is generally classified as if the leasehold land is under finance lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans/state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost or revalued amount less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any revaluation increase arising from revaluation of leasehold land and buildings is recognised in other comprehensive income and accumulated in assets revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognise in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals and/or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

At the end of the reporting period, the Group reviews the useful life of an intangible asset that is not being amortised to determine whether events and circumstances continue to support an indefinite useful life assessment of that asset.

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on tangible and intangible assets other than goodwill (Continued)

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) (Continued)

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) (Continued)

(ii) *Equity instruments designated as at FVTOCI*

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, receivables arising from securities broking, lease receivables, cash held or behalf of clients and bank balance). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (Continued)

The Group recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for each debtor and those balances that are credit impaired.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (Continued)

(i) *Significant increase in credit risk (Continued)*

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) *Definition of default*

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (Continued)

(v) Measurement and recognition of ECL (Continued)

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used in determining the ECL is consistent with the cash flow used in measuring the lease receivable in accordance with HKAS 17 Leases.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL, available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

(i) *Financial assets at FVTPL (Continued)*

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading (or contingent consideration that may be received by an acquirer as part of a business combination) may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

(i) Financial assets at FVTPL (Continued)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the other income line item. Fair value is determined in the manner described in note 51.

(ii) AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of assets revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the assets revaluation reserve is reclassified to profit or loss.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, receivables arising from securities broking, deposits and other receivables, cash held on behalf of clients and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

(iv) *Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of loans and receivables, such as trade receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit periods, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

(iv) *Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)*

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition of financial assets (Continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost, using the effective interest method or at FVTPL.

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Deferred taxation on investment properties

For the purposes of measuring deferred taxes arising from investment properties that are using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that certain of the Group's investment properties situated in the PRC are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale whereas those remaining properties situated in the PRC and Hong Kong are not held under such a business model. Therefore, the presumption that the carrying amounts of investment properties are recovered entirely through sale is rebutted for certain properties situated in the PRC but is not rebutted for the remaining properties situated in the PRC and Hong Kong. As a result, the Group has not recognised any deferred taxes on changes in fair value of the investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of these investment properties. The presumption that the carrying amount of the Group's certain investment properties in the PRC is to recover through sale rather than through use has been rebutted and deferred tax on the changes in fair value is recognised according to the relevant tax rules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Valuation of investment properties

The Group's investment properties are located in Hong Kong and the People's Republic of China (the "PRC"). As at 31 December 2018, the Group's investment properties amounted to HK$9,081,879,000 (2017: HK$1,344,575,000) and represented 79% of the Group's total assets. As disclosed in note 18, gain on fair value changes of investment properties of HK$671,422,000 (2017: HK$155,749,000) was recognised in profit or loss. All of the Group's investment properties are stated at fair value based on valuations performed by a firm of independent qualified professional valuers. The valuations are dependent on certain significant unobservable inputs, including price per square meter/bay/square feet, which are determined based on comparable sales transactions after applying adjusting factors to reflect the conditions and locations of the subject properties. Details of the valuation methodology and significant unobservable inputs used in the valuations are disclosed in note 18 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment assessment on trade receivables and receivables arising from securities broking

The Group recognises a credit loss allowance for trade receivables and receivables arising from securities broking by adopting the ECL model individually on each debtor in the current year. In calculating the credit loss allowance, the loss rates are estimated based on comparable probability of default and recovery rate quoted from international credit-rating agencies; and exposure at default after consideration of underlying collaterals, if any, and adjusted for forward-looking information that is available without undue cost or effort. Such calculation of ECL has involved subjective judgement and management estimates.

As at 31 December 2018, net trade receivables and receivables arising from securities broking amounted to HK$455,015,000 and HK$99,832,000, respectively. The information about the ECL and the Group's trade receivables and receivables arising from securities broking are disclosed in notes 51(b) and 26, respectively.

Impairment assessment on goodwill and intangible assets with indefinite useful lives in relation to Financial Services Segment and Environmental Protection Segment (as defined in note 6)

Determining whether goodwill and intangible assets with indefinite useful lives are impaired requires an estimation of the recoverable amounts of the respective CGUs to which goodwill and intangible assets with indefinite useful lives have been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the respective CGUs and a suitable discount rate in order to calculate the present value of the cash flows of the respective CGUs. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss would arise.

Details of impairment assessment of the goodwill and intangible assets with indefinite useful lives are disclosed in note 19.

5. REVENUE

The Group recognises revenue from the following major sources:

(i) Revenue from sale of motor vehicle parts is recognised at a point in time when the control of goods has been transferred to customers upon delivery;

(ii) Revenue from dismantling and trading of scrap materials is recognised at a point in time when the control of the specific type of scrap materials, either dismantled or not, as requested by the customers, has been transferred to them upon delivery;

(iii) Revenue from sale of other goods including hangtags, tables, shirt paper boards and plastic bags are recognised at a point in time when the customer obtains control of the distinct goods;

(iv) Revenue from rendering of financial printing, digital printing and other related services is recognised over time using the output method because the customer simultaneously receives and consumes the benefits as the Group performs; and

(v) Revenue from commission income from securities broking is recognised at a point in time upon execution of orders for purchase or sale of securities on behalf of clients.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. REVENUE (Continued)

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

Type of goods and services	Commercial printing HK$'000	Hangtag HK$'000	Motor vehicle parts HK$'000	Financial services HK$'000	Property investment HK$'000	Environmental protection HK$'000	Total HK$'000
Sales of goods							
– Motor vehicle parts	–	–	127,095	–	–	–	127,095
– scrap materials	–	–	–	–	–	570,774	570,774
– Hangtags, tables, shirt paper boards and plastic bags	–	996	–	–	–	–	996
	–	996	127,095	–	–	570,774	698,865
Rendering of services							
– Printing services	82,370	–	–	–	–	–	82,370
– Commission income from securities broking	–	–	–	1,387	–	–	1,387
Revenue from contracts with customers	82,370	996	127,095	1,387	–	570,774	782,622
Revenue from gross rental income	–	–	–	–	19,532	–	19,532
Revenue from interest income from margin financing	–	–	–	8,885	–	–	8,885
Total	82,370	996	127,095	10,272	19,532	570,774	811,039
Geographical markets							
Hong Kong	82,370	996	41,919	10,272	675	–	136,232
The PRC	–	–	85,176	–	18,857	569,050	673,083
Other countries	–	–	–	–	–	1,724	1,724
Total	82,370	996	127,095	10,272	19,532	570,774	811,039
Timing of revenue recognition							
A point in time	–	996	127,095	10,272	19,532	570,774	728,669
Over time	82,370	–	–	–	–	–	82,370
Total	82,370	996	127,095	10,272	19,532	570,774	811,039

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. REVENUE (Continued)

A. For the year ended 31 December 2018 (Continued)

(ii) Performance obligations for contracts with customers

Sales of goods (revenue recognised at a point in time)

The Group sells motor vehicle parts directly to customers. Revenue from sale of motor vehicle parts is recognised at a point in time when the control of goods has been transferred to customers upon the goods have been delivered to the location designated by the customers (delivery) as agreed in the sales contracts. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 90 days upon delivery.

The Group sells scrap materials directly to customers. Revenue from dismantling and trading of scrap materials is recognised at a point in time when the control of the specific type of scrap materials, either dismantled or not, as requested by the customers, has been transferred to them upon the goods have been delivered to the specific location (delivery) as agreed in the sales contracts. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 45 to 90 days upon delivery. A contract liability is recognised for advance from customers in which the revenue has yet been recognised.

The Group sells other goods including hangtags, tables, shirt paper boards and plastic bags directly to customers and those revenue are recognised at a point in time when the customer obtains control of the distinct goods upon the goods have been delivered to the specific location (delivery) as agreed in the sales contracts. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 45 to 90 days upon delivery.

Rendering of brokerage transaction services (revenue recognised at a point in time)

The Group's commission income from securities broking is recognised at a point in time upon execution of orders for purchase or sale of securities on behalf of clients. Such commission income is calculated as a percentage of the transacted amount of securities purchased or sold. The commission income would be paid out of the cash held on behalf of clients upon purchase of securities or deducted from the proceeds received on behalf of clients upon disposal of securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. REVENUE (Continued)

A. For the year ended 31 December 2018 (Continued)

(ii) *Performance obligations for contracts with customers* (Continued)

Rendering of brokerage transaction services (revenue recognised at a point in time)

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Rendering of financial printing, digital printing and other related services (with milestone payments)

Revenue from rendering of printing services (the "Printing Services") is recognised over time on the progress of work that creates or enhances the printing materials that the customers control. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services rendered to date (i.e. milestone payments). When the Group receives a deposit before the services rendered, this will give rise to contract liabilities until the revenue is recognised. The payment term is generally one month.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All printing services and sales of goods are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

B. For the year ended 31 December 2017

	HK$'000
Revenue	
Sales of goods	
– Motor vehicle parts	86,867
– Hangtags, tables, shirt paper boards and plastic bags	2,639
– scrap materials	572,410
	661,916
Rendering of Printing Services	70,040
Commission income from securities broking	1,927
Gross rental income	20,206
Interest income from margin financing	8,870
	762,959

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group is organised into business units based on their products and services and has seven operating segments as follows:

(a) provision of financial printing, digital printing and other related services ("Commercial Printing Segment");

(b) sales of hangtags, labels, shirt paper boards, and plastic bags principally to manufacturers of consumer products ("Hangtag Segment");

(c) distribution and sale of motor vehicle parts ("Motor Vehicle Parts Segment");

(d) provision of advisory, asset management, securities brokerage services and margin financing ("Financial Services Segment");

(e) trading of electronic products and computer components ("Trading Segment");

(f) property investment ("Property Investment Segment"); and

(g) dismantling and trading of scrap materials ("Environmental Protection Segment").

During the year, the management considered the business unit of Trading Segment is minimal to the Group whereas no revenue was generated for consecutive years. Thus, the Group has not disclosed the Trading Segment separately. Hangtag Segment does not meet any quantitative thresholds for reportable segments but this segment is separately disclosed as the CODM considers that the information about the segments would be useful to users of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. SEGMENT INFORMATION (Continued)

Segment revenues and results

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

Year ended 31 December 2018

	Commercial printing HK$'000	Hangtag HK$'000	Motor vehicle parts HK$'000	Financial services HK$'000	Property investment HK$'000	Environmental protection HK$'000	Total HK$'000
Segment revenue							
Sales to external customers	82,370	996	127,095	10,272	19,532	570,774	811,039
Intersegment sales	755	–	–	15	290	–	1,060
	83,125	996	127,095	10,287	19,822	570,774	812,099
Elimination of intersegment sales							(1,060)
Revenue							811,039
Segment results	2,328	(74)	7	(20,346)	316,199	67,340	365,454
Bank interest income							842
Other income							1,513
Net foreign exchange gain							267,662
Unrealised fair value gain on financial assets at FVTPL							35,063
Revaluation deficit on property, plant and equipment							(361)
Realised gain on disposal of financial assets at FVTPL							10,751
Corporate expenses							(49,707)
Finance costs							(75,268)
Profit before tax							555,949

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

Year ended 31 December 2017

	Commercial printing HK$'000	Hangtag HK$'000	Motor vehicle parts HK$'000	Financial services HK$'000	Property investment HK$'000	Environmental protection HK$'000	Total HK$'000
Segment revenue							
Sales to external customers	70,040	2,639	86,867	10,797	20,206	572,410	762,959
Intersegment sales	657	–	–	9	–	–	666
	70,697	2,639	86,867	10,806	20,206	572,410	763,625
Elimination of intersegment sales							(666)
Revenue							762,959
Segment results	(8,119)	27	604	2,750	169,187	52,309	216,758
Bank interest income							126
Other income							1,663
Net foreign exchange loss							(11,414)
Unrealised fair value gain on held for trading investments							40,349
Revaluation gain on property, plant and equipment							2,940
Realised gain on disposal of held for trading investments							2,015
Corporate expenses							(55,337)
Finance costs							(30,819)
Profit before tax							166,281

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit/loss represents the profit earned by/loss from each segment without allocation of bank interest income, certain other income, unrealised fair value gain on financial assets at FVTPL/held for trading investments, realised gain on disposal of financial assets at FVTPL/held for trading investments, net foreign exchange gain/loss, revaluation deficit/gain on property, plant and equipment, corporate expenses and certain finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

At 31 December 2018

	Commercial printing HK$'000	Hangtag HK$'000	Motor vehicle parts HK$'000	Financial services HK$'000	Property investment HK$'000	Environmental protection HK$'000	Total HK$'000
Segment assets	15,044	692	170,866	134,080	9,241,176	596,151	10,158,009
Corporate and unallocated assets							1,263,660
Total assets							11,421,669
Segment liabilities	18,543	358	7,260	20,204	4,667,956	313,938	5,028,259
Corporate and unallocated liabilities							3,460,984
Total liabilities							8,489,243

At 31 December 2017

	Commercial printing HK$'000	Hangtag HK$'000	Motor vehicle parts HK$'000	Financial services HK$'000	Property investment HK$'000	Environmental protection HK$'000	Total HK$'000
Segment assets	12,135	1,122	126,318	160,353	1,349,360	310,503	1,959,791
Corporate and unallocated assets							215,701
Total assets							2,175,492
Segment liabilities	12,674	535	18,537	37,890	5,049	107,085	181,770
Corporate and unallocated liabilities							889,724
Total liabilities							1,071,494

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For the year ended 31 December 2018

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

Segment assets exclude deferred tax assets, equity instrument at FVTOCI, tax recoverable, bank balances and cash, financial assets at FVTPL, available-for-sale investments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude certain bank borrowings and overdrafts, tax payable, deferred tax liabilities, loans from ultimate holding company and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Inter-segment sales are charged at prevailing market rates.

