



SiS International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00529)

ANNUAL REPORT 2018





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Corporate Information

DIRECTORS

Executive Directors:

Lim Kia Hong
(Chairman and Chief Executive Officer)
Lim Kiah Meng *(Vice-chairman)*
Lim Hwee Hai
Lim Hwee Noi

Independent Non-executive Directors:

Lee Hiok Chuan
Ong Wui Leng
Ma Shiu Sun, Michael

COMPANY SECRETARY

Chiu Lai Chun, Rhoda

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL PLACE OF BUSINESS

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Nine Queen's Road Central
Hong Kong
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Fax: (852) 2138 3928

STOCK CODE

00529

INVESTOR RELATIONS

www.sisinternational.com.hk
enquiry@sis.com.hk

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Cleary Gottlieb Steen & Hamilton (Hong Kong)
Norton Rose Fulbright

PRINCIPAL BANKERS

DBS Bank Ltd.
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
MUFG Bank, Ltd.
OCBC Bank
Standard Chartered Bank (Hong Kong) Ltd.
Sumitomo Mitsui Banking Corporation
The Tokyo Star Bank, Limited
United Overseas Bank Limited

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

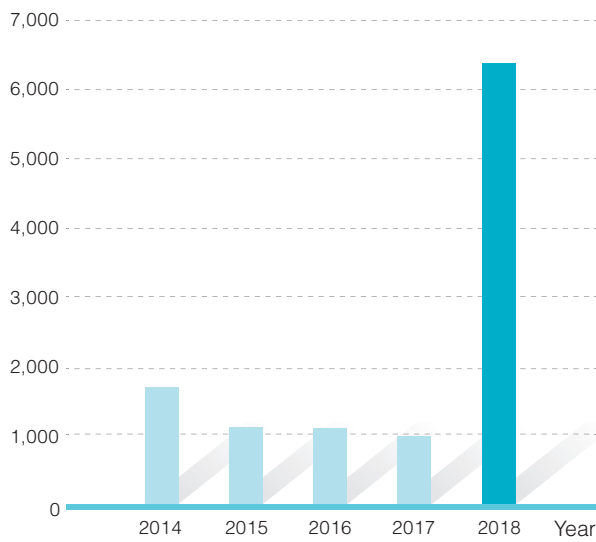
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

Financial Highlights

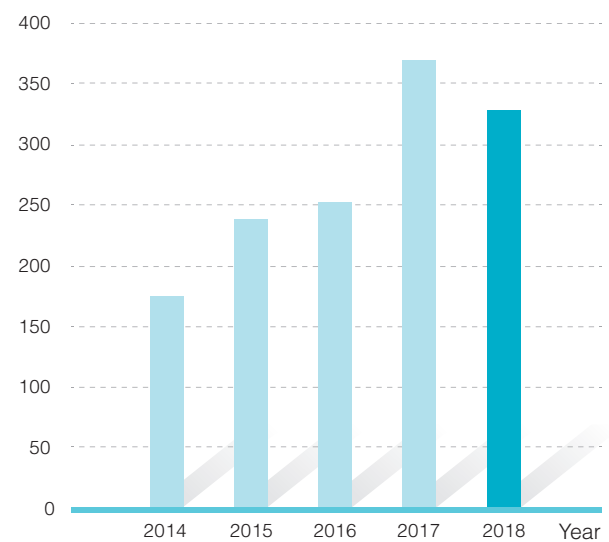
Revenue

HKD'M



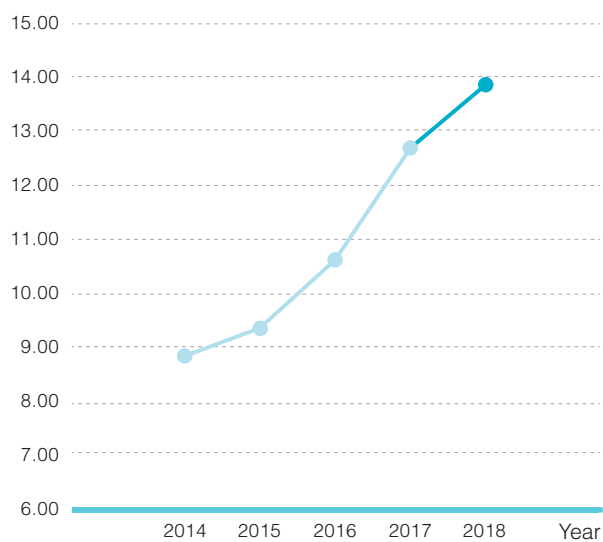
Net Profit

HKD'M



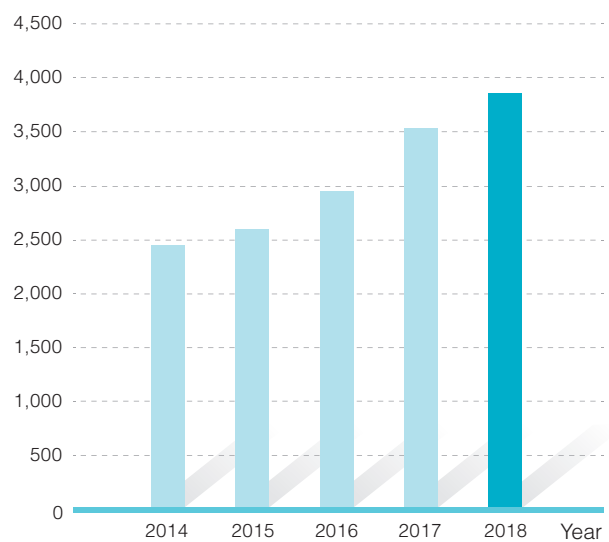
Net Asset Value Per Share

HKD



Shareholders' Equity

HKD'M



History & Milestones



1983

- Founded in Singapore
- Became distributor for Dyson floppy disk in 1983 and 3Com network in 1984 and started building a reseller base

1987

- One of the first to distribute original software from Symantec, WordPerfect, Aldus Pagemaker, Harvard Graphics, Central Point Software



Thailand

2004

- SiS Thailand successfully listed on Thailand Stock Exchange (SIS.TH) in less than 5 years after it was invested by SiS Group in 2000



1984

- Introduced AST peripherals and Tallgrass' tape drives to new IBM and Apple resellers



1992

- SiS listed successfully on the main board of the Hong Kong Stock Exchange (529.HK) in less than 10 years after it was founded in 1983

1997

- Sold a 80% stake in SiS Distribution Ltd. to CHS Electronics



2002

- One of the first to introduce smartphones in Asia

1983

1984

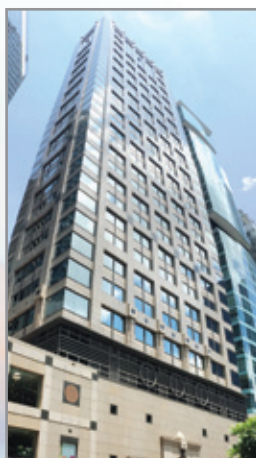
1987

1992

1997

2002

2004





2011

- Acquired a stake in Information Technology Consultants Limited ("ITCL"), a provider of payment gateway services and one of the leading providers of ATMs in Bangladesh
- Acquired Synergy Technologies (Asia) Ltd to form SiS mobile business
- Sold IT distribution business in Hong Kong, Singapore, Malaysia to conglomerate Jardine Matheson Group

2011

2012-2015

- Acquired properties in Japan
 - In 2012 Rinku Gate Tower in Osaka (the second tallest building in Japan)*
 - In 2013 five Toyoko Inn hotel properties
 - In 2014 two hotel properties in Otaru and Hakodate respectively
 - In 2015 two hotel properties in Tokyo and Kyoto respectively

2012



2015

- SiS Mobile Holdings Limited successfully listed on the main board of Hong Kong Stock Exchange (1362.HK)
- Set up SiS Hospitality Holdings Limited to hold all properties in Japan

2015

2016



2016

- ITCL successfully listed on The Dhaka Stock Exchange and the Chittagong Stock Exchange in Bangladesh

- Acquired properties in Japan
 - In 2016 seven hospitality properties in Tokyo, Osaka, Kyoto, Sapporo and Otaru respectively

2017

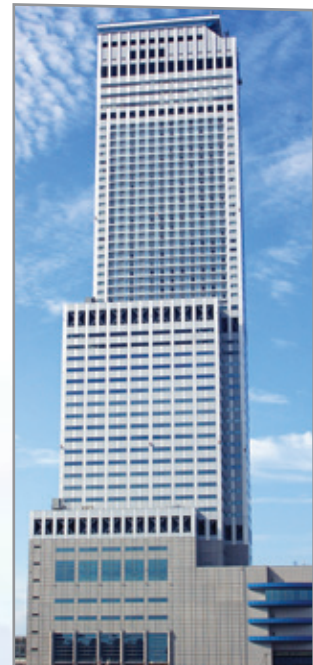
- Acquired additional interest in SiS Thailand thus it became a subsidiary of SiS Group

2017

2018

- Acquired a hotel property in Sapporo

2018



* based on encyclopedia Wikipedia on 23 November 2012.

Message from the Chairman and CEO

Dear Shareholders,

I'm delighted to share the Annual Report of the Group with our shareholders for the year ended 31 December 2018. Revenue for the year ended 31 December 2018 increased 531% to HK\$6,379 million. Net profit for the year decreased 11.0% to HK\$329.5 million.

Total assets of the Group increased 11.5% to HK\$8,369 million, with properties appreciation of HK\$220.8 million for the year. Net assets value per share increased from HK\$12.7 to HK\$13.9.

Our transformation to build multiple income streams has now taken root with the inclusion of SiS Distribution (Thailand) Public Company Limited as a non-wholly owned subsidiary. We have now build three (3) core businesses namely Real Estate Investment, Distribution and IT investment with strong revenue and profit. These three (3) strong pillars will be our base and driving force for growth and future success.

BUSINESS REVIEW

Real Estate Investments Business

The total revenue from Group's real estate investment portfolio for the year increased 7.4% from HK\$244.4 million to HK\$262.6 million and generated a segment profit (excluding gains from change in fair value) of HK\$130.4 million as compared to HK\$128.0 million last year.

We have had over the past 7 years build up a sizeable real estate portfolio that continues to generate income that contributed significantly to the Group. At the end of 2018, the total number of hotels and hospitality properties in Japan stood at eighteen (18) with a total carrying value of HK\$2,963.8 million. Revenue for Japan real estate increased 7.0% when compared to the same period last year.



Message from the Chairman and CEO

The Group's investment properties in Hong Kong, Singapore and Thailand, amounted to total market value of HK\$1,815.8 million at the year end.

We believe this sizeable portfolio of income generating properties with long term potential for capital appreciation will continue to contribute positively to the results of the Group.

Distribution Business

It has been a good year for our distribution business in Thailand, through our non-wholly owned listed subsidiary SiS Distribution (Thailand) Public Company Limited ("SiS Thai"). SiS Thai contributed HK\$5,261.6 million revenue to the Group and reported a segment profit of HK\$140.7 million. Demand for Enterprise, Smartphone and consumer products have grown considerably in Thailand during 2018.

Revenue from Distribution Business in Hong Kong increased 11.6% to HK\$854.9 million with the increase in demand for storage, networking and security products. Segment loss has reduced as compared to the same period last year.

Technology is constantly changing and we recognize that all businesses are rapidly changing and transforming. Over the past 3 decades, the Group have been very successful in identifying innovative products and have been in the forefront in bringing them to the Asia market; from PC, to software, to Network, to Personal transporter like Segway, to Smart Phones... We are in interesting and exciting era with many more new innovations coming into the horizon — the introduction of 5G technology, Smart IOT, Artificial Intelligence, autonomous driving... promising to change the way we work, live and move. The Group experience with introducing new innovations products and with an established distribution and reseller network is poised to capture new growth opportunities.

Investment in IT, Securities and other Businesses

In Bangladesh, our associate company, Information Technology Consultants Limited ("ITCL") continues to grow and contributed HK\$5.1 million to the Group during the year, with a 161% growth as compared to same period last year. Transaction processing and services revenue increased substantially offsetting the lower sales of hardware to banks in Bangladesh. Bangladesh economy remained strong and ITCL has taken initiatives to introduce new technologies for electronic payment services to the market.

During the year of 2018, the Group made a further investment in our securities portfolio. Carrying value of the portfolio amounted to HK\$316.5 million and majority are listed securities. The fair value gain from securities investment (stated as financial assets at fair value through profit and loss) amounted to HK\$7.0 million as compared with fair value loss last year. In addition, we recorded HK\$4.0 million dividend income from the portfolio.

The Group will continue to evaluate and make selective investment in promising securities and companies with potentials.

Message from the Chairman and CEO

PROSPECT

SiS is positioned for continuous growth and success.

We believe that the world is changing faster today than at any other point in our Company's history. This in turn open up new opportunity for the Group — the increase in budget travelers and airlines offer opportunities for our real estate and hospitality business in Japan. On the other hand, the rapid adoption of e-payment present opportunities for our business' growth in Bangladesh, Technology innovations will bring new sets of vendors to our distribution business.

Against a backdrop of global uncertainties and challenging outlook in the coming year with US-China trade tensions, Brexit, the directors are cautiously moving ahead with confidence.

While things are changing rapidly, some good things remained unchanged. We remain focused on maximizing shareholders value with determination to succeed, commitment to efficient execution and business excellence. The Group will continue to improve and enhance operational capabilities to increase overall returns to our shareholders

APPRECIATION

We continue to build on our success with our entrepreneurial spirit throughout the organization. With a leadership team that has driven exceptional execution and a great team of talented People, Our People and Our Team make the difference as we constantly challenge ourselves to scale to greater heights and strive for the best. I would like to thank our People — our committed staff for their hard work and contributions, together with our Team that consists of our customers, business partners, shareholders and directors for their support in SiS.

LIM Kia Hong
Chairman & CEO

Hong Kong, 28 March 2019

Management Discussion and Analysis

Liquidity and Financial Resources

As at 31 December 2018, the Group had total assets of HK\$8,369,132,000 which were financed by total equity of HK\$3,855,164,000 and total liabilities of HK\$4,513,968,000. The Group had a current ratio of approximately 0.87 compared to that of approximately 1.06 at 31 December 2017.