Other segment information

Year ended 31 December 2018

	Commercial printing HK$'000	Hangtag HK$'000	Motor vehicle parts HK$'000	Financial services HK$'000	Trading HK$'000	Property investment HK$'000	Environmental protection HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:									
Depreciation	1,204	163	728	143	1,395	45	1,772	6,508	11,958
Gain on fair value changes of investment properties	–	–	–	–	–	(671,422)	–	–	(671,422)
Loss on disposal of property, plant and equipment	–	–	61	–	–	–	–	–	61
Impairment losses, net of reversal	2,052	1	2,474	21,816	–	179	646	–	27,168
Capital expenditure (Note)	2,278	310	970	14	5,200	105	340	802	10,019
Interest expense	–	–	–	–	–	348,704	–	75,268	423,972
Interest income	–	–	–	1,293	–	–	–	–	1,293
Income tax expense	4	–	127	71	–	166,769	10,983	–	177,954
Income tax credit	(1,210)	–	(315)	(3,434)	–	(280)	(386)	(91)	(5,716)

Year ended 31 December 2017

	Commercial printing HK$'000	Hangtag HK$'000	Motor vehicle parts HK$'000	Financial services HK$'000	Trading HK$'000	Property investment HK$'000	Environmental protection HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:									
Depreciation	1,695	105	325	153	244	36	33	7,706	10,297
Gain on fair value changes of investment properties	–	–	–	–	–	(155,749)	–	–	(155,749)
Loss on disposal of property, plant and equipment	–	–	428	–	–	–	–	–	428
Capital expenditure (Note)	1,377	–	1,010	2	2,596	28,180	347	403	33,915
Interest expense	–	–	–	–	–	–	–	30,819	30,819
Interest income	–	–	–	657	–	–	–	–	657
Income tax expense	–	–	9	34	–	48,835	6,672	–	55,550
Income tax credit	(149)	–	(341)	–	–	–	–	–	(490)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2018	2017
	HK$'000	HK$'000
Hong Kong	**136,231**	117,080
The PRC	**673,084**	645,312
Other countries	**1,724**	567
	811,039	762,959

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

(b) Non-current assets

	2018	2017
	HK$'000	HK$'000
Hong Kong	**564,559**	702,984
The PRC	**8,802,328**	786,822
	9,366,887	1,489,806

The non-current assets information above is based on the locations of the assets and excludes non-current portion of financial instruments and certain deposits.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2018	2017
	HK$'000	HK$'000
Customer A[1]	**124,326**	N/A*
Customer B[1]	**123,084**	211,051
Customer C[1]	**N/A***	77,680

[1] Revenue from Environmental Protection Segment

* Less than 10% of the Group's revenue

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

7a. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Bank interest income	**842**	126
Finance lease interest income	**330**	657
Interest income on credit-impaired loan receivable	**963**	–
Government grant	**839**	–
Others	**827**	1,651
	3,801	2,434

7b. OTHER GAINS AND LOSSES

	2018 HK$'000	2017 HK$'000
Loss on disposal of property, plant and equipment	**(61)**	(428)
Unrealised fair value gain on financial assets at FVTPL/ held for trading investments	**35,063**	40,349
Realised gain on disposal of financial assets at FVTPL/ held for trading investments	**10,751**	2,015
Net foreign exchange gain (loss)	**264,927**	(3,470)
Revaluation (deficit) gain on property, plant and equipment	**(361)**	2,940
	310,319	41,406

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

8. IMPAIRMENT LOSSES, NET OF REVERSAL

	2018 HK$'000	2017 HK$'000
Impairment losses recognised on:		
– Trade receivables	**5,352**	176
– Receivables arising from securities broking	**20,816**	–
– Purchased or originated credit-impaired loan receivable	**1,000**	–
	27,168	176

Details of impairment assessment for the year ended 31 December 2018 are set out in note 51(b).

9. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on loans from ultimate holding company	**65,231**	24,339
Interest on bank borrowings and overdrafts	**229,827**	6,480
Interest on promissory notes (note 38)	**128,914**	–
	423,972	30,819

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. INCOME TAX EXPENSE

Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the ''Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2018 and 2017.

The PRC

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible allowance and expenditures including sales charges, borrowing costs and all property development expenditures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. INCOME TAX EXPENSE (Continued)

	2018 HK$'000	2017 HK$'000
Current tax – Hong Kong		
Charge for the year	**13,030**	5,332
Underprovision in prior years	**919**	80
Current tax – The PRC		
Charge for the year	**1,829**	1,389
Overprovision in prior years	**(1,694)**	–
Deferred tax (note 36)	**158,154**	48,259
Total tax charge for the year	**172,238**	55,060

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax charge at the effective tax rate is as follows:

	2018 HK$'000	2017 HK$'000
Profit before tax	**555,949**	166,281
Tax at the average income tax rate of 23.5% (2017: 23.7%)	**130,859**	39,367
Tax arising from fair value gains on investment properties	**1,991**	13,952
Tax effect of income not taxable for tax purpose	**(26,143)**	(11,563)
Tax effect of expenses not deductible for tax purpose	**3,137**	8,405
Tax losses not recognised	**68,515**	8,371
Tax effect of utilisation of tax losses previously not recognised	**(6,305)**	(3,470)
(Over) under provision in prior years	**(775)**	80
Tax effect of share of loss from an associate	**1,436**	–
Others	**(477)**	(82)
Income tax expense for the year	**172,238**	55,060

The average income tax rates for the years ended 31 December 2018 and 2017 represent the weighted average tax rate of the operations in different jurisdictions on the basis of the relative amounts of profit before taxation and the relevant statutory rates (or other reasonable basis).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

11. PROFIT FOR THE YEAR

The Group's profit for the year is arrived at after charging (crediting):

	2018	2017
	HK$'000	HK$'000
Depreciation of property, plant and equipment (note 16)	**11,958**	10,297
Amortisation of prepaid lease payments	**118**	116
Direct operating expenses (including repair and maintenance):		
Arising from rental-earning investment properties	**5,015**	313
Arising from vacant investment properties	**1,182**	1,103
Minimum lease payments under operating leases	**23,138**	22,301
Auditor's remuneration	**2,771**	2,198
Employee benefits expense (including directors' emoluments (note 12A)):		
Wages and salaries	**57,458**	50,653
Discretionary bonus	**11,420**	20,143
Pension scheme contributions	**2,711**	1,910
Equity-settled share-based payment expenses	**–**	3,813
	71,589	76,519
Cost of inventories recognised as expenses	**608,868**	600,133

12A. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's emoluments for the year, disclosed pursuant to the Listing Rules and Companies Ordinance are as follows:

	2018	2017
	HK$'000	HK$'000
Fees	**408**	420
Other emoluments:		
Salaries, allowances and benefits in kind	**9,890**	9,980
Discretionary bonuses	**36**	36
Equity-settled share-based payment expense	**–**	1,749
Pension scheme contributions	**54**	54
	9,980	11,819
	10,388	12,239

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

12A. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

(a) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
31 December 2018						
Executive directors:						
Dr. Lin	**–**	**3,890**	**–**	**–**	**18**	**3,908**
Madam Su	**–**	**2,400**	**–**	**–**	**18**	**2,418**
Mr. Lin Xiaodong	**–**	**3,600**	**–**	**–**	**18**	**3,618**
	–	**9,890**	**–**	**–**	**54**	**9,944**
31 December 2017						
Executive directors:						
Dr. Lin	–	4,180	–	405	18	4,603
Madam Su	–	2,200	–	405	18	2,623
Mr. Lin Xiaodong	–	3,600	–	375	18	3,993
	–	9,980	–	1,185	54	11,219

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

12A. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

(b) Independent non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
31 December 2018						
Independent non-executive directors:						
Mr. Yu Leung Fai	**136**	**–**	**12**	**–**	**–**	**148**
Mr. Fang Jixin	**136**	**–**	**12**	**–**	**–**	**148**
Dr. Li Jue	**136**	**–**	**12**	**–**	**–**	**148**
	408	**–**	**36**	**–**	**–**	**444**
31 December 2017						
Independent non-executive directors:						
Mr. Yu Leung Fai	140	–	12	188	–	340
Mr. Fang Jixin	140	–	12	188	–	340
Dr. Li Jue	140	–	12	188	–	340
	420	–	36	564	–	1,020

12A. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Included in the financial assets at fair value through profit or loss is a school debenture (2017: two school debentures) amounted to HK$2,500,000 (2017: HK$9,000,000) for the use by Dr. Lin's dependant.

The executive directors' emoluments shown above for both years were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above for both years were for their services as directors of the Company.

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

There was no emolument paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

Madam Su is also the Chief Executive of the Company and her emoluments disclosed above included those for services rendered by her as the Chief Executive during both years.

Discretionary bonuses were determined with reference to the Group's operating results and individual performance.

The directors of the Company were granted with share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 40. The fair value of such options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and such amount was included in the above directors' remuneration disclosure and the share options were vested in full during the year ended 31 December 2017.

12B. TRANSACTIONS, ARRANGEMENTS OR CONTRACTS IN WHICH DIRECTORS OF THE COMPANY HAVE MATERIAL INTERESTS

Details of the connected transactions and material related party transactions are set out in the Report of the Directors and note 48 to the consolidated financial statements.

Save for the above, no other transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a person who at any time in 2018 was a director of the Company or his or her connected entity had, directly or indirectly, a material interest subsisted at any time during the year or at the end of 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2017: three) directors, details of whose emoluments are set out in note 12A above.

Details of the emoluments for the current year of the remaining two (2017: two) highest paid employees who are not directors of the Company are as follows:

	2018	2017
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,810**	2,925
Discretionary bonuses	**6,000**	10,400
Pension scheme contributions	**282**	228
	10,092	13,553

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of employees	
	2018	2017
HK$4,000,001 to HK$4,500,000	**1**	–
HK$5,000,001 to HK$5,500,000	**1**	1
HK$8,000,001 to HK$8,500,000	**–**	1
	2	2

14. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2018 and 2017, nor has any dividend been proposed since the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

15. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share are based on:

	2018 HK$'000	2017 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share calculation (profit attributable to owners of the Company)	**363,282**	93,254

	Number of shares	
	2018	2017
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share calculation	**1,350,887,946**	1,150,237,699
Effect of dilutive potential ordinary shares:		
Share options	**1,259,625**	1,143,384
Contingently issuable shares in relation to acquisition of Environmental Protection Segment	**2,500,000**	1,471,918
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share calculation	**1,354,647,571**	1,152,853,001

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Yacht HK$000	Total HK$'000
At 31 December 2017 and at 1 January 2018:								
Cost or valuation	72,187	6,353	6,022	6,031	7,113	15,074	21,680	134,460
Accumulated depreciation and impairment	–	(6,051)	(5,031)	(4,128)	(5,204)	(8,267)	(3,252)	(31,933)
Net carrying amount	72,187	302	991	1,903	1,909	6,807	18,428	102,527
At 1 January 2018, net of accumulated depreciation and impairment	72,187	302	991	1,903	1,909	6,807	18,428	102,527
Additions	–	188	930	1,605	562	6,659	–	9,944
Acquisitions of subsidiaries (note 41(a) and 42)	2,068	5	–	699	–	29	–	2,801
Disposals/written off	–	–	(14)	(47)	–	–	–	(61)
Depreciation provided during the year	(3,437)	(137)	(814)	(896)	(1,305)	(3,201)	(2,168)	(11,958)
Gain on revaluation	1,046	–	–	–	–	–	–	1,046
Exchange realignment	(3,622)	(21)	(1)	(94)	–	(40)	–	(3,778)
At 31 December 2018	68,242	337	1,092	3,170	1,166	10,254	16,260	100,521
At 31 December 2018:								
Valuation	68,242	–	–	–	–	–	–	68,242
Cost	–	6,607	6,770	14,643	9,250	23,843	21,680	82,793
Accumulated depreciation and impairment	–	(6,270)	(5,678)	(11,473)	(8,084)	(13,589)	(5,420)	(50,514)
Carrying amount	68,242	337	1,092	3,170	1,166	10,254	16,260	100,521

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Yacht HK$000	Total HK$'000
At 31 December 2016 and at 1 January 2017:								
Cost or valuation	45,812	6,145	5,853	5,356	6,616	11,089	21,680	102,551
Accumulated depreciation and impairment	–	(5,965)	(4,483)	(3,470)	(3,333)	(5,567)	(1,084)	(23,902)
Net carrying amount	45,812	180	1,370	1,886	3,283	5,522	20,596	78,649
At 1 January 2017, net of accumulated depreciation and impairment	45,812	180	1,370	1,886	3,283	5,522	20,596	78,649
Additions	–	–	601	663	497	3,974	–	5,735
Acquisitions of subsidiaries (note 41(b))	18,655	206	1	37	–	–	–	18,899
Disposals/written off	–	(11)	(433)	(27)	–	–	–	(471)
Depreciation provided during the year	(2,266)	(86)	(548)	(658)	(1,871)	(2,700)	(2,168)	(10,297)
Gain on revaluation	5,264	–	–	–	–	–	–	5,264
Exchange realignment	4,722	13	–	2	–	11	–	4,748
At 31 December 2017	72,187	302	991	1,903	1,909	6,807	18,428	102,527
At 31 December 2017:								
Valuation	72,187	–	–	–	–	–	–	72,187
Cost	–	6,353	6,022	6,031	7,113	15,074	21,680	62,273
Accumulated depreciation and impairment	–	(6,051)	(5,031)	(4,128)	(5,204)	(8,267)	(3,252)	(31,933)
Carrying amount	72,187	302	991	1,903	1,909	6,807	18,428	102,527

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the lease terms, or 3.3% to 3.7% whichever is shorter
Plant and machinery	10%
Furniture and fixtures	20%
Office equipment	20%
Leasehold improvements	20% or over the lease terms, whichever is shorter
Motor vehicles	25%
Yacht	10%

The Group's leasehold land and buildings were partially revalued individually at the end of the reporting period by Roma Appraisals Limited, a firm of independent professionally qualified professional valuers, at an aggregate market value of HK$66,385,000 (2017: HK$72,187,000) based on their highest values less cost to sell. A revaluation deficit of HK$361,000 (2017: revaluation surplus of HK$2,940,000) resulting from the above valuation has been charged to the consolidated statement of profit or loss.