As at year end 2018 the Group had HK\$1,032,086,000 (2017: HK\$1,118,489,000) bank deposits balances and cash of which HK\$445,331,000 (2017: HK\$466,337,000) was pledged to banks to secure bank borrowings. The Group's working capital requirements were mainly financed by internal resources, bank borrowings and bonds. As at 31 December 2018, the Group had short term borrowings of HK\$2,257,272,000 (2017: HK\$1,667,093,000) and long term borrowings and bonds of HK\$1,110,220,000 (2017: HK\$1,233,615,000). The borrowings were mainly denominated in Japanese Yen, Thai Baht and Hong Kong Dollar, and were charged by banks at floating interest rates.

At the end of December 2018, the Group had a net cash deficit (total bank borrowings and bonds, less bank balances and cash and pledged deposits) of HK\$2,335,406,000 (2017: HK\$1,782,219,000).

Gearing ratio, as defined by total bank borrowings and bonds to total equity as at 31 December 2018 was 87% (2017: 82%).

Charges on Group Assets

At the balance sheet date, the Group's had pledged deposits of HK\$445,331,000 (2017: HK\$466,337,000), investment properties with carrying value of HK\$4,361,882,000 (2017: HK\$3,912,647,000) and property, plant and equipment with carrying value of HK\$362,652,000 (2017: HK\$180,970,000) were pledged to banks to secure general banking facilities granted to the Group and for purchase of investment properties and working capital. Certain shares of subsidiaries have been pledged to the banks as at 31 December 2018 and 2017 to secure several banking facilities available to the Group.

Number and Remuneration of Employees, Remuneration Policies, Bonus and Share Option Schemes

The number of staff of the Group as at 31 December 2018 was 652 (2017: 702) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments and share option expenses, amounted to HK\$153,042,000 (2017: HK\$44,750,000) for the year ended 31 December 2018. In addition to the contributory provident fund and medical insurance, the Company adopts share option scheme and may grant shares to eligible employees of the Group. The Directors believe that the Company's share option schemes could create more incentives and benefits for the employees and therefore increase employees' productivity and contribution to the Group. During the year ended 31 December 2018, no share options have been exercised. The Group's remuneration policy is to relate performance with compensation. The Group's salary and discretionary bonus system is reviewed annually. There are no significant changes in staff remuneration policies from last year.

Management Discussion and Analysis

Environmental, Social and Corporation Responsibility

As a responsible company, the Group is committed to maintain high environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including employment, workplace conditions, health and safety environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

Relationship with Key Stakeholders

The Group maintains strong relationship with its employees, has enhanced cooperation with its vendors and has provided high quality products and services to its customers and resellers so as to ensure sustainable development. Details of the environmental, social and governance are included in the Environmental, Social and Governance Report which will be included in the 2018 annual report.

Currency Risk Management

Certain purchase of goods of the Group are dominated in United States dollar. Certain bank balances are dominated in United States Dollar, Australian Dollar, Singapore Dollar, Japanese Yen and Renminbi, while certain bank borrowings are dominated in United States Dollar and Japanese Yen. These currencies are other functional currencies of the relevant group entities. The Group currently does not have comprehensive currency hedging policy. However, the management monitors the currency fluctuation exposure and has entered into foreign currency forward contracts. At 31 December 2018 the Group had outstanding forward contracts of notional amount HK\$94,364,000 (2017: 63,164,000) which were measured at fair value at the reporting date.

Contingent Liabilities

No corporate guarantees of the Company extended to banks as security for banking facilities to the Group. (2017: HK\$154,000,000).

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE PRACTICES

On 23 September 2005, the Company has adopted its own corporate governance code (with subsequent amendments) which is substantially similar or in exceeds as the Code on Corporate Governance Practices (the “Code”) as set out in the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). Material deviations from the Code are explained in the report below.

BOARD OF DIRECTORS, CHAIRMAN AND CHIEF EXECUTIVE

The Board is responsible for formulating business strategies, and monitoring the performance of the business of the Group. Other than the daily operational decisions which are delegated to the management of the Group, most of the decisions are taken by the Board. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Board currently comprised of four Executive Directors, namely Messrs. Lim Kia Hong (Chairman and Chief Executive Officer), Lim Kiah Meng, Lim Hwee Hai, and Madam Lim Hwee Noi, and three Independent Non-Executive Directors (the “INED”), namely, Mr. Lee Hiok Chuan, Ms. Ong Wui Leng and Mr. Ma Shiu Sun, Michael. Messrs. Lim Kia Hong and Lim Kiah Meng, and Madam Lim Hwee Noi are brother and sister. Mr. Lim Hwee Hai is spouse of Madam Lim Hwee Noi. Biographical details of each Director and relationship between board members are set out on page 25 of the annual report.

Each of the INED has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all INEDs meet the independent guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. One of the INED has more than twenty years experience in corporate banking, corporate finance and management.

The INEDs Mr. Lee Hiok Chuan and Ms. Ong Wui Leng are not appointed with a specific term as required by Code A.4.1, but are subject to retirement by rotation and re-election at the Company’s annual general meeting in accordance with the Company’s Bye-Laws 99(B). As such, the Directors consider that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less than exacting than those in the Code.

According to the Bye-Laws of the Company, at each annual general meeting one-third (or the number nearest to one-third) of the Directors at the time being shall retire from office provided that notwithstanding anything therein, the Chairman of the Board and Managing Directors of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. This deviates from the provision in Code A.4.2 which requires every Director to be subject to retirement by rotation at least once every three years. The Directors consider the deviation acceptable as the position of chairman shall be elected after the next Annual General Meeting. Also in view of the small number of the total Directors of the Company, the deviation is not material.

The positions of the Chairman and Chief Executive Officer are held by the same individual, Mr. Lim Kia Hong who is responsible for the charting of corporate strategies and direction of the Group. As Chairman of the Board, Mr. Lim provides leadership and plays a pivotal role fostering constructive dialogue between the Board, shareholders and management. As the Vice Chairman of the Board, Mr. Lim Kiah Meng plays a key role in developing operating policies and business development and ensures the effectiveness and efficiency of the business operations of the Group. According to the Bye-Laws of the Company, the position of chairman and vice-chairman shall be elected after next Annual General Meeting to be held on 31 May 2019. The deviation from the Code A.2.1 is considered acceptable.

Corporate Governance Report

DIRECTORS NOMINATION POLICY

The nomination, appointment and removal of Directors are considered by the Nomination Committee. The Nomination Committee shall make recommendation to the Board whenever they consider appropriate.

The Company consolidated its nomination procedures and selection criteria of directors into the nomination policy of the Company (the "Directors Nomination Policy"), which was approved and adopted by the Company, and was effective on 1 January 2019. The summary of the Nomination Policy is as follows:

When considering a candidate nominated for directorship or a director's proposed re-appointment, the Board will take into account the following factors as a reference:

- the candidate's character and honesty
- whether the qualification, skills, experience, industry knowledge of the candidate meet the business needs or are in line with the long term development of the Company;
- effect on the board's composition and diversity in all its 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, and the compliance with the board diversity policy of the Company;
- commitment of the candidate to devote sufficient time to effectively discharge his/her duties. In this regard, the number and nature of offices held by the candidate in public companies or organizations, and other executive appointments or significant commitments will be considered;
- the requirement of appointing independence non-executive directors to the board under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the independence of a candidate pursuant to Rule 3.13 of the Listing Rules;
- any potential/actual conflicts of interest that may arise if the candidate is selected;
- for the appointment or re-appointment of independent non-executive directors, the independence of the candidate and his/her immediate family from the Company; and
- in the case of a proposed re-appointment of an independent non-executive director, the number of years he/she has already served.

the above factors are for reference only, and not meant to be exhaustive and decisive.

Subject to the provisions in the Company's Articles of Association, if the Board recognizes the need to appoint an additional director, the following procedures should be adopted:

- the Board shall call a meeting and invite nominations of candidates from the Nomination Committee of the Company for consideration by the Board prior to its meeting;
- the Board may use any process it deems appropriate to assess the suitability of and the potential contribution to the Board by the candidates based on (but not limited to) the criteria set out above, which may include personal interviews, background checks, presentations or written submissions by the candidates and third party references;

Corporate Governance Report

- the Board shall hold a physical meeting to consider the matter and avoid the making of decisions by written resolutions unless it is impractical that a physical meeting be held;
- the Board shall provide to the Shareholders for its consideration with all the information required, including information set out in Rule 13.51(2) of the Listing Rules in relation to the candidates;

In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from shareholders, a circular accompanying the notice of the relevant general meeting will be sent to shareholders of the Company. The circular will set out the lodgment period for shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in a notice to shareholders of the Company in due course.

BOARD DIVERSITY

The Company recognizes and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All appointments of the members of the Board are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective.

The Company considers that the current composition of the Board is characterised by diversity after taking into account its own business model and specific needs, and professional background and skills of the Directors.

BOARD COMMITTEES

The Board has established three Committees. The table below provides membership information of these Committees on which certain Board members serve:

Directors	Audit Committee	Nomination Committee	Remuneration Committee
Mr. Lim Kia Hong	—	C	M
Mr. Lim Kiah Meng	—	M	M
Mr. Lee Hiok Chuan	M	M	M
Ms. Ong Wui Leng	C	M	C
Mr. Ma Shiu Sun, Michael	M	M	M

Notes:

C — Chairman of the relevant Committee

M — Member of the relevant Committee

Corporate Governance Report

AUDIT COMMITTEE

The Audit Committee is comprised of all INED. Ms. Ong Wui Leng was appointed as the Chairlady of the Audit Committee.

The main duties of the Audit Committee include:

- to consider the appointment, reappointment and removal of the external auditors, the audit fee and terms of engagements, and any questions of resignation or dismissal of that auditors;
- to monitor integrity of half-year and annual financial statements before submission to the Board;
- to review the Company's financial controls, internal control and risk management systems; and
- to review the Group's financial and accounting policies and practices.

The Audit Committee has met four times during the year ended 31 December 2018 and has reviewed the managements accounts, half-year, and annual financial results of the Group and its subsidiaries. Certain recommendations have been made to the internal control of the Company and its subsidiaries. Audit Committee had met the external auditors without the present of Executive Directors on reviewing the half year and annual financial results.

NOMINATION COMMITTEE

The Nomination Committee was set up with written terms of reference with effect from 28 March 2012 and is comprised of all INED and two Executive Directors, namely Messrs. Lim Kia Hong and Lim Kiah Meng. Mr. Lim Kia Hong is the Chairman of the Nomination Committee.

The duties of the Nomination Committee shall be:

- review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- assess the independency of independent non-executive directors; and
- make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.

A meeting was held during the year ended 2018 to review and discuss the composition of the Board of the Company, and to assess the independency of independent non-executive directors. The Nomination Committee considered that the experience, expertise, leadership and qualification of the existing Directors are sufficient to maintain corporate governance of the Company and manage the operations of the Group.

Corporate Governance Report

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 23 September 2005 and is comprised of all INED, and two Executive Directors, namely Messrs. Lim Kia Hong and Lim Kiah Meng, with Ms. Ong Wui Leng as Chairlady from 27 March 2012 onwards.

The Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, and reviewing and approving the compensation payable to Executive Directors and senior management. A meeting was held during the year ended 31 December 2018, and the members had reviewed the remuneration policy and determined remuneration of Directors.

Pursuant to Code Provision B.1.5 of the Code, details of the annual remuneration of the directors and senior management by band for the year ended 31 December 2018 are as follows:

Remuneration band	Number of individuals
HK\$1 to HK\$1,000,000	3
HK\$1,000,001 to HK\$3,000,000	1
HK\$3,000,001 to HK\$5,000,000	2
HK\$5,000,001 to HK\$7,000,000	1

Details of the remuneration of each director for the year ended 31 December 2018 are set out in note 12 to the consolidated financial statements.

CORPORATE GOVERNANCE FUNCTIONS

The Board is collectively responsible for performing the corporate governance duties which have been formalised into the terms of reference of the Board, a summary of which are as follows:

- develop and review the Company's policies and practices on corporate governance and make recommendation to the Board;
- review and monitor the training and continuous professional development of Directors and senior management;
- review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and
- review the Company's compliance with the code and disclosure in the Corporate Governance Report.

The Board performed its corporate governance duties. The Board has reviewed the code of corporate governance of the Company for adoption of amendments to the Listing Rules, approval of the Dividend Policy, Directors Nomination Policy, Board Diversity Policy and the procedures for shareholders to propose a person for election as director (which has been disclosed in the Company's website). Corporate Governance Report contained in this Annual Report has approved by the Board.

Corporate Governance Report

DIRECTORS' SECURITIES TRANSACTION

The Company adopted its own code of conduct regarding Directors' dealing in securities on 23 September 2005 (the "Code of Conduct") with subsequent amendments thereafter. The term of the Code of Conduct are no less exacting than the required standard set out in the Model Code set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, the Directors of the Company have complied with the Model Code and the Company's Code of Conduct.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility for preparing the financial statements which give a true and fair view of the state of affair of the Group. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 38 to 42.

AUDITORS' REMUNERATION

During the year ended 31 December 2018, the Group had engaged external auditors, Deloitte Touche Tohmatsu, to provide the following services.

	Service fee HK\$'000
Audit services	3,596
Tax advisory	25
Other services	3,647
	<u>7,268</u>

ATTENDANCE OF MEETINGS

The following table shows the attendance of each Director at general meeting, meetings of the Board and the above committees during the year 2018:

	General Meeting	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meeting during the year	(1)	(7)	(4)	(1)	(1)
Executive Directors					
Lim Kia Hong	1	7	N/A	1	1
Lim Kiah Meng	1	7	N/A	1	1
Lim Hwee Hai	1	7	N/A	N/A	N/A
Lim Hwee Noi	1	7	N/A	N/A	N/A
Independent Non-Executive Directors					
Lee Hiok Chuan	1	7	4	1	1
Ong Wui Leng	1	7	4	1	1
Ma Shiu Sun, Michael	1	7	4	1	1

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROLS

System of internal controls is defined as a system of internal controls procedures which is used to help the achievement of business objectives, and safeguard the Group's assets; to ensure proper maintenance of accounting records and compliance with relevant legislation and regulations.