The carrying amounts of owner-occupied leasehold land and buildings of HK$45,720,000 (2017: HK$50,442,000) at the end of the reporting period included both the leasehold land and building elements in property, plant and equipment, as in the opinion of the directors of the Company, allocations of the carrying amounts between the leasehold land and buildings elements cannot be made reliably.

Fair value measurement

The fair value measurement of the leasehold land and buildings are categorised in level 3.

The fair value of the commercial property was determined using the direct comparison approach by making reference to comparable sales transactions as available in the relevant market after applying adjusting factors to reflect the conditions and locations of subject properties.

The fair value of the industrial property was determined using the depreciation replacement cost approach, which considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar properties in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence percent, whether arising from physical, functional or economic causes.

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement (Continued)

Below is a summary of the key inputs to the valuation of leasehold land and buildings:

	Significant unobservable inputs	2018	2017
Commercial property (2018: HK$45,720,000 (2017: HK$50,442,000))	Estimated sales value (per s.q.m.) (Renminbi ("RMB"))	50,000 to 52,037	51,991 to 52,000
Industrial property (2018: HK$20,665,000 (2017: HK$21,745,000))	Estimated construction cost for replacement (per s.q.m.) (RMB)	2,184	2,236

The fair values of the leasehold land and buildings were based on the highest and best use of leasehold land and building in the PRC, which did not differ from their actual use.

An increase (decrease) in the estimated sales value per square meter would result in the same level of increase (decrease) in the fair value of the commercial property. An increase (decrease) in the estimated construction cost for replacement per square meter would result in the same level of increase (decrease) in the fair value of the industrial property.

At 31 December 2018, the Group's leasehold land and buildings with a net carrying amount of HK$68,242,000 (2017: HK$72,187,000) were pledged to secure general banking facilities granted to the Group, details of which are set out in note 34.

There were no transfers amongst different levels of fair value measurements during both years.

Had the leasehold land and buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amount would have been approximately HK$78,716,000 (2017: HK$86,207,000).

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For the year ended 31 December 2018

17. PREPAID LEASE PAYMENTS

The carrying amounts of prepaid lease payments represent land use rights located in the PRC and are analysed as follows:

	2018 HK$'000	2017 HK$'000
Non-current assets	**4,968**	5,323
Current assets	**114**	120
	5,082	5,443

18. INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
At 1 January	**1,344,575**	1,106,525
Additions	**75**	28,180
Acquisition of assets through acquisition of subsidiaries (note 42)	**7,779,709**	–
Net gain on fair value recognised in profit or loss	**671,422**	155,749
Exchange realignment	**(713,902)**	54,121
At 31 December	**9,081,879**	1,344,575

The Group's investment properties consist of six (2017: six) residential apartments and two (2017: two) car parking spaces in Hong Kong, and three (2017: one) commercial buildings, two (2017: two) industrial properties, 1,327 (2017: Nil) car parking spaces and one (2017: Nil) shopping arcade in the PRC. The directors of the Company have determined that the investment properties consist of four classes of asset, i.e., commercial buildings, car parking spaces, industrial properties and residential apartments, based on the nature, characteristics and risks of each property.

The Group's investment properties were revalued on 31 December 2018 and 2017 based on valuations performed by Roma Appraisals Limited, a firm of independent qualified professional valuers, at HK$9,081,879,000 (2017: HK$1,344,575,000).

At 31 December 2018, the Group's investment properties with a carrying value of HK$8,244,439,000 (2017: HK$440,770,000) were pledged to secure general banking facilities granted to the Group, details of which are set out in note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. INVESTMENT PROPERTIES (Continued)

Fair value measurement

The fair value measurements of the investment properties are categorised in level 3. During both years, there were no transfers amongst different levels of fair value measurements.

The fair values of the investment properties were determined using the direct comparison approach based on market comparables of similar properties.

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

Investment properties held by the Group	Valuation techniques	Significant unobservable inputs	Range 2018	Range 2017
A residential apartment in Festival City, Shatin, Hong Kong (HK$11,700,000 (2017: HK$10,500,000))	Direct comparison approach	Adopted price per square feet determined based on comparable sales transactions (HK$)	**14,500 to 18,370**	13,200 to 14,900
		Adjusting factors for variable conditions and locations	**adjusting factors range from 87% to 112%**	adjusting factors range from 97% to 108%
A residential unit in Festival City, Shatin, Hong Kong (HK$12,500,000 (2017: HK$11,500,000))	Direct comparison approach	Adopted price per square feet determined based on comparable sales transactions (HK$)	**11,900 to 18,300**	13,700 to 15,700
		Adjusting factors for variable conditions and locations	**adjusting factors range from 88% to 108%**	adjusting factors range from 97% to 110%
A residential unit in Parc Oasis, Kowloon, Hong Kong (HK$14,500,000 (2017: HK$14,000,000))	Direct comparison approach	Adopted price per square feet determined based on comparable sales transactions (HK$)	**18,900 to 27,800**	18,500 to 22,100
		Adjusting factors for variable conditions and locations	**adjusting factors range from 96% to 109%**	adjusting factors range from 98% to 105%
A residential unit in The Riverpark, Shatin, Hong Kong (HK$17,000,000 (2017: HK$15,500,000))	Direct comparison approach	Adopted price per square feet determined based on comparable sales transactions (HK$)	**16,200 to 19,200**	15,300 to 18,700
		Adjusting factors for variable conditions and locations	**adjusting factors range from 86% to 110%**	adjusting factors range from 90% to 113%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. INVESTMENT PROPERTIES (Continued)

Fair value measurement (Continued)

Investment properties held by the Group	Valuation techniques	Significant unobservable inputs	Range 2018	Range 2017
A residential unit in Bel-Air, Island South, Hong Kong (HK$353,000,000 (2017: HK$350,000,000))	Direct comparison approach	Adopted price per square feet determined based on comparable sales transactions (HK$) Adjusting factors for variable conditions and locations	**80,500 to 88,000** **adjusting factors range from 91% to 95%**	81,400 to 85,600 adjusting factors range from 97% to 109%
A residential unit in Bel-Air, Island South, Hong Kong (HK$38,000,000 (2017: HK$35,500,000))	Direct comparison approach	Adopted price per square feet determined based on comparable sales transactions (HK$) Adjusting factors for variable conditions and locations	**22,400 to 29,500** **adjusting factors range from 82% to 92%**	24,600 to 26,400 adjusting factors range from 87% to 102%
A car parking space in Festival City, Shatin, Hong Kong (HK$2,700,000 (2017: HK$2,500,000))	Direct comparison approach	Adopted price per bay determined based on comparable sales transactions (HK$ thousand) Adjusting factors for variable conditions and locations	**2,500 to 2,780** **adjusting factor of 100%**	2,480 to 2,530 adjusting factor of 100%
A car parking space in Parc Oasis, Kowloon, Hong Kong (HK$1,800,000 (2017: HK$1,200,000))	Direct comparison approach	Adopted price per bay determined based on comparable sales transactions (HK$ thousand) Adjusting factors for variable conditions and locations	**1,842 to 1,843** **adjusting factor of 100%**	1,100 to 1,252 adjusting factor of 100%
Commercial building in Shenzhen, Guangdong Province, the PRC (HK$92,469,000 (2017: HK$98,002,000))	Direct comparison approach	Adopted price per square meter determined based on comparable sales transactions (RMB) Adjusting factors for variable conditions and locations	**79,900 to 80,000** **adjusting factors range from 100% to 107%**	77,800 to 81,300 adjusting factors range from 99% to 100%
Industrial property in Shenzhen, Guangdong Province, the PRC (HK$192,024,000 (2017: HK$199,366,000))	Direct comparison approach	Adopted price per square meter determined based on comparable sales transactions (RMB) Adjusting factors for variable conditions and locations	**6,700 to 10,400** **adjusting factor of 95%**	7,300 to 12,000 adjusting factor of 95%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. INVESTMENT PROPERTIES (Continued)

Fair value measurement (Continued)

Investment properties held by the Group	Valuation techniques	Significant unobservable inputs	Range 2018	Range 2017
Industrial property in Shenzhen, Guangdong Province, the PRC (HK$585,216,000 (2017: HK$606,507,000))	Direct comparison approach	Adopted price per square meter determined based on comparable sales transactions (RMB)	**11,200 to 12,800**	10,900 to 12,900
		Adjusting factors for variable conditions and locations	**adjusting factor of 95%**	adjusting factor of 95%
Commercial building in Shenzhen, Guangdong Province, the PRC (HK$2,731,770,000) (Note)	Direct comparison approach	Adopted price per square meter determined based on comparable sales transactions (RMB)	**54,000 to 58,000**	N/A
		Adjusting factors for variable conditions and locations	**adjusting factor of 98%**	
A shopping arcade in Shenzhen, Guangdong Province, the PRC (HK$1,280,160,000) (Note)	Direct comparison approach	Adopted price per square meter determined based on comparable sales transactions (RMB)	**79,000 to 148,000**	N/A
		Adjusting factors for variable conditions and locations	**adjusting factors range from 65% to 95%**	
1,012 car parking spaces in Shenzhen, Guangdong Province, the PRC (HK$457,200,000) (Note)	Direct comparison approach	Adopted price per bay determined based on comparable sales transactions (RMB)	**400,000**	N/A
		Adjusting factors for variable conditions and locations	**adjusting factor of 71%**	
Commercial property in Shenzhen, Guangdong Province, the PRC (HK$3,143,250,000) (Note)	Direct comparison approach	Adopted price per square meter determined based on comparable sales transactions (RMB)	**43,000 to 66,000**	N/A
		Adjusting factors for variable conditions and locations	**adjusting factors range from 72% to 90%**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. INVESTMENT PROPERTIES (Continued)

Fair value measurement (Continued)

Investment properties held by the Group	**Valuation techniques**	**Significant unobservable inputs**	**Range**	
			2018	2017
315 car parking spaces in Shenzhen, Guangdong Province, the PRC (HK$148,590,000) (Note)	Direct comparison approach	Adopted price per bay determined based on comparable sales transactions (RMB)	**400,000**	N/A
		Adjusting factors for variable conditions and locations	**adjusting factor of 71%**	

Note: The investment properties are acquired through acquisition of subsidiaries during the year ended 31 December 2018. Details of which are set out in note 42.

The direct comparison approach is adopted by making reference to comparable sales transactions after applying adjusting factors to reflect the conditions and locations of the subject properties. The approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties in the assessment of the fair value of a property interest.

An increase (decrease) in the adopted price per square meter/bay/square feet would result in the same level of increase (decrease) in the fair value of the investment properties. The higher the adjusting factor, the higher the fair value of the investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

19. GOODWILL

	HK$'000
CARRYING VALUES	
At 1 January 2017	2,100
Acquisition of subsidiaries (note 41(b))	26,397
At 31 December 2017 and 2018	28,497

The carrying amounts of goodwill and other intangible assets allocated to the CGUs are as follows:

	Goodwill HK$'000	Other intangible assets HK$'000	Total HK$'000
Financial Services Segment			
– Type 1 license business	2,100	4,400	6,500
– Type 4 and Type 9 licenses business	–	8,969	8,969
Environmental Protection Segment	26,397	–	26,397
	28,497	13,369	41,866

Impairment testing of goodwill and other intangible assets

Goodwill and other intangible assets with indefinite useful lives acquired through business combination is allocated to the Financial Services Segment CGUs (i.e. (i) Type 1 license business and (ii) Type 4 and Type 9 licenses business) and Environmental Protection Segment CGU for impairment testing. The directors of the Company consider that the assets (including goodwill and other intangible assets allocated) of respective CGUs of Financial Services Segment (i.e. Type 1 license business and Type 4 and Type 9 licenses business) are insignificant to the Group. Accordingly, the details of the impairment test are not presented below.

The basis of the recoverable amount of the relevant CGU and the major underlying assumptions are summarised below:

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For the year ended 31 December 2018

19. GOODWILL (Continued)

Environmental Protection Segment

The recoverable amount of this CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections was 21.9% (2017: 24.6%), and the cash flows beyond the five-year period were extrapolated using a growth rate of 2.6% (2017: 2.6%). Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development.

Based on the result of the above impairment testing, the estimated recoverable amount exceeded the carrying amount of the CGU by approximately 42% and 19% as of 31 December 2018 and 2017, respectively. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the Environmental Protection Segment.

20. OTHER INTANGIBLE ASSETS

Type 1, 4 & 9 licenses

	HK$'000
CARRYING VALUES	
At 31 December 2017 and 1 January 2018	4,400
Acquisition of a subsidiary (note (41a))	8,969
At 31 December 2018	13,369

The licenses have a legal life of 1 year but is renewable every 1 year at minimal cost. The directors of the Company are of the opinion that the Group would renew the licenses continuously and has the ability to do so. Licenses have been considered to have an indefinite life because they are expected to contribute to the net cash flows of the Group indefinitely, and are not amortised.

The other intangible assets with indefinite useful lives are tested for impairment at least annually or when there is impairment indicator. Details of impairment testing are set out in note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21. INVESTMENT IN AN ASSOCIATE

	2018 HK$'000	2017 HK$'000
Cost of unlisted investment in an associate	**67,615**	–
Share of post-acquisition loss and other comprehensive expense	**(1,493)**	–
	66,122	–

Details of the Group's associate at the end of the reporting period are as follow:

Name of entity	Country of establishment/ operation	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		2018	2017	**2018**	2017	
深圳市友盛地產有限公司	The PRC	**49%**	N/A	**49%**	N/A	Property redevelopment

Summarised financial information of the Group's associate

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

21. INVESTMENT IN AN ASSOCIATE (Continued)

Summarised financial information of the Group's associate (Continued)

The associate is accounted for using the equity method in the consolidated financial statements.

	2018 HK$'000
Financial information of statement of profit or loss and other comprehensive income	
Revenue	–
Loss for the year	(2,930)
Total comprehensive expense for the year	(3,047)
Financial information of statement of financial position	
Non-current assets	138,115
Current assets	34,937
Current liabilities	(38,109)
Net assets of the associate	134,943
Reconciliation to the carrying amount of investment in the associate:	
Net assets attributable to the equity holders of the associate	134,943
Proportion of the Group's ownership investment in the associate	49%
Net assets of investment in the associate attributable to the Group and carrying amount of the Group's investment in the associate	66,122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

22. EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	HK$'000
Unlisted investment:	
– Equity security in the PRC	31,048

On 16 July 2018, the Group, together with an independent third party, incorporated a company ("Investee") in the PRC which targets to be engaged in property redevelopment with paid-up share capital of RMB150,000,000, of which 70% of the equity investment in the Investee, being RMB105,000,000 (equivalent to approximately HK$120,741,000) was subscribed by the Group. On 27 December 2018, the Group entered into a sales and purchase agreement with the independent third party, who is also the 30% equity interest holder of the Investee, to transfer 52% equity interest of the Investee at a cash consideration of RMB78,000,000 (equivalent to approximately HK$89,154,000), which was fully settled on 28 December 2018. Subsequent to the disposal, the Group holds 18% equity interest in the Investee. The Group does not have any board seats during the period from 16 July 2018 to the end of the reporting period and does not exercise any control over the Investee as at 31 December 2018. The directors of the Company consider that the Group does have control and significant influence over the Investee. The directors of the Company have elected to designate this investment in equity instruments as at FVTOCI as it is not held for trading. The directors of the Company consider that the cost of the equity instrument as at FVTOCI is an appropriate estimate of fair value since there were no material changes in the financial position of the Investee during the period form 27 December 2018 to 31 December 2018.

23. FINANCE LEASE RECEIVABLES

During the year ended 31 December 2017, the Group provided financial leasing services on certain equipment in the PRC to a related company (note 48(b)(ii)). These leases were classified as finance leases and had remaining lease terms of four years.

During the year ended 31 December 2018, the Group acquired 100% equity interest of this related party through acquisition of subsidiaries as set out in note 42 and the finance lease arrangement has been eliminated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

23. FINANCE LEASE RECEIVABLES (Continued)

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Finance lease receivables comprise:				
Within one year	–	2,790	–	2,283
In the second to fourth years, inclusive	–	5,277	–	4,688
	–	8,067	–	6,971
Less: unearned finance income	–	(1,096)		
Total net finance lease receivables	–	6,971		

Effective interest rates of the above finance lease ranged from 7.4% to 15.0% per annum.

Finance lease receivables were secured over the equipment leased. The Group could not sell or repledge the collateral in the absence of default by the lessee.

	2018	2017
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Current assets	–	2,283
Non-current assets	–	4,688
	–	6,971

The Group's finance lease receivables were denominated in RMB, which is also the functional currency of the relevant group entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

24. AVAILABLE-FOR-SALE INVESTMENTS

	2018 HK$'000	2017 HK$'000
Club and school debentures, at fair value	–	11,789

The investments in the club and school debentures are classified as financial assets at FVTPL (see note 28) upon application of HKFRS 9 on 1 January 2018 and are measured at fair value on a recurring basis at the end of each reporting period. Prior to 1 January 2018, the investments in the club and school debentures were classified as available-for-sale investments.

25. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	97,312	58
Finished goods	48,858	42,478
	146,170	42,536

26. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING

	2018 HK$'000	2017 HK$'000
Trade receivables, goods and services	465,402	310,702
Less: Allowance for credit loss	(10,387)	–
	455,015	310,702
Receivables arising from securities broking conducted in the ordinary course of business:		
Cash clients account receivable	10,774	21,225
Loans to margin clients	91,707	108,842
Less: Allowance for credit loss	(2,649)	–
Receivables arising from securities broking	99,832	130,067
Total trade receivables and receivables arising from securities broking	554,847	440,769

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

26. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING (Continued)

As at 31 December 2018 and 1 January 2018 (upon the adoption of HKFRS 9), trade receivables from contracts with customers amounted to HK$455,015,000 and HK$303,177,000, net of allowance for credit loss of HK$10,387,000 and HK$7,525,000, respectively. As at 31 December 2018 and 1 January 2018 (upon the adoption of HKFRS 9), receivables arising from securities broking amounted to HK$99,832,000 and HK$121,880,000, net of allowance for credit loss of HK$2,649,000 and HK$8,187,000, respectively.

Trade receivables excluding those from Financial Services Segment

The credit periods are generally one month to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by the senior management.

At the end of the reporting period, 18% (2017: 28%) and 45% (2017: 55%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

26. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING (Continued)

Receivables arising from Financial Services Segment

With regard to receivables arising from securities broking, the Group seeks to maintain tight control over its outstanding accounts receivable and has procedures and policies to assess its clients' credit quality and define credit limits for each client. All client acceptances and credit limits are approved by designated approvers according to the clients' credit quality.

The normal settlement term of cash clients account receivable arising from the ordinary course of business of securities broking is two trading days after the trade date.

Loans to margin clients are secured by the underlying pledged securities, repayable on demand or agreed dates of repayment and bear interest at commercial rates. As at 31 December 2018, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK$332,316,000 (2017: HK$331,742,000). Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collaterals are required if the amount of accounts receivable outstanding exceeds the eligible margin value of securities deposited. As at 31 December 2018, 99% (2017: 72%) of the balance were secured by sufficient collaterals on an individual basis. Management has assessed the market value of the pledged securities of each individual customer that has margin shortfall as at the year end, and considered that no impairment is necessary as at 31 December 2017. The collaterals held cannot be repledged by the Group. The corresponding collaterals held can be sold at the Group's discretion to settle any outstanding amounts owed by the margin clients in the event of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

26. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING (Continued)

The following is an ageing analysis of trade receivables, net of allowance for credit losses presented based on the invoice dates/date of rendering of services:

	2018	2017
	HK$'000	HK$'000
Current to 30 days	**261,782**	130,357
31 to 60 days	**82,485**	23,912
61 to 90 days	**44,651**	120,984
Over 90 days	**66,097**	35,449
	455,015	310,702
Cash clients account receivable	**10,774**	21,225
Loans to margin clients	**89,058**	108,842
	554,847	440,769

As at 31 December 2018, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK$221,477,000 which are past due as at the reporting date. Out of the past due balances, HK$55,480,000 has been past due over 90 days and is not considered as in default by considering the historical and subsequent repayment from these trade debtors.

As at 31 December 2017, receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

As at 31 December 2017, receivables that were past due but not impaired relate to a number of independent customers that have continuous business relationship with the Group. Based on their historical and subsequent repayments, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

26. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING (Continued)

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and such receivables are not expected to be recovered.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of the cash clients account receivable arising from securities broking and the revolving margin loans.

The aged analysis of the trade receivables that are not individually or collectively considered to be impaired is as follows:

	2017 HK$'000
Neither past due nor impaired	274,915
Less than 1 month past due	9,119
1 to 3 months past due	398
Over 3 months past due	26,270
	310,702

The movements in the provision for impairment of trade receivables are as follows:

	2017 HK$'000
At beginning of the year	–
Impairment loss recognised (note 8)	176
Amounts written off as uncollectible	(176)
At end of the year	–

Details of impairment assessment of trade receivables and receivable arising from securities broking for the year ended 31 December 2018 are set out in note 51(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Prepayments for purchase of inventories	**119,405**	34,027
Deposit paid for acquisition of property, plant and equipment	**4,483**	4,483
Deposit paid for acquisition of a 60% equity investment	**20,000**	–
Deposit paid for acquisition of an investment property	**51,300**	–
Refundable rental deposits	**6,981**	6,916
Other deposits and prepayments	**10,763**	5,096
Other receivables from a local government authority (note (i))	**147,334**	–
Purchased or originated credit-impaired financial assets (note (ii))	**28,776**	–
	389,042	50,522
Analysed for reporting purposes as:		
Current assets	**306,112**	38,892
Non-current assets	**82,930**	11,630
	389,042	50,522

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27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes:

(i) The amounts represent receivables due from a local government authority in the PRC in respect of sales of properties before the acquisition of subsidiaries as stated in note 42. As at 31 December 2018, included in the balance amounting to HK$39,549,000 has been past due for over 1 year for which the Group has not provided impairment loss as it is not considered as default since it could be recovered based on the repayment history and the current creditworthiness of the debtor. The remaining balance of HK$107,785,000 is unbilled with no interest bearing and expected to be settled in two years upon the practical completion of properties. The directors of the Company consider the amount to be recovered within twelve months from the end of the reporting period, thus, it was classified as current assets.

(ii) The amount represents a credit-impaired loan receivable purchased from a bank in the PRC at a cash consideration of RMB25,208,000. Legal proceeding had been entered into between the bank and the original debtor regarding the recoverability of the credit impaired loan receivable and it was judged that the pledged properties could be used for auctions to repay the outstanding loans and interests. The loan receivable is carried at contractual interest rate of 9.66% per annum and the Group has applied the credit-adjusted effective interest rate of 12.58% to the amortised cost of the financial asset from initial recognition. It only recognises the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance. During the year ended 31 December 2018, an impairment loss of HK$1,000,000 is recognised in profit or loss at initial recognition date for the lifetime expected credit losses. Management consider repaid within 12 months from the end of reporting period, therefore classified as current assets.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
	HK$'000	HK$'000
Financial assets mandatorily measured at FVTPL:		
– Club and school debentures	**7,139**	–
– Equity investments, listed in Hong Kong	**89,492**	55,991
	96,631	55,991

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29. CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated trust accounts with licensed banks to hold securities clients' monies arising from its securities brokerage business. The Group has classified the clients' monies as "Cash held on behalf of clients" under the current assets and recognised the corresponding liabilities to respective clients on grounds that the Group is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

30. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates which range from 0.01% to 2.2% (2017: 0.01% to 2.0%) per annum. Short-term time deposits are made for few days period to meet the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates of 2.2% (2017: 2.0%) per annum. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

31. TRADE PAYABLES/PAYABLES ARISING FROM SECURITIES BROKING

	2018 **HK$'000**	2017 HK$'000
Trade payables	**223,016**	67,543
Payables arising from securities broking conducted in the ordinary course of business:		
Cash clients' accounts payables	**19,645**	35,347
Clearing house	**–**	2,397
Payables arising from securities broking	**19,645**	37,744
Total trade payables and payables arising from securities broking	**242,661**	105,287

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31. TRADE PAYABLES/PAYABLES ARISING FROM SECURITIES BROKING (Continued)

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

	2018 HK$'000	2017 HK$'000
Current to 30 days	**190,522**	1,585
31 to 60 days	**20,851**	58,335
61 to 90 days	**5,645**	4,456
Over 90 days	**5,998**	3,167
	223,016	67,543

The credit period of trade payables arising from Commercial Printing, Hangtag, Motor Vehicle Parts, Property Investment and Environmental Protection Segments ranges from 30 to 90 days. The normal settlement terms of payable to clearing house, arising from securities broking are two tradings days after the trade date.