The management of the Group would evaluate the risk management and internal control system periodically and enhance the system when necessary. The Company has internal audit functions. The internal auditors reviewed the risk management and internal controls system on an ongoing basis covering all major operations of the Group on a rotational basis, and reported directly to the Audit Committee and Board on a regular basis.

Through the internal control functions of the Group, the Directors conduct three reviews of the effectiveness of the system of the internal control and risk management of the Group during the year. The Directors considered that the systems adequate and effective.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Company is responsible for arranging and funding suitable training for its directors. During the year 2018, the Company had organised a seminar regarding the latest developments in listing rules and other applicable regulatory requirement for the directors, to ensure compliance and enhance their awareness of good corporate governance practices. In addition, individual directors also participated in other courses relating to the roles, functions and duties of a listed company director or further enhancement of their professional development by way of attending training courses or reading relevant materials. The Company Secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials. The Company has devised a training record to assist the Directors to record the training they have undertaken.

During the year, the Directors participated in continuous professional development activities as set out below:

	Attending trainings/ briefings/seminars
Executive Directors	
Lim Kia Hong	✓
Lim Kiah Meng	✓
Lim Hwee Hai	✓
Lim Hwee Noi	✓
Independent Non-Executive Directors	
Lee Hiok Chuan	✓
Ong Wui Leng	✓
Ma Shiu Sun, Michael	✓

COMPANY SECRETARY

Ms. Chiu Lai Chun, Rhoda has been appointed as company secretary of the Company since 2004. She is a Certified Public Accountant in Hong Kong. She has fulfilled the 15 hours of relevant professional training requirements under the Rule 3.29 of the Listing Rules for the year ended 31 December 2018.

Corporate Governance Report

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

To enhance the communication with investors, or shareholders, the Company has established several communication channels, including (a) the annual and extraordinary general meetings which provide a forum for shareholders to communicate directly with the Board; (b) printed corporate documents mailing to shareholders; (c) announcement disseminating the latest activities of the Group on the web-sites of the Company and the Stock Exchange of Hong Kong; (d) meeting with investment fund manager and investors; and (e) the Company's web-site providing an electronic means of communication.

The shareholders' meeting in 2018 was the annual general meeting held on 5 June 2018 at Kellett Room I, 3/F, The Excelsior, 281 Gloucester Road, Causeway Bay, Hong Kong to receive and consider the audited financial statements for the year ended 31 December 2017; to re-elect directors; and approve the general mandates for the issue and repurchase of the Company's share.

During the year under review, the Company has not made any changes to its Bye-Laws. An up to date version of the Company's Bye-Laws is available on web-sites of the Company and the Stock Exchange of Hong Kong. Shareholders may refer to the Company's Bye-Laws for further details of their rights.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the Company's Bye-Laws, a special general meeting shall be convened on the written requisition of any two or more shareholders holding at the date of the deposit of the requisition in aggregate not less than one-tenth of such of the paid up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company. Such requisition must state the objects of the meeting and must be signed by the shareholders and deposited at the Company's office.

For avoidance of doubt, a general meeting other than an annual general meeting or a meeting for the passing of special resolutions shall be called by notice in writing of not less than a period which is the longer of fourteen days and ten clear business days.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board. Contact details are as follows:

803 Nine Queen's Road Central, Hong Kong
Fax: (852) 2138 3928
Email: enquiry@sis.com.hk

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the web-sites of the Company (www.sisinternational.com.hk) and the Stock Exchange of Hong Kong (www.hkexnews.hk) immediately after the relevant general meetings.

Environmental, Social and Governance Report

ENVIRONMENTAL

Unless otherwise specified, the environmental data covers the Group's operation in Hong Kong, Singapore and Japan. The Group's operation in Thailand has become a subsidiary by end of 2017. As it is listed in Thailand with its own EGS report, the data of Thailand was excluded from this report.

During the year, the Group has made its best endeavours to protect the environment from its business activities and workplace. The Group also educates its employees on their awareness of promoting a green environment. The Group seeks to identify and manage environmental impacts attributable to its operation, in order to minimise these impacts if possible.

A1. Emissions

The Group invests in income generating properties or properties with the potential to appreciate in value. Most of the properties are for office and hospitality usage purposes. Properties are leased to tenants/hotel operators for stable lease income. Therefore the hospitality operation attributes greenhouse emission for the Group. The Group has taken steps to closely monitor and minimize environmental impacts in its hospitality operation.

For our 56-storey iconic building involving hospitality, office and conventional centre located in Japan, an energy system was installed by an Energy Service Company ("ESCO") in 2015 for energy saving purpose. The ESCO is engaged to monitor the effectiveness of new heat source system regularly. Electricity, heating & gas ("Energies") was saved continuously since 2015.

During 2018, CO₂ emission was increased slightly by 0.9%, mainly contributed by hospitality buildings running by the Group.

We are also the pioneer in technology product distribution in Asia with an extensive reseller channel network representing many world renowned vendors. No generation on hazardous waste as we are not manufacturers.

Emissions of greenhouse gases by the Group were mainly contributed by the consumption of purchased electricity, heating and gas consumption in hospitality business.

CO₂ Emission (Tonnes)	2018	2017
Energy indirect emission	4,532,526	4,490,780
Other indirect emission	48	43
	4,532,574	4,490,823

Indirect emission is mainly from paper usage in offices and senior management's air travel. It amounted to 48 tonnes CO₂ for the year ended 31 December 2018 (2017: 43 tonnes CO₂). Management is more active in seeking potential investment property and new distributorship, resulting more air travel during the year.

Non-hazardous waste produced (paper waste, printer cartridges, tonner bottle) was 3,015 kg for 2018 (2017: 2,833 kg). Paper usage was increased with more invoicing activity when number of sales transactions went up.

Environmental, Social and Governance Report

A2. Use of Resources

Electricity consumption and water consumption were mainly attributable to its hospitality business. For 2018, total Energies consumption was 8,476 million kWh (2017: 8,390 million kWh), whereas the water usage was 166,311 cubic metre (2017: 167,644 cubic metre).

For distribution business, goods were delivered to our resellers at original packaging. No material additional packaging materials were required.

Air conditioners, computers and office lights are switched off during non-business hours, to minimize light pollution and reduce energy consumption.

A3. The Environment and Natural Resources

To create a green workplace, we encourage reducing, reusing and recycling of materials to minimizing wastage in daily operations. For energy saving and greenhouse emission reduction, energy system was installed in our iconic building in Japan for energies saving, recycling bins are provided at our offices with waste paper and used toner cartridges collected for recycling. The Group encourages its employees to handle documents electronically. When the use of paper is required, documents are required to use double-sided printing. In addition, we arranged conference calls or video conference instead of face-to-face meetings where possible.