Included in the cash clients' accounts payables arising from dealing in securities conducted in the ordinary course of business is cash held on behalf of clients amounted to HK$8,454,000 (2017: HK$17,712,000) representing those clients' undrawn monies/excess deposits placed with the Group. As at 31 December 2018, the cash clients accounts payable included an amount of HK$509,000 (2017: HK$128,000) in respect of certain directors' undrawn monies/ excess deposits placed with the Group. The cash clients accounts payable are repayable on demand and non-interest bearing. No aged analysis is disclosed as, in the opinion of the directors, an aged analysis is not meaningful in view of the nature of the business of dealing in securities.

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32. CONTRACT LIABILITIES

	Notes	31.12.2018 HK$'000	1.1.2018* HK$'000
Printing services contract			
– current	a	**3,773**	3,050
Receipts in advance from customers			
– current	b	**1,059**	–
		4,832	3,050

* The amount in this column is after the adjustment from the application of HKFRS 15.

Notes:

(a) Printing services contract

The following table shows how much of the revenue recognised in the current year relates to carried forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	Printing services contracts HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year (i.e. 1 January 2018)	3,050

When the Group receives a deposit before the printing activity commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. The Group typically receives a 20% deposit on acceptance of provision for certain printing services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

32. CONTRACT LIABILITIES (Continued)

Notes: (Continued)

(b) Receipts in advance from customers
The amount represents receipts in advance from customers for unsatisfied performance obligations and are recognised as revenue when the Group performs its obligations under the contracts. At contract inception, performance obligation is expected to be satisfied within one year.

33. OTHER PAYABLES AND ACCRUALS

	2018 HK$'000	2017 HK$'000
Other payables	**11,112**	5,542
Deposits received	**5,858**	6,482
Other tax payables	**66,338**	22,099
Accrued staff costs	**4,471**	11,371
Accrued expenses	**12,503**	7,766
	100,282	53,260

Other payables are non-interest bearing and have an average payment term of three months.

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For the year ended 31 December 2018

34. BANK BORROWINGS AND OVERDRAFTS

	2018			2017		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Bank loan – secured	–	–	–	Loan Prime Rate ("LPR") +2.1% p.a.	Within 1 year	26,422
Bank loans – secured	Hong Kong Interbank Offered Rate ("HIBOR") +1.25% to 1.5% p.a.	Within 1 year or on demand	268,427	HIBOR +1.25% to 1.5% p.a.	Within 1 year or on demand	193,840
Bank loan – secured	–	–	–	Fixed at 5.4% p.a.	Within 1 year	10,209
Bank loan – secured	Fixed at 5.62% p.a.	Within 1 year	2,250	–	–	–
Bank loan – secured	Fixed at 5.62% p.a.	Within a period of more than 1 year but not exceeding 5 years	1,717,997	–	–	–
Bank loan – secured	Fixed at 5.66% p.a.	Within 1 year	11,430	Fixed at 5.66% p.a.	Within 1 year	10,209
Bank loan – unsecured	Fixed at 5.7% p.a.	Within 1 year	11,430	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. BANK BORROWINGS AND OVERDRAFTS (Continued)

	2018			2017		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Bank loan – unsecured	Fixed at 5.7% p.a.	Within a period of more than 1 year but not exceeding 5 years	674,370	–	–	–
Bank loan – secured	Fixed at 5.9% p.a.	Within 1 year	2,250	–	–	–
Bank loan – secured	Fixed at 5.9% p.a.	Within a period of more than 1 year but not exceeding 5 years	2,471,679	–	–	–
Bank loans – secured	Fixed at 7.6% p.a.	Within 1 year	181,166	–	–	–
Bank overdrafts – secured	HIBOR +1.5% p.a.	On demand	20,000	HIBOR +1.5% p.a.	On demand	14,845
			5,360,999			255,525

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. BANK BORROWINGS AND OVERDRAFTS (Continued)

The contractual maturity dates of the bank and other borrowings are as follows:

	2018 HK$	2017 HK$
The carrying amounts of loans are repayable (note (a)):		
Within one year	**278,931**	46,839
More than one year but not more than two years	**185,399**	–
More than two years but not more than five years	**4,678,647**	–
	5,142,977	46,839
The carrying amount of loans that contain a repayable on demand clause are repayable:		
Within one year	**218,022**	208,686
More than one year but not more than two years	**–**	–
More than two years but not more than five years	**–**	–
	218,022	208,686
Less: Amount due within one year shown under current liabilities	**(496,953)**	(255,525)
Amount show under non-current liabilities	**4,864,046**	–

34. BANK BORROWINGS AND OVERDRAFTS (Continued)

Notes:

(a) The amounts due are based on scheduled repayment dates set out in the loan agreements.

(b) The Group's available banking facilities amounted to HK$5,493,286,000 (2017: HK$403,952,000), of which HK$5,360,999,000 (2017: HK$255,525,000) had been utilised as at the end of the reporting period.

(c) Certain of the Group's bank borrowings and overdrafts were secured by the Company's guarantee of up to HK$2,514,600,000 (2017: HK$230,000,000), the Group companies' guarantee of up to HK$2,514,600,000 (2017: HK$60,000,000), a mortgage over the Group's investment properties with a carrying value at the end of the reporting period of HK$8,244,439,000 (2017: HK$440,770,000) and mortgages over the Group's leasehold land and buildings with a carrying value at the end of the reporting period of HK$68,242,000 (2017: HK$72,187,000).

(d) Certain of the Group's bank borrowings and overdraft were secured by the related parties' guarantee of up to HK$2,514,600,000 (2017: HK$10,209,000).

(e) Except for the secured bank borrowing of HK$4,386,772,000 (2017: HK$46,839,000) which is denominated in RMB, the unsecured bank borrowings of HK$685,800,000 (2017: nil) which is denominated in RMB and the secured bank borrowing of nil (2017: HK$65,144,000) which is denominated in the United States Dollar ("US$"), all bank borrowings are denominated in HK$.

35. AMOUNTS DUE TO RELATED PARTIES

Amounts due to related parties are unsecured, interest-free and repayable on demand and serves as working capital for operating purpose. The related parties are (i) the controlling shareholder of the Company, (ii) the non-controlling shareholder of a subsidiary of the Company, who has significant influence over that subsidiary, and (iii) certain companies controlled by the ultimate shareholder of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

36. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current year and prior year:

	Depreciation allowance in excess of related depreciation	Revaluation of properties	Tax losses	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017	896	168,198	(310)	–	168,784
Deferred tax (credited) charged to profit or loss (note 10)	(115)	48,835	(461)	–	48,259
Charge to other comprehensive income	–	581	–	–	581
Acquisition of subsidiaries (note 41(b))	–	827	–	–	827
Exchange realignment	–	12,854	–	–	12,854
At 31 December 2017	781	231,295	(771)	–	231,305
Adjustments upon initial application of HKFRS 9	–	–	–	(2,681)	(2,681)
At 1 January 2018 (restated)	781	231,295	(771)	(2,681)	228,624
Deferred tax charged (credited) to profit or loss (note 10)	130	166,107	(338)	(7,745)	158,154
Charged to other comprehensive income	–	352	–	–	352
Acquisition of subsidiaries (note 41(a))	–	–	–	1,480	1,480
Exchange realignment	–	(11,198)	–	30	(11,168)
At 31 December 2018	911	386,556	(1,109)	(8,916)	377,442

At the end of the reporting period, the Group has estimated tax losses arising in Hong Kong of HK$145,305,000 (2017: HK$114,071,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has estimated tax losses arising in the PRC of HK$289,189,000 (2017: HK$35,745,000) that will expire in one to five years for offsetting against future taxable profits. A deferred tax asset has been recognised in respect of tax losses of HK$6,721,000 as at 31 December 2018 (2017: HK$4,672,000). Deferred tax assets have not been recognised in respect of the remaining tax as they have arisen in subsidiaries that have been loss-making for some time and in the opinion of the directors, it is not considered probable that taxable profits will be available against which the tax losses can be utilised due to the unpredictability of future profit streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

36. DEFERRED TAXATION (Continued)

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary difference attributable to accumulated profits of the Group's subsidiaries in the PRC amounted to HK$34,728,000 (2017: HK$33,419,000) as the Group is able to control the timing of the reversal of the temporary difference and it is probable that these temporary difference will not reverse in the foreseeable future.

37. LOANS FROM ULTIMATE HOLDING COMPANY

	2018	2017
	HK$'000	HK$'000
Loans from ultimate holding company	**821,460**	378,688

Loans from ultimate holding company were unsecured, interest-bearing at 8.2% per annum and will be repayable in June 2020.

38. PROMISSORY NOTES

	HK$'000
At 1 January 2017 and 31 December 2017	–
Fair value of promissory notes issued at the inception date (note 42)	1,496,949
Effective interest charged (note 9)	128,914
Exchange realignment	(133,403)
At 31 December 2018	1,492,460

On 19 April 2018, the Group issued two tranches of promissory notes with principal amounts of RMB1,517,321,000 (equivalent to HK$1,897,801,000) and RMB140,543,000 (equivalent to HK$175,784,000) respectively as part of the consideration for the acquisition of assets through acquisition of subsidiaries, details of which are disclosed in note 42. The promissory notes are unsecured, interest bearing at 3.86% per annum and repayable on 18 April 2023. The effective interest rate of the promissory notes is 13.05% per annum, which is valued by B.I. Appraisals Limited and it resulted in a fair value at the inception date of HK$1,496,949,000.

Pursuant to the agreements, the Group has the right to redeem the promissory notes at the sum of (a) the principal amount outstanding on the promissory notes; and (b) the outstanding interests up to the date of early redemption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

39. SHARE CAPITAL

	2018	2017
	HK$'000	HK$'000
Authorised:		
20,000,000,000 ordinary shares of HK$0.10 each	**2,000,000**	2,000,000
Issued and fully paid:		
1,435,709,880 (2017: 1,150,751,398) ordinary shares of HK$0.10 each	**143,571**	115,075

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

	Number of ordinary shares in issue	**Share capital**
		HK$'000
At 1 January 2017	1,150,001,398	115,000
Issue of shares (Note a)	750,000	75
At 31 December 2017 and 1 January 2018	1,150,751,398	115,075
Issue of shares (Note b)	284,958,482	28,496
At 31 December 2018	1,435,709,880	143,571

Notes:

(a) On 8 September 2017, the Company issued 750,000 shares at HK$5.11 per share, for a consideration of HK$3,832,000. The issuance of shares was pursuant to the terms and conditions under an acquisition agreement signed on 5 September 2016 and details are stated in note 41(b). The new shares rank pari passu with existing shares in all respects.

(b) On 19 April 2018, the Company issued 280,998,482 shares at HK$4.71 per share, as part of consideration, amounted to HK$1,323,502,000, to acquire assets through acquisition of subsidiaries. The issuance of shares was pursuant to the terms and conditions under the acquisition agreements for the acquisition as stated in note 42. The new shares rank pari passu with existing shares in all respects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

39. SHARE CAPITAL (Continued)

Notes: (Continued)

(b) (Continued)

On 8 June 2018, the Company issued 1,750,000 shares at HK$5.11 per share, for a consideration of HK$8,943,000. The issuance of shares was pursuant to the terms and conditions under the acquisition agreement for the acquisition as stated in note 41(b). The new shares rank pari passu with existing shares in all respects.

On 5 October 2018, the Company issued 2,210,000 shares due to the exercise of share options under the Scheme (as defined in note 40) by the option holders. The new shares rank pari passu with existing shares in all respects.

40. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and full time employees of the Group. The Scheme became effective on 10 August 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of approval of the Scheme on 10 August 2012. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 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 vesting period of two years and ends on a date which is not later than ten years from the date of the grant of the option but subject to the provisions for early termination of the Scheme. Unless otherwise determined by the directors at their sole discretion, there is no requirement of a minimum period for which an option must be held before it can be exercised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

40. SHARE OPTION SCHEME (Continued)

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

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

	2018	
	Weighted average exercise price HK$ (per share)	**Number of options '000**
At 1 January	**4.11**	**10,010**
Exercised during the year	**4.11**	**(2,210)**
At 31 December		**7,800**

	2017	
	Weighted average exercise price HK$ (per share)	Number of options '000
At 1 January	4.11	10,160
Forfeited during the year	4.11	(150)
At 31 December		10,010

Share options for 2,210,000 shares were exercised at HK$4.14 per share during the year ended 31 December 2018 (2017: Nil).

At the end of the reporting period and the date of approval of these consolidated financial statements, the Company had 7,800,000 share options outstanding under the Scheme, which represented approximately 0.5% of the Company's shares in issue as at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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41. BUSINESS COMBINATIONS

(a) For the year ended 31 December 2018

On 27 November 2018, the Group completed the acquisition of 100% equity interest in Strabens Hall (Hong Kong) Limited ("Strabens Hall") from an independent third party, for total cash consideration at HK$7,747,000. The acquisition has been accounted for using the purchase method. Strabens Hall is a licensed corporation under the Securities and Futures Ordinance to carry out service of asset management and advising on securities. The acquisition was made as part of the Group strategy to expand more types of services provision for its financial services segment.

The fair values of the identifiable assets and liabilities of Strabens Hall as at the acquisition date were as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment	21
Other intangible assets	8,969
Prepayment, deposits and other receivables	157
Bank balances and cash	224
Other payables and accrual	(144)
Deferred tax liabilities	(1,480)
Total identifiable net assets at fair value	7,747

	HK$'000
Net cash outflow in respect of the above acquisition	
Bank balances and cash acquired	224
Cash consideration paid	(7,747)
	(7,523)

Since the acquisition, Strabens Hall contributed HK$407,000 to the Group's revenue and generated a profit of HK$196,000 which was included in the Group's results for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year ended 31 December 2018, the revenue of the Group and the profit of the Group would have been HK$2,775,000 and HK$42,000, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

41. BUSINESS COMBINATIONS (Continued)

(b) For the year ended 31 December 2017

On 28 February 2017, the Group completed the acquisition of 60% equity interest in Realord Environmental Protection Industrial Company Limited ("Realord Environmental Protection") (formerly known as "Top Eagle International Trading Limited") and its wholly-owned subsidiaries (collectively referred to as "Realord Environmental Protection Group") from an independent third party, for total consideration which includes cash consideration of HK$25,000,000 and new shares to be allotted and issued by the Company up to a maximum of 5,000,000 shares. The acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$26,397,000. The principal activities of Realord Environmental Protection Group are dismantling and trading of scrap materials in the PRC. The acquisition was made as part of the Group's strategy to participate in the environmental protection industry and allows the Group to diversify from its existing businesses.

Consideration transferred

	HK$'000
Cash	25,000
Consideration shares (note)	24,273
	49,273

note: Based on the acquisition agreement dated 5 September 2017, the contingent consideration will be satisfied by the issuance of shares in three tranches (the "Consideration Shares") in the following manner:

(i) The first tranche of Consideration Shares, being 750,000 Consideration Shares, subject to the profit guarantee of Realord Environmental Protection Group of not less than HK$15,000,000 for the year ended 31 December 2016;

(ii) The second tranche of Consideration Shares, being 1,750,000 Consideration Shares, subject to the profit guarantee of Realord Environmental Protection Group of not less than HK$35,000,000 for the year ending 31 December 2017; and

(iii) The third tranche of Consideration Shares, being 2,500,000 Consideration Shares, subject to the profit guarantee of Realord Environmental Protection Group of not less than HK$50,000,000 for the year ending 31 December 2018.

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41. BUSINESS COMBINATIONS (Continued)

(b) For the year ended 31 December 2017 (Continued)

The profit guarantees stated in (i), (ii) and (iii) above are independently assessed and the fulfillment of each profit guarantee does not depend on fulfillment of the other two profit guarantees.

The fair value of consideration shares at the date of acquisition amounted to HK$24,273,000 based on the closing market price of the Company on the Stock Exchange at the date of acquisition. The Consideration Shares are presented as "Shares to be issued" in the consolidated statement of changes in equity.

The fair values of the identifiable assets and liabilities of Realord Environmental Protection Group as at the acquisition date were as follows:

	Note	**Fair value recognised on acquisition** HK$'000
Property, plant and equipment	16	18,899
Prepaid lease payments		5,233
Inventories		65,257
Trade and other receivables		82,148
Tax recoverable		3,203
Bank balances and cash		9,706
Trade and other payables		(62,092)
Amount due to a related party		(66,395)
Bank borrowings		(9,520)
Tax payables		(7,486)
Deferred tax liabilities		(827)
Total identifiable net assets at fair value		38,126

	HK$'000
Goodwill arising on acquisition:	
Consideration transferred	49,273
Non-controlling interests	15,250
Less: fair value of net assets acquired	(38,126)
	26,397

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41. BUSINESS COMBINATIONS (Continued)

(b) For the year ended 31 December 2017 (Continued)

	HK$'000
Net cash outflow in respect of the above acquisition	
Bank balances and cash acquired	9,706
Cash consideration paid	(22,000)
	(12,294)

Part of the consideration of HK$25,000,000 for the acquisition above was satisfied by a prepayment of HK$3,000,000 made in prior year.

The fair value of trade and other receivables at the date of acquisition amounted to HK$82,148,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$82,148,000 at the date of acquisition.

The Group incurred transaction costs of HK$4,462,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss in the current year.

The non-controlling interest arising from the acquisition of non-wholly owned subsidiaries is measured by reference to the proportionate share of the fair value of the acquiree's net identifiable assets at the acquisition date and amounted to HK$38,126,000.

Goodwill arose in the acquisition of Realord Environmental Protection Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amount in relation to accessing potential customers. Such benefit is not recognised separately from goodwill because it does not meet the recognition criteria for identifiable intangible assets.

Since the acquisition, Realord Environmental Protection Group contributed HK$572,410,000 to the Group's revenue and generated a profit of HK$44,917,000 which was included in the Group's results for the year ended 31 December 2017.

Had the combination taken place at the beginning of the year ended 31 December 2017, the revenue of the Group and the profit of the Group would have been HK$832,436,000 and HK$112,484,000, respectively.

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42. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 19 April 2018, the Company acquired 100% equity interests in Realord Ventures Limited and Manureen Ventures Limited ("Target Group"), from Dr. Lin and Madam Su, the executive directors of the Company (who are also the ultimate shareholders of the Company), at a total consideration of RMB5,854,995,000 (equivalent to approximately HK$7,323,176,000) (the "Total Consideration"). The Total Consideration was satisfied (i) by way of cash in an amount of RMB3,600,000,000 (equivalent to approximately HK$4,502,725,000)("Cash Consideration"); (ii) by way of allotment and issue of 280,998,482 consideration shares at the fair value as of completion date of HK$4.71 per share of approximately HK$1,323,502,000 ("Share Consideration"); and (iii) by way of the issue of the promissory notes in two tranches with an aggregate principal amount of RMB1,657,864,000 (equivalent to approximately HK$2,073,585,000), (the fair value is RMB1,196,834,000 (equivalent to approximately HK$1,496,949,000) which is determined based on an effective interest rate of 13.05%). Pursuant to the relevant agreement, the Cash Consideration would be payable in form of the shareholder's loan provided by the Company to the Target Group for the full settlement of the Target Group's outstanding debts owed to other parties in relation to the properties in Shenzhen, which mainly include amounts due to related companies/directors and bank borrowings, as at the date of completion on a dollar for dollar basis. The surplus of the Cash Consideration after full settlement of the Target Group's outstanding debts, the balance of the Cash Consideration would be payable to Dr. Lin and Madam Su directly as part payment of the Total Consideration. The Target Group is engaged in property investment in Shenzhen, the PRC.

The above transaction was accounted for as acquisition of assets rather than as business combinations because the Target Group did not carry out any significant business transactions prior to the date of acquisition.

Further details are set out in the circular of the Company dated 23 March 2018 and an announcement of the Company dated 19 April 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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42. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

The assets acquired at the completion date were as follows:

	HK$'000
Property, plant and equipment	2,780
Investment properties	7,779,709
Deposits and other receivables	178,696
Bank balances and cash	3,091
Other payables and accruals	(57,012)
Amounts due to related companies	(116,087)
Amounts due to directors	(2,637,016)
Bank borrowings	(212,629)
Finance lease obligations	(6,207)
Income tax payable	(2,659)
	4,932,666
Settlement of outstanding debts	2,977,104
Net assets acquired	7,909,770
Satisfied by	
– Cash	4,502,725
– Consideration shares at market price on completion date	1,323,502
– Promissory notes (note 38)	1,496,949
Total consideration	7,323,176
– Deemed contribution from shareholders	586,594
	7,909,770

Net cash outflow of cash and cash equivalents in respect of the acquisition:

	HK$'000
Bank balances and cash acquired	3,091
Cash consideration paid	(4,502,725)
	(4,499,634)

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43. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2018, the Group acquired the equity interests in Realord Ventures Limited and Manureen Ventures Limited which is partially settled by issue of shares of the Company and issue of promissory notes. Details are set out in note 42.

During the year ended 31 December 2017, the Group acquired the equity interest in Realord Environmental Protection and the consideration of which is partially settled by issue of shares of the Company. Details are set out in note 41(b).

44. CONTINGENT LIABILITIES

Since 2016, 冠彰電器（深圳）有限公司 (Guan Zhang Electronic (Shenzhen) Co., Ltd. or "Guan Zhang"), a subsidiary of the Group, has been a defendant in a lawsuit brought by a third party (the "Plaintiff"), alleging that Guan Zhang is liable to settle an outstanding payment of approximately RMB25 million and interest accrued thereon under an alleged financing arrangement between the Plaintiff, Citibest and Guan Zhang in the Shen Zhen Baoan District People's Court. Bank balance amounted to HK$4,171,000 was restricted as to use as a result of a freezing injunction by the court. Such injunction was released in 2017 as the Group won the lawsuit. Subsequently, the Plaintiff has brought up a lawsuit regarding the same claim against Guan Zhang and Citibest in Shenzhen Qianhai District People's Court. On 4 December 2018, the court rejected all the claims from the Plaintiff. Thereafter, the Plaintiff further brought the appeal to Shenzhen Intermediate People's Court, no additional evidences were provided by the Plaintiff to the court up to the reporting date. After consultation with the external legal counsel and in view of all the facts and circumstances, management of the Group considers that the economic outflows caused by the above case are not probable. Accordingly, the Group has not provided for any claim arising from the litigation, other than the related legal and other costs.

45. PLEDGE OF ASSETS

Details of the Group's bank borrowings which are secured by the assets of the Group, are included in note 34.

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46. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain investment properties (note 18) under operating lease arrangements, with leases negotiated for terms ranging from one to three years (2017: one to two years). The terms of the leases generally also require the tenants to pay security deposits.

The Group had total future minimum lease rental receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**17,171**	17,971
In the second to fifth years, inclusive	**3,972**	16,589
	21,143	34,560

(b) As lessee

The Group leases certain of its office properties and office equipment under operating lease arrangements. Leases are negotiated for terms ranging from one to three years (2017: one to three years).

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**24,297**	17,742
In the second to fifth years, inclusive	**44,405**	833
	68,702	18,575

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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47. COMMITMENTS

In addition to the operating lease commitments detailed in note 46 above, the Group had the following capital commitments at the end of the reporting period:

	2018 **HK$'000**	2017 HK$'000
Contracted, but not provided for:		
Acquisition of 60% equity investment	**76,000**	–
Capital injection in a joint venture engaged in securities brokerage business	**400,050**	420,350
Leasehold improvements	**182**	–
	476,232	420,350

48. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

	2018 **HK$'000**	2017 HK$'000
Interest income on finance lease receivables from a related company	**330**	657
Interest expense on promissory notes to directors and controlling shareholders	**128,914**	–
Interest expense on loans from ultimate holding company	**65,232**	24,339
Management fee paid to a related company controlled by a director of the Company in the PRC	**213**	–
Rental expense paid to directors and controlling shareholders	**264**	264
Securities service fee received from directors and controlling shareholders	**7**	6
Securities commission income received from directors and controlling shareholders (note)	**–**	13

Note: During the year ended 31 December 2017, as a result of purchase of 15,000,000 shares of the Company at an average price ranging from HK$4.02 to HK$4.319, the controlling shareholders paid the securities commission income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

48. RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties:

(i) During the year ended 31 December 2018, the Group received loans from ultimate holding company of HK$1,011,378,000 (2017: HK$137,092,000). Further details of the transaction are included in note 35.

(ii) During the years ended 31 December 2017 and 2018, the Group had finance lease receivables due from a company jointly owned by Dr. Lin and Madam Su, both of whom are directors and substantial shareholders of the Company.

(iii) As at 31 December 2018, certain of the Group's bank borrowings and overdraft were secured by the guarantee of the shareholder of a subsidiary of the Group of up to HK$20,574,000 (2017: HK$10,209,000) and the guarantee of the controlling shareholders of the Group of up to HK$2,514,600,000 (2017: HK$10,209,000).

(iv) As at 31 December 2017, the cash clients' accounts payable included an amount of HK$128,000 (2018: Nil) in respect of certain directors' undrawn monies/excess deposits placed with the Group. Further details of the balances are included in note 31.

(c) Compensation of key management personnel of the Group:

	2018 **HK$'000**	2017 HK$'000
Short term employee benefits	**10,331**	10,436
Post-employment benefits	**54**	54
Equity-settled share-based payment expense	**–**	1,749
	10,385	12,239

Further details of directors' emoluments are included in note 12A to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

49. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Promissory notes	Bank borrowings and overdrafts	Loans from ultimate holding company	Amounts due to related parties	Interest payable	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017	–	250,288	241,596	–	–	491,884
Financing cash flows	–	(13,152)	129,599	(31,733)	(30,819)	53,895
Acquisition of subsidiaries (note 41(b))	–	9,520	–	66,395	–	75,915
Finance costs	–	–	–	–	30,819	30,819
Exchange differences	–	8,869	7,493	2,869	–	19,231
At 31 December 2017 and 1 January 2018	–	255,525	378,688	37,531	–	671,744
Financing cash flows	–	5,338,737	446,661	(1,986)	(229,827)	5,553,585
Acquisition of subsidiaries	1,496,949	–	–	(22,252)	–	1,474,697
Finance costs	128,914	–	–	65,231	229,827	423,972
Exchange gain:						
- recognised in OCI	–	(227,099)	–	–	–	(227,099)
- recognised in profit or loss	(133,403)	(6,164)	(3,889)	–	–	(143,456)
At 31 December 2018	1,492,460	5,360,999	821,460	78,524	–	7,753,443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

50. CAPITAL RISK MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. 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 the total of interest-bearing bank borrowings and loans from ultimate holding company divided by total equity. The Group's policy is to maintain the gearing ratio at an appropriate level. The gearing ratios as at the end of the reporting periods are as follows:

	2018	2017
	HK$'000	HK$'000
Interest-bearing bank borrowings	**5,360,999**	255,525
Loans from ultimate holding company	**821,460**	378,688
Promissory notes	**1,492,460**	–
	7,674,919	634,213
Equity attributable to owners of the Company	**2,878,448**	1,070,392
Gearing ratio	**267%**	59%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

51. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Financial assets at amortised cost	**1,635,955**	–
Loans and receivables (including cash and cash equivalents)	**–**	538,550
Available-for-sale investments	**–**	11,789
Financial assets at FVTPL	**96,631**	55,991

	2018 HK$'000	2017 HK$'000
Financial liabilities		
Liabilities at amortised cost	**8,006,918**	790,948

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

51. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, receivables arising from securities broking, cash held on behalf of clients, bank balances and cash, financial assets at fair value through profit or loss, trade payables, other payables, payables arising from securities broking, bank borrowings and overdrafts, amounts due to related parties, loans from ultimate holding company and promissory notes. The risks associated with these financial instruments include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group is subject to foreign exchange rate risk arising from assets and liabilities which are denominated in current other than the functional currencies of the relevant group entity. The Group's foreign currency transactions and balances are principally denominated in US$, RMB and HK$. The Group is exposed to the foreign exchange rate risk mainly arising from changes in the exchange rate of HK$ against RMB. The Group currently does not have a currency hedging policy. However, the management monitors foreign currency exposure and will consider hedging significant currency exposure should the need arises.