The Producer Responsibility Scheme (PRS) on waste electrical and electronic equipment (WEEE), also known as WPRS, aims to promote recycling and proper disposal of WEEE generated in Hong Kong. With effect from 1 August 2018, our products, including mobile phones, tablets, monitors and laptops are covered in the "Regulated Electrical Equipment" or REE. As a distributor or reseller, when we sell REE and if requested by customers, we should arrange for the customer a free removal service to dispose of the same class of equipment abandoned by the customer in accordance with the endorsed plan. We must also provide recycling labels to customers purchasing REE, and a receipt containing the prescribed wording on the recycling levies. We have removal service plan endorsed by the Environmental Protection Department for selling REE. During the period, the Group has complied relevant statutory requirement when selling REE.

SOCIAL

B1. Employment and Labour Practices

Employment, Remuneration and Benefits, Recruitment and promotion

The Group is always complying with the labour regulations and associated guidelines. Our full-time staffs are entitled to paternity and compassionate leaves, healthcare and mandatory provident fund in respective jurisdiction. We apply equal opportunity and non-discrimination in recruitment, promotion and all other aspects of our employment practices. We encourage a healthy work-life balance among staffs. As at 31 December 2018, the Group had a total of 158 (2017: 147) permanent staffs. 69% (2017: 67%) are located in Hong Kong and the remaining are located in Singapore and Japan. To attract, motivate and retain experience staffs, we reviewed their pay packages annually with prevailing market conditions to ensure they are competitive under volatile and severe market. To create incentives for directors and senior staffs to work with commitment toward enhancing the value of the Group and its shareholders, the Company adopted share option scheme and grant share options to eligible staffs of the Group since 1992.

Environmental, Social and Governance Report

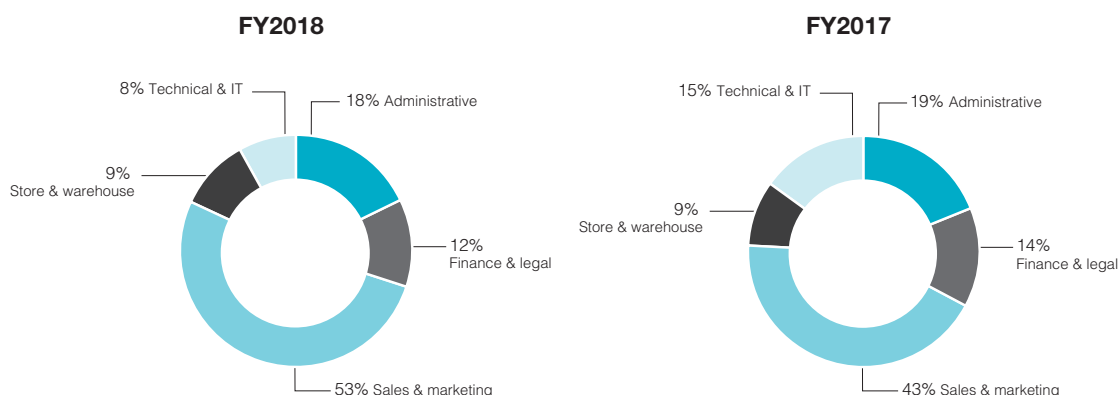
Workforce by gender:

	Hong Kong	Singapore	Japan	Total
Male	54%	50%	34%	49%
Female	46%	50%	66%	51%

Workforce by age group:

	Hong Kong	Singapore	Japan	Total
Below 30	12	0	16	28
Age 31–50	76	2	20	98
Over 50	21	6	5	32
Number of staffs	109	8	41	158

Workforce by function:



Diversity and Equal Opportunities

The diversity of our employees provides us with a valuable mix of perspectives, skills, experience and knowledge for addressing contemporary business issues. At a senior management level, our board diversity policy guides the Group's approach to selection of candidates taking into account an extensive range of characteristics, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

B2. Health and Safety

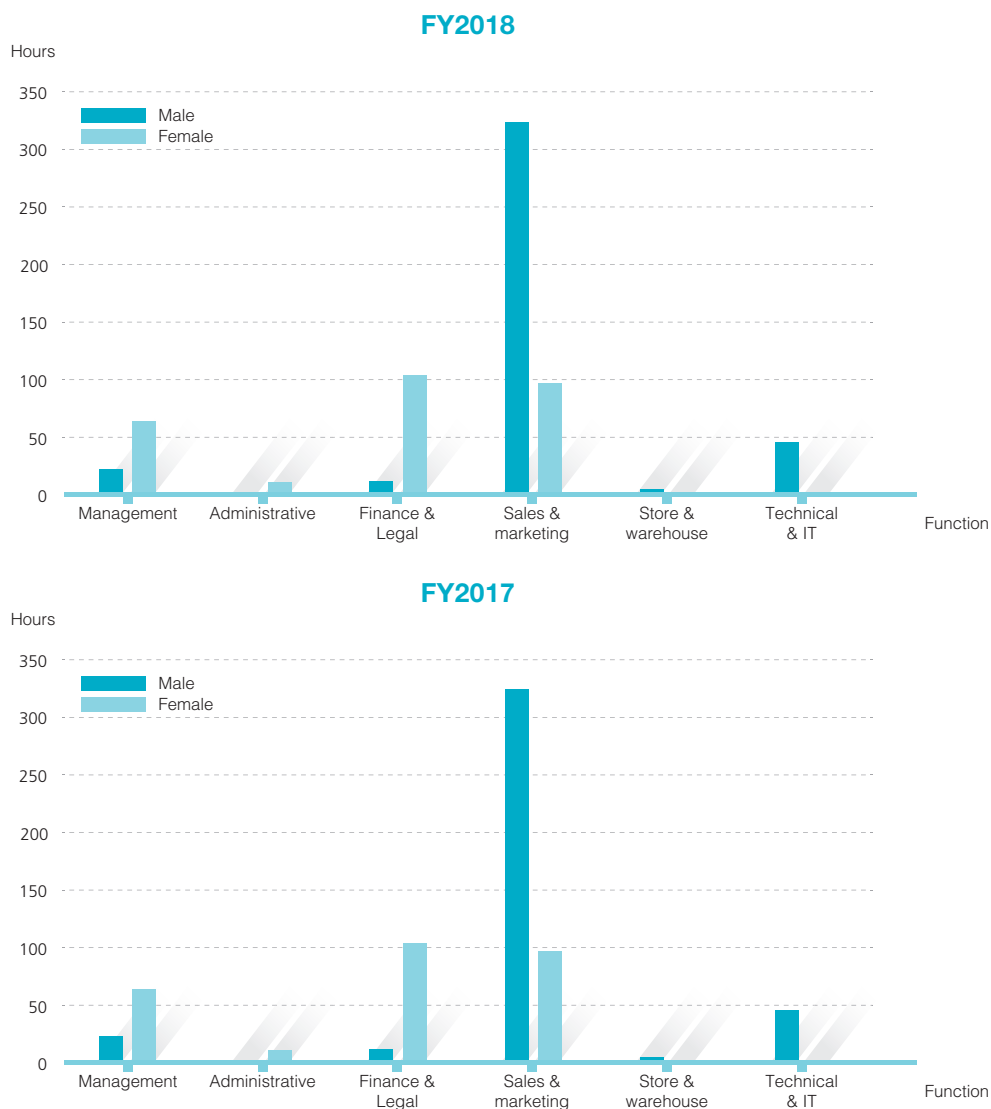
The Group provided a safe and healthy environment in the work places for all staffs. The staff turnover rate was low and there was no reported lost days caused by injury.