The Group's foreign currency denominated monetary assets and monetary liabilities include trade receivables, other receivables, bank balances and cash, trade payables, other payables, bank borrowings, loans from ultimate holding company and promissory notes at the end of respective reporting period and the carrying amounts are as follows:

	2018	2017
	HK$'000	HK$'000
Assets		
RMB against HK$	**125,078**	770
US$ against HK$	**132,549**	122,681
HK$ against RMB	**33,213**	1,280
Others	**374**	956
Liabilities		
RMB against HK$	**100,722**	107,675
US$ against HK$	**105,964**	121,806
HK$ against RMB	**1,819,249**	–
Others	**2,142**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

51. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Sensitivity analysis

The Group's foreign currency risk is concentrated on the fluctuation of HK$ and RMB against foreign currency. The exposure of US$ against HK$ is considered insignificant as HK$ is pegged to US$, therefore is excluded from the sensitivity analysis below.

The following table details the Group's sensitivity to a 5% increase and decrease in HK$ against RMB. The sensitivity rates used represent management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in post-tax profit for the year where HK$ strengthens 5% against RMB. For a 5% weakening of HK$ against RMB, there would be an equal and opposite impact on the post-tax profit and the balance below would be negative.

	2018	2017
	HK$'000	HK$'000
RMB		
Profit for the year	**74,567**	4,463

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and loans from ultimate holding company.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 30 for details) and variable-rate bank borrowings and overdrafts (see note 34 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances, HIBOR arising from the Group's HK$ denominated bank borrowings and overdrafts, and LPR arising from the Group's RMB bank borrowings. Management monitors interests rate exposure and will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2018, if interest rates had been 50 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year ended 31 December 2018 would have been HK$1,204,000 lower/higher (2017: HK$970,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

51. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Other price risk

The Group is exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through profit or loss/held for trading investments (note 28) as at 31 December 2018 and 2017. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before impact on tax, based on their carrying amounts as at the end of the reporting period.

	Increase/ decrease in profit after tax HK$'000
2018	
Investments listed in Hong Kong:	
Financial assets at FVTPL	**7,473**
2017	
Investments listed in Hong Kong:	
Held for trading investments	4,675

Credit risk and impairment assessment

As at 31 December 2018, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with receivables arising from securities broking are mitigated because they are secured by listed securities in Hong Kong.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on trade balances individually. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Accordingly, the Group's concentration of credit risk is considered minimal. As part of the Group's credit risk management, trade debtors are assessed individually by reference to any historical default or delay in payments, subsequent settlements and current past due exposure of the debtor. The Group then applies an internal credit rating for each debtor and the average loss rates for the year ended 31 December 2018 ranged from 0.5% to 7.0%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

51. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Receivables arising from securities broking

In order to manage the credit risk in the receivables from clients arising from securities broking, individual credit evaluation are performed on all clients including cash clients and margin clients. Cash clients' accounts receivable are generally settled in two days after trade date. Hence, credit risk arising from the cash clients' accounts receivable is considered minimal. For margin clients, the Group normally obtains liquid securities as collateral based on the margin requirements. The Group has not granted any committed facility amount to each of the margin clients and the margin loan is granted by the Group depending on the assessment of the quality of the collateral and credit risk of the respective client. The margin requirement is closely monitored on a daily basis by the designated team. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk is significantly reduced. Market conditions and adequacy of securities collateral and margin deposits of each margin account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

As part of the Group's credit risk management, management estimates impairment loss on loans to margin clients individually on each debtor by reference to any historical default or delay in payments, subsequent settlements and current past due exposure of the debtor. The Group then applies an internal credit rating for each debtor and the average loss rate for not credit impaired margin clients for the year ended 31 December 2018 is approximately 2.7%.

Bank balances and cash held on behalf of clients

The Group mainly transacts with banks with high credit ratings. The credit risk for bank balances and cash held on behalf of clients as at 1 January 2018 and 31 December 2018 is considered as not material as such amounts are placed in reputable banks with high credit ratings assigned by international credit-rating agencies. The Group assessed 12m ECL on these balances by reference to probability of default and recovery rate by credit rating grades published by international credit-rating agencies and concluded that the ECL are insignificant upon application of HKFRS 9 on 1 January 2018 and 31 December 2018 and thus no impairment loss was recognised.

Other receivables

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due HK$'000	Not past due/ No fixed repayment terms HK$'000	Total HK$'000
Other receivables	39,549	107,785	147,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

51. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other receivables (Continued)

The management of the Company has taken into account the past due information as above and comparable external credit rating assigned by international credit-rating agencies on debtor of similar type to review the recoverable amount of other receivable at the end of the reporting period to ensure that adequate impairment losses was recognised for irrecoverable debts, if applicable.

The Group assessed the ECL on other receivables due from a local government authority in the PRC by reference to the probability of default and recovery rates by credit rating grades published by international credit-rating agencies and concluded that the ECL are insignificant at initial recognition and 31 December 2018 and thus no impairment loss was recognised.

Purchased or originated credit-impaired loan receivable

The Group has undertaken an internal approval process before executing the decision of acquisition of investments including purchased or originated credit-impaired financial assets. The amortised cost of the asset is determined by the credit adjusted effective interest rate from initial recognition. The loss rate of which at initial recognition is approximately 3.4%.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/ other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

51. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2018	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	
					HK$'000	HK$'000
Financial assets at amortised cost						
Cash held on behalf of clients	29	Aaa	N/A	12-month ECL (not credit impaired)	8, 454	8,454
Bank balances	30	Ba1 – Aaa	N/A	12-month ECL (not credit impaired)	896,544	896,544
Trade receivables	26	N/A	Low risk	Lifetime ECL (not credit impaired)	361,974	
			Watch list	Lifetime ECL (not credit impaired)	103,428	
			Write-off	Amount is written off (credit impaired)	2,490	467,892
Receivables arising from securities broking	26	N/A	Low risk	Lifetime ECL (not credit impaired)	101,598	
			Loss	Credit-impaired	883	
			Write-off	Amount is written off (credit impaired)	26,354	128,835
Other receivables	27	N/A	Low risk	12-month ECL (not credit impaired)	107,785	147,334
		N/A	Doubtful	Lifetime ECL (not credit impaired)	39,549	147,334
Purchased or originated credit-impaired loan receivable	27	N/A	Loss	Credit-impaired	29,776	29,776

The average loss rates are estimated based on comparable probability of default and recovery rate quoted from international credit-rating agencies; and exposure at default after consideration of underlying collaterals, if any, and adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The internal credit rating categories are regularly reviewed by management to ensure relevant information about specific debtors is updated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

51. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit–impaired) HK$'000	Lifetime ECL (credit–impaired) HK$'000	Total HK$'000
At 31 December 2017 under HKAS 39	–	–	–
Adjustment upon application of HKFRS 9	7,525	–	7,525
At 1 January 2018 (restated)	7,525	–	7,525
Changes due to financial instruments recognised as at 1 January:			
– Transfer to credit-impaired	(466)	466	–
– Impairment losses reversed	(380)	–	(380)
– Exchange adjustments	(48)	–	(48)
– Write-offs	–	(2,490)	(2,490)
New financial assets originated or purchased	3,756	2,024	5,780
At 31 December 2018	10,387	–	10,387

During the year ended 31 December 2018, an additional impairment losses on trade receivables of HK$5,352,000 was recognised in the consolidated statement of profit or loss and other comprehensive income. As at 31 December 2018, trade receivables with a gross carrying amount of HK$2,490,000 has been identified as credit-impaired financial assets and were written off as the counterparties have been placed under liquidation or has entered into bankruptcy proceedings. The Group has taken legal action against the debtors to recover the amounts due.

During the year ended 31 December 2018, the Group reversed HK$380,000 impairment losses for trade receivables due to the settlement from trade debtors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

51. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for receivables arising from securities broking.

	12m ECL (not credit–impaired) HK$'000	Lifetime ECL (credit–impaired) HK$'000	Total HK$'000
At 31 December 2017 under			
HKAS 39	–	–	–
Adjustment upon application of HKFRS 9	8,187	–	8,187
At 1 January 2018 (restated)	8,187	–	8,187
Changes due to financial instruments recognised as at 1 January:			
– Transfer to credit-impaired	(6,354)	6,354	–
– Impairment losses recognised	–	20,183	20,183
– Write-offs	–	(26,354)	(26,354)
New financial assets originated or purchased	633	–	633
At 31 December 2018	2,466	183	2,649

During the year ended 31 December 2018, an additional impairment losses on receivables arising from securities broking of HK$20,816,000 was recognised in the consolidated statement of profit or loss and other comprehensive income. As at 31 December 2018, receivables arising from securities broking with a gross carrying amount of HK$26,354,000 has been identified as credit-impaired financial assets and were written off in the current year as the counterparties have been placed under liquidation or has entered into bankruptcy proceedings.

The following table shows the movement in lifetime ECL that has been recognised for purchased or originated credit-impaired loan receivable.

	Lifetime ECL (credit-impaired) HK$'000
As at 31 December 2017 under HKAS 39	–
Adjustment upon application of HKFRS 9	–
As at 1 January 2018 (restated)	–
New financial assets originated or purchased	1,000
As at 31 December 2018	1,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

51. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and overdrafts and ensures compliance with loan covenants. Details of the Group's bank borrowings and overdrafts are set out in note 34.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash outflows. To the extent that interest flows are floating rate, the undiscounted amount is derived from weighted average interest rate by reference to the HIBOR and LPR of the Group's variable-rate financial liabilities at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

51. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average interest rate	On demand or less than 1 year	1 – 5 years	Total	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2018					
Trade payables	**–**	**223,016**	**–**	**223,016**	**223,016**
Other payables	**–**	**10,814**	**–**	**10,814**	**10,814**
Payables arising from securities broking	**–**	**19,645**	**–**	**19,645**	**19,645**
Bank borrowings and overdrafts	**5.72**	**496,953**	**5,170,695**	**5,667,648**	**5,360,999**
Amounts due to related parties	**–**	**78,524**	**–**	**78,524**	**78,524**
Loans from ultimate holding company	**8.2**	**–**	**888,820**	**888,820**	**821,460**
Promissory notes	**13.05**	**–**	**1,687,226**	**1,687,226**	**1,492,460**
		828,952	**7,746,741**	**8,575,693**	**8,006,918**
31 December 2017					
Trade payables	–	67,543	–	67,543	67,543
Other payables	–	13,917	–	13,917	13,917
Payables arising from securities broking	–	37,744	–	37,744	37,744
Bank borrowings and overdrafts	5.89	271,736	–	271,736	255,525
Amounts due to related parties	–	37,531	–	37,531	37,531
Loans from ultimate holding company	8.2	–	425,267	425,267	378,688
		428,471	425,267	853,738	790,948

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

51. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	31 December 2018	31 December 2017		
1) Equity investments, listed in Hong Kong	**HK$89,492,000**	HK$55,991,000	Level 1	Quoted bid prices in an active market
2) Club and school debentures	**HK$7,139,000**	N/A	Level 2	Estimated transaction prices
3) Available-for-sale investments	**N/A**	HK$11,789,000	Level 2	Estimated transaction prices

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

During year ended 31 December 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2017: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

52. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments that are either:

- offset in the Group's consolidated statement of financial position; or
- not offset in the consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC on the same settlement date and are settled simultaneously. In addition the Group has a legally enforceable right to set off all clients' accounts receivable and payable at any time without prior notice to clients and the Group intends to settle these balances on a net basis.