Environmental, Social and Governance Report

B3. Development and Training

As a distributor of renowned brands information technology products, mobile phones and related products, our sales force and technical staffs processes broad knowledge of networking, storage, and mobility products in order to provide the best services to our resellers. We worked closely with suppliers to keep our sales teams updating to the latest technology and features of new products. The Group understands training and development is one of the keys to success. We offer both internal and external training to our key staffs. Total training hours offered in 2018 was 445 hours (2017: 692 hours) for 65% (2017: 87%) staffs, average 4 hours (2017: 5 hours) per trained staff. Those training were focusing on product knowledge, customer services, food and beverage, accounting and regulatory compliance update.

Training hours by gender and function:



The Group also encourages and provides subsidies to employees to pursue educational or training opportunities that achieve personal growth and professional development.

Environmental, Social and Governance Report

B4. Labour Standards

The Group has complied with relevant labour regulations, government regulations in Hong Kong, Singapore and Japan. The Group does not employ staffs who are below 18 years of age. No employee is paid less than the minimum wage specified by the government regulations. Monthly salary payments, the Mandatory Provident Fund Scheme or Central Provident Fund Scheme payment are made on time.

During recruitment process, verification of applicant's identity information is required and recruitment of child labour is strictly prohibited. Applicant is also required to provide document proofs of academic qualifications and working experience for verifications, applicant who is suspected to have false academic qualifications and working experience would not be employed. The Group enters employment contract with each of its employee in accordance with relevant laws and regulations in its operating jurisdiction and also prohibits forced labour.

B5. Supply chain management

Sound supply chain management ensures the Group to sustain its business operations and development. As well as leveraging our extensive network of information technology distribution, we have maintained strong relationships with our suppliers. When selecting suppliers, the Group takes factors into account such as quality of products and functionality, price, reliability and anticipated market acceptance. The Group expects suppliers to observe the environmental, social, health and safety and governance considerations in their operations.

Currently we procured over 30 internationally renowned brands from our suppliers. 73% (2017: 63%) supplied goods domestically, the remaining was mainly supplies from USA, the PRC and others.

For hospitality, our hotel operators have many year of experience in hotel business. We have built strong relationships with our property assets managers, lenders, as well as accounting and tax advisors.

B6. Product responsibility

The marketing of information technology, mobility and related products to general public are usually devised by suppliers and the Group is also providing marketing services to our suppliers. During holidays and festivals, we work with our suppliers to offer products at promotional prices through print and media advertising campaigns.

Suppliers provide warranty on the products they supplied to the Group for distribution. Suppliers are responsible for providing or procuring the provision of in-warranty service to the end users. Generally the warranty provided by the suppliers has a term from one to three years. The Group also adopts following quality control policies on the products to be sold:

- Inventory management team performs a series of inspection upon the receipt of the products in our warehouse regarding, among others, their appearance, packaging, specification and brand logo, etc. on a sampling basis; and
- If any defects are identified, the relevant product will be returned to the supplier for replacement.

End users safety is always in the top priority. The Group takes speedy action together with our suppliers for any quality issues at all time.

Environmental, Social and Governance Report

The Group is committed to abide by the laws and regulations in relation to intellectual property protection. During the year, we have not received any cases of infringement of intellectual property rights. We are also not aware of any suspected cases of infringement of intellectual property rights of the products that we were distributed in 2018.

The Group is also committed to abide by the Personal Data (Privacy) Ordinance. Personal data shall be highly protected. Privacy policy and personal information collection statements in our websites demonstrate a commitment to safeguarding each personal data privacy. Employees are committed not to disclose confidential information, including information related to suppliers and customers whether orally or in writing or in any other media which are not publicly known.

B7: Anti-corruption

In our Code of Conduct and Whistle-blowing Policy, which defines the Group's stance on conflicts of interest, intellectual property rights, privacy and confidentiality of information, bribery, corruption and non-competition. All employees are required to adhere.

In addition, seminars would be held to update staff on any changes to regulations and to refresh their knowledge on aspects of ethical practices when applicable.

During the year, there were no incidents of corruption reported within the Group.

B8: Community

In view of the work force and size of the Group, serving the community by way of cash and in-kind donations are considered most direct and effective.

In 2018, a total donation of HK\$10,000 was made to charitable organization in Hong Kong.

Directors' Profiles

EXECUTIVE DIRECTORS

LIM Kia Hong, aged 62, brother of Mr. Lim Kiah Meng and Madam Lim Hwee Noi, and brother-in-law of Mr. Lim Hwee Hai, is one of the co-founders of the Group. Mr. Lim graduated from University of Washington, US with a Bachelor's Degree in Business Administration. Together with a team of committed management and staff, Mr. Lim is credited with the success of transforming the Group from a small privately-owned family business in Singapore to one of most dynamic business groups involving in distribution, ventures, investments and real estate businesses. Mr. Lim is involved in all phases of SiS Group's developments, he is responsible for the corporate planning, development and public relations of the Group.

Mr. Lim is also the chairman and non-executive director of SiS Mobile Holdings Limited ("SiS Mobile"), a company whose shares are listed on Stock Exchange on 15 January 2015. Since 2004, he has also been a non-executive director of SiS Distribution (Thailand) Public Co., Ltd. ("SiS Thai"), a company whose shares are listed on the Stock Exchange of Thailand. Mr. Lim is also a director of Information Technology Consultants Limited ("ITCL"), a company whose shares are listed on The Dhaka Stock Exchange and The Chittagong Stock Exchange on 10 January 2016. He is also a director of Gold Sceptre Limited which holds 51% shareholdings in the Company as at 31 December 2018.

LIM Kiah Meng, aged 65, brother of Mr. Lim Kia Hong and Madam Lim Hwee Noi, and brother-in-law of Mr. Lim Hwee Hai, joined the Group in 1986. He has thirty years' experience in the I.T. industry, and is responsible for the Group's operations in Hong Kong, Singapore and Japan. Mr. Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore and a Master's Degree in International Management from the American Graduate School of International Management, US. Prior to joining the Group, Mr. Lim had six years' experience in finance and banking.

Mr. Lim is also an executive director of SiS Mobile, a company whose shares are listed on Stock Exchange of Hong Kong on 15 January 2015. Since 2013, he has also been a non-executive director of SiS Thai, a company whose shares are listed on the Stock Exchange of Thailand. Mr. Lim is also a director of ITCL, a company whose shares are listed on The Dhaka Stock Exchange and The Chittagong Stock Exchange on 10 January 2016. He is also a director of Gold Sceptre Limited which holds 51% shareholdings in the Company as at 31 December 2018.

LIM Hwee Hai, aged 69, the spouse of Madam Lim Hwee Noi, and brother-in-law of Mr. Lim Kia Hong and Mr. Lim Kiah Meng, is one of the co-founders of the Group. Mr. Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore and a Master's Degree in Business Administration from the National University of Singapore. Prior to joining the Group, Mr. Lim had six years' experience in finance and banking. He has over thirty years' experience in the I.T. industry and is responsible for the Group's operations in Thailand and the Asia-Pacific region.