Except for above, amounts due from/to HKSCC that are not to be settled on the same date, accounts receivable and payable from clients not intends to settle on a net basis, financial collateral including cash and securities received by the Group, deposit placed with HKSCC do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

52. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

At 31 December 2018

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instrument	Collateral received*	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets						
Receivables arising from securities broking	100,341	(509)	99,832	(10,681)	(89,151)	–

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral received*	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Liabilities						
Payables arising from securities broking	20,154	(509)	19,645	(10,681)	–	8,964

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

52. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (Continued)

At 31 December 2017

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position	Net amounts of financial assets presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral received*	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets						
Receivables arising from securities broking	130,212	(145)	130,067	(17,069)	(78,012)	34,986

	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the consolidated statement of financial position	Net amounts of financial liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral received*	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Liabilities						
Payables arising from securities broking	37,889	(145)	37,744	(17,069)	–	20,675

* The item "collateral received" represents the securities pledged in the clients' account which are not recognised in the consolidated statements of financial position. The amounts are capped at the lower of the market value of securities and the net receivable amounts on a client by client basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

53. 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 **HK$'000**	2017 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**974**	2,063
Investments in subsidiaries	**5,000,792**	1,026,737
Prepayments, deposits and other receivables	**75,270**	3,970
Total non-current assets	**5,077,036**	1,032,770
CURRENT ASSETS		
Due from subsidiaries	**4,499,110**	104,727
Prepayments, deposits and other receivables	**430**	449
Cash and cash equivalents	**1,208**	3,059
Total current assets	**4,500,748**	108,235
CURRENT LIABILITIES		
Due to subsidiaries	**4,642,946**	73,502
Due to related parties	**73,642**	–
Other payables and accruals	**3,435**	8,585
Total current liabilities	**4,720,023**	82,087
NET CURRENT (LIABILITIES) ASSETS	**(219,275)**	26,148
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,857,761**	1,058,918
EQUITY		
Share capital	**143,571**	115,075
Reserves (note)	**2,451,268**	565,155
Total equity	**2,594,839**	680,230
NON-CURRENT LIABILITIES		
Loans from ultimate holding company	**821,460**	378,688
Promissory notes	**1,441,462**	–
	2,262,922	378,688
Net assets	**2,594,839**	680,230

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium HK$'000	Shares to be issued HK$'000	Share options reserve HK$'000	Capital reserve HK$'000	Retained profits (accumulated loss) HK$'000	Total HK$'000
At 1 January 2017	590,590	–	15,796	–	7,240	613,626
Loss and total comprehensive expense for the year	–	–	–	–	(76,482)	(76,482)
Recognition of equity-settled share-based payment expense	–	–	3,813	–	–	3,813
Acquisition of subsidiaries (note 41(b))	–	24,273	–	–	–	24,273
Issue of shares	3,757	(3,832)	–	–	–	(75)
Transfer of share option reserve upon the forfeiture of share options	–	–	(290)	–	290	–
At 31 December 2017	594,347	20,441	19,319	–	(68,952)	565,155
Loss and total comprehensive expense for the year	–	–	–	586,594	(4,570)	582,024
Acquisition of assets through acquisition of subsidiaries	1,295,402	–	–	–	–	1,295,402
Issue of shares	8,768	(8,943)	–	–	–	(175)
Exercise of shares options	8,862	–	(4,265)	–	4,265	8,862
At 31 December 2018	1,907,379	11,498	15,054	586,594	(69,257)	2,451,268

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

54. PARTICULARS OF SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment registration and business	Issued ordinary share/ registered capital	Equity interest attributable to the Group (%)		Place of operation	Principal activities
			2018	2017		
Easy Yield Ventures Limited	BVI	US$1,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Elite Trend Developments Limited	BVI	US$1,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Realord Asset Management Limited	Hong Kong	HK$10,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Realord (BVI) Enterprises Limited	BVI	HK$10,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Realord Investment Enterprises Limited	BVI	US$1 ordinary share	**100**	100	Hong Kong	Investment holding
Realord Manureen Financial Group Limited	BVI	US$1,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Realord Real Estate Investment Limited	BVI	US$1,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Way Strong Holdings Limited	BVI	US$1,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Citibest Global Limited	BVI	US$50,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Best Throne Holdings Limited	BVI	US$1,000 ordinary shares	**100**	100	Hong Kong	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

54. PARTICULARS OF SUBSIDIARIES (Continued)

(a) Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name of subsidiary	Place of incorporation/ establishment registration and business	Issued ordinary share/ registered capital	Equity interest attributable to the Group (%) 2018	2017	Place of operation	Principal activities
Virtue Summit Ventures Limited	BVI	US$1,000 ordinary shares	100	100	Hong Kong	Investment holding
Realord Ventures Limited	BVI	US$1,000 ordinary shares	100	–	Hong Kong	Investment holding
Manureen Ventures Limited	BVI	US$1,000 ordinary shares	100	–	Hong Kong	Investment holding
Realord Investment Limited	BVI	US$1,000 ordinary shares	100	–	Hong Kong	Investment holding
Trillion Luck Holdings Limited	BVI	US$1,000 ordinary shares	100	–	Hong Kong	Investment holding
Capital Conference Services Limited	Hong Kong	HK$10,000 ordinary shares	100	100	Hong Kong	Provision of conference services
Capital Financial Press Limited	Hong Kong	HK$800,000 ordinary shares	100	100	Hong Kong	Commercial printing
Concept Star Corporation Limited	Hong Kong	HK$2 ordinary shares	100	100	Hong Kong	Property investment
Easy Bloom Investment Limited	Hong Kong	HK$1 ordinary share	100	100	Hong Kong	Property investment and investment holding
Lake King Holdings Limited	Hong Kong	HK$1 ordinary share	100	100	Hong Kong	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

54. PARTICULARS OF SUBSIDIARIES (Continued)

(a) Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name of subsidiary	Place of incorporation/ establishment registration and business	Issued ordinary share/ registered capital	Equity interest attributable to the Group (%) 2018	2017	Place of operation	Principal activities
Manureen Group Holdings Limited	Hong Kong	HK$10,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Manureen International Commerce Company Limited	Hong Kong	HK$500,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Realord E-Commerce Limited	Hong Kong	HK$10,000 ordinary shares	**100**	100	Hong Kong	Trading of electronic products
Qualiti Printing and Sourcing Limited	Hong Kong	HK$3,750,000 ordinary shares	**100**	100	Hong Kong	Trading of hangtags, labels and shirt paper boards
Realord Manureen Securities Limited	Hong Kong	HK$140,000,000 ordinary shares	**100**	100	Hong Kong	Provision of securities broking services and margin financing
Realord Vehicle Parts Limited	Hong Kong	HK$10,000 ordinary shares	**100**	100	Hong Kong	Distribution and sale of motor vehicle parts
Excellent Well (H.K.) Limited	Hong Kong	HK$1 ordinary share	**100**	100	Hong Kong	Property investment
Realord Environmental Protection Industrial Company Limited ("Realord Environmental Protection")	Hong Kong	HK$15,000,000 ordinary shares	**60**	60	Hong Kong	Investment holding and trading of scrap materials

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

54. PARTICULARS OF SUBSIDIARIES (Continued)

(a) Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name of subsidiary	Place of incorporation/ establishment registration and business	Issued ordinary share/ registered capital	Equity interest attributable to the Group (%) 2018	2017	Place of operation	Principal activities
Strabens Hall (Hong Kong) Limited	Hong Kong	HK$1,500,000 ordinary shares	100	–	Hong Kong	Provision of securities advisory and asset management services
偉祿商業 (深圳) 有限公司#	The PRC	Paid-up capital of HK$36,000,000	100	100	The PRC	Trading of electronic products and computer components/ property investment
偉祿網絡科技(深圳) 有限公司#	The PRC	Paid-up capital of US$149,982	100	100	The PRC	Development and sale of e-commerce technology/ trading of products
深圳市偉祿商業控股 有限公司#	The PRC	Paid-up capital of RMB32,000,000	100	100	The PRC	Property investment
前海美林融資租賃 (深圳)有限公司#	The PRC	Paid-up capital of US$6,506,880	100	100	The PRC	Provision of financial leasing services
前海偉祿跨境電子 商務(深圳)有限公司#	The PRC	Paid-up capital of HK$115,000,000	100	100	The PRC	Development and sale of e-commerce platform/trading of products
冠彰電器(深圳) 有限公司#	The PRC	Paid-up capital of HK$30,000,000	100	100	The PRC	Property investment
廣西梧州市通寶再生物資 有限公司("梧州通寶")*	The PRC	Paid-up capital of HK$3,570,000	60	60	The PRC	Dismantling and trading of scrap materials

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

54. PARTICULARS OF SUBSIDIARIES (Continued)

(a) Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name of subsidiary	Place of incorporation/ establishment registration and business	Issued ordinary share/ registered capital	Equity interest attributable to the Group (%)		Place of operation	Principal activities
			2018	2017		
資浚商業服務（深圳）有限公司#	The PRC	Paid-up capital of RMB100,000	100	100	The PRC	Commercial printing
廣東偉祿汽車零件有限公司#	The PRC	Paid-up capital of RMB40,000,000	100	100	The PRC	Distribution and sale of motor vehicle parts
深圳市偉祿科技控股有限公司	The PRC	Paid-up capital of RMB50,000,000	100	–	The PRC	Property investment
深圳市夏浦光電技術有限公司	The PRC	Paid-up capital of RMB50,000,000	100	–	The PRC	Property investment

\# The subsidiaries are registered as wholly-foreign owned enterprises under PRC law.

* The subsidiary is registered as equity joint venture established in the PRC.

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.

None of the subsidiaries had issued any debt securities at the end of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

54. PARTICULARS OF SUBSIDIARIES (Continued)

(b) Details of non-wholly owned subsidiaries that have material non-controlling interest

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Realord Environmental Protection

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Current assets	**657,926**	289,447
Non-current assets	**27,607**	25,296
Current liabilities	**548,561**	229,853
Non-current liabilities	**2,027**	874
Net equity	**134,945**	84,016

	For the year ended 31 December 2018 HK$'000	From 28 February 2017 (date of acquisition) to 31 December 2017 HK$'000
Revenue	**483,194**	572,410
Expenses	**(432,121)**	(527,493)
Profit for the year/period	**51,073**	44,917
Other comprehensive income for the year/period	**1,088**	973

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

54. PARTICULARS OF SUBSIDIARIES (Continued)

(b) Details of non-wholly owned subsidiaries that have material non-controlling interest (Continued)

	For the year ended 31 December 2018 HK$'000	From 28 February 2017 (date of acquisition) to 31 December 2017 HK$'000
Net cash from/(used in) operating activities	**9,041**	(35,023)
Net cash used in investing activities	**(208,853)**	(347)
Net cash from financing activities	**177,313**	30,626
Net cash outflow	**(22,499)**	(4,744)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

55. EVENTS AFTER REPORTING PERIOD

Subsequent to 31 December 2018, the Group has the following significant events:

i. On 30 January 2019, an indirect wholly-owned PRC subsidiary of the Company has obtained unsecured banking facilities of RMB3,000,000,000 at 5.7% per annum and would be fully repayable on 30 January 2024. Such unsecured banking facilities were supported by the corporate guarantees of the Company and certain PRC subsidiaries of the Group as well as the personal guarantees of Dr. Lin and Madam Su, the ultimate shareholders of the Company. The unsecured banking facilities would mainly be used for repayment of the outstanding promissory notes and the loans from ultimate holding company. Up to the date of report, the Company has drawn down RMB2,400,000,000 and repaid for the full amount of promissory notes and certain loans from ultimate holding company.

ii. On 15 February 2019, an indirect wholly-owned subsidiary of the Company and an independent third party entered into a sale and purchase agreement, pursuant to which the Company has conditionally agreed to purchase (i) the entire issued share capital of Bright Success Inc. (the "Target") and its subsidiary (the "Target Group"), and (ii) the shareholder's loan, at a maximum consideration of HK$513,350,000 (subject to adjustment). As of 31 December 2018, the Group has paid a cash deposit of HK$51,300,000. The Target Group mainly holds a property in Hong Kong.

PARTICULARS OF MAJOR INVESTMENT PROPERTIES

Particulars of the major investment properties held by the Group at the end of the reporting period are as follows:

Location	Use/Status	Type	Tenure	Attributable interest of the Group
Hong Kong				
House No. 25, Villa Bel-Air, Bel-Air on the Peak, Island South, No. 25 Bel-Air Peak Rise, Hong Kong	Vacant	Residential	Medium term lease	100%
Mainland China				
Units 3306 to 3310, 33rd Floor, Excellence Time Square, Junction of Yi Tian Road and Fu Hua Road, Central District, Fu Tian District, Shenzhen, Guangdong Province, the PRC	Rental	Commercial	Medium term lease	100%
The industrial complex at No. 5 Fuye Road, Shengkeng Community, Zhangkengjing, Guanlan, Longhua New District, Shenzhen, Guangdong Province, the PRC	Rental	Industrial	Medium term lease	100%
The industrial complex situated in Qiankeng Industrial Zone, Fumin Community, Guanlan Town, Baoan District, Shenzhen, the PRC	Rental	Industrial	Medium term lease	100%

PARTICULARS OF MAJOR INVESTMENT PROPERTIES

Location	Use/Status	Type	Tenure	Attributable interest of the Group
A block of commercial/ apartment building, all retail shops and car parking spaces of Realord Villas, Guanlan Jie Dao, Baoan District, Shenzhen, the PRC	Vacant	Mix of residential and commercial	Long term lease	100%
Realord Science Park located on the northwestern side of Dongming Avenue, Guangming High-Tech Zone East District, Baoan District (Guangming New District), Shenzhen, the PRC	Vacant	Commercial	Medium term lease	100%