Mr. Lim is also a non-executive director of SiS Mobile, a company whose shares are listed on Stock Exchange of Hong Kong on 15 January 2015. Since 2004, he has been a non-executive director of SiS Thai, a company whose shares are listed on the Stock Exchange of Thailand. Mr. Lim is also a director of ITCL, a company whose shares are listed on The Dhaka Stock Exchange and The Chittagong Stock Exchange on 10 January 2016. During September 2013 to May 2018, Mr. Lim was an independent non-executive director of Valuemax Group Limited, a company whose shares are listed on the Stock Exchange of Singapore. He is also a director of Gold Sceptre Limited which holds 51% shareholdings in the Company as at 31 December 2018.

Directors' Profiles

LIM Hwee Noi, aged 68, the sister of Mr. Lim Kiah Meng and Mr. Lim Kia Hong, and spouse of Mr. Lim Hwee Hai, joined the Group in 1983 and is the Finance Director of the Group. Madam Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore. She has been a Chartered Accountant in Singapore for more than thirty years. Madam Lim is also a director of ITCL, a company whose shares are listed on The Dhaka Stock Exchange and The Chittagong Stock Exchange on 10 January 2016. Since December 2017, she has been a non-executive director of SiS Thai, a company whose shares are listed on the Stock Exchange of Thailand. She is also a director of Gold Sceptre Limited which holds 51% shareholdings in the Company as at 31 December 2018.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEE Hiok Chuan, aged 84, joined the Group in 1992 and is an investment consultant in Hong Kong. Mr. Lee has over forty years' experience in finance and banking in Hong Kong.

ONG Wui Leng, aged 58, joined the Group in 2004 and has more than ten years of experience in corporate banking. She also has many years of experience in corporate finance and management. Ms. Ong graduated from the University of London, United Kingdom with a Bachelor of Science (Economics) in Management Studies and completed her Master of Practising Accounting from Monash University, Australia. Since April 2013, Ms. Ong is an independent non-executive director of Hwa Hong Corporation Limited, a company whose shares are listed on the Stock Exchange of Singapore. From 1 January 2017, Ms. Ong is also an independent non-executive director of QAF Limited, a company whose shares are listed on the Stock Exchange of Singapore.

MA Shiu Sun, Michael, aged 50, joined the Group in 2012 and holds a Bachelor of Science (Economics) from London School of Economics, University of London, a Bachelor of Laws from University of Sydney and a Postgraduate Certificate of Laws (P.C.LL) from University of Hong Kong. Mr. Ma has been a practicing lawyer for over ten years and is practicing as a partner and notary public in a Hong Kong law firm in the areas of commercial and corporate matters.

Directors' Report

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

PRINCIPAL ACTIVITIES

The Company acts as an investment trading and investment holding company and provides corporate management services. The principal activities of its subsidiaries and associates are set out in notes 50 and 19 respectively, to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss on page 43.

The directors now recommend the payment of final dividend of HK7.0 cents to the shareholders on the register of members on 5 July 2019, amounting to totally HK\$19,458,000.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2018 is set out on pages 6 to 10 of this Annual Report.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years, as extracted from the audited consolidated financial statements, is set out on page 150. The summary does not form part of the audited consolidated financial statements.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK\$240,361,000 and HK\$193,548,000 on acquisition of investment properties and property, plant and equipment respectively.

The Group has revalued all its investment properties at the year end date. The increase in fair value amounted to HK\$220,819,000, which had been credited to the consolidated statement of profit or loss directly.

Particulars of investment properties and properties held for hotel operation of the Group at 31 December 2018 are set out on pages 151 to 154.

Details of the movements during the year in the investment properties and property, plant and equipment of the Group are set out in notes 16 and 17 respectively to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 37 to the consolidated financial statements.

Directors' Report

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2018 were as follows:

	2018 HK\$'000	1.1.2018* HK\$'000 (restated)
Contributed surplus	29,186	29,186
Investment reserve	—	—
Retained profits	<u>1,062,136</u>	<u>1,074,452</u>
	<u>1,091,322</u>	<u>1,103,638</u>

* As the date of initial application HKFRS 9, the Company's equity investments were reclassified from available-for-sale investments at FVTPL. The fair value gained of HK\$9,929,000 relating to investments previously carried at fair value were transferred from investment reserve to retained profits.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if there are reasonable grounds for believing that:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIVIDEND POLICY

The Board of the Company may declare and distribute dividends to the shareholders of the Company, provided that the Company records a profit and that the declaration and distribution of dividends do not affect the normal operations of the Company and its subsidiaries (the "Group"). The Board may, subject to the Articles of Association of the Company, make recommendation to the shareholders on the distribution of final dividends and may from time to time pay to the shareholders interim dividends based on the financial position of the Company. The Company's ability to declare dividends will depend on, among others, the operating results and earnings, capital requirements, general financial condition, prevailing economic environment and other factors of the Company which the Board then consider relevant, and the interest of the shareholders and the Company as a whole.

DIRECTORS

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

Executive directors:

Mr. Lim Kia Hong
Mr. Lim Kiah Meng
Mr. Lim Hwee Hai
Madam Lim Hwee Noi

Independent non-executive directors:

Mr. Lee Hiok Chuan
Ms. Ong Wui Leng
Mr. Ma Shiu Sun, Michael

Directors' Report

DIRECTORS (CONTINUED)

In accordance with the provisions of the Company's Bye-Laws, Mr. Lim Hwee Hai and Madam Lim Hwee Noi retire from office and, being eligible, offer themselves for re-election.

The term of office of Mr. Lee Hiok Chuan and Ms. Ong Wui Leng, as the independent non-executive directors are the period up to his/her retirement by rotation in accordance with the Company's Bye-Laws. Mr. Ma Shiu Sun, Michael, is appointed as an independent non-executive director for an additional period of two years to 31 March 2021 and is also subject to the retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2018.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-Laws and subject to the provisions of and so far as may be permitted by the Companies' Act of Bermuda, every Director, auditor, secretary or other officer of the Company and every agent or employee of the Company shall be entitled to be indemnified by the Company out of the assets of the Company against all costs, charges, losses, expenses and liabilities which he may sustain or incur in or about the execution and discharge of his duties or in relation thereto including any liability incurred by him in defending any proceeding, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as officer or employee of the Company and in which judgment is given in his favour (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application under any law for relief from liability in respect of any such act or omission in which relief is granted to him by any court of competent jurisdiction.

The Company has put in place appropriate insurance cover in respect of Directors and officers' liability throughout the year.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2018, the interests of the directors and their associates, in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited ("HKEX") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Directors' Report

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

(i) Long positions in ordinary shares of HK\$0.10 each of the Company

Name of Director	Personal interests	Family interests	Joint interests (Note 1)	Corporate Interests (Note 2)	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Lim Kia Hong	6,933,108	400,000	—	178,640,000	185,973,108	66.90%
Lim Kiah Meng	5,403,200	250,000	534,000	178,640,000	184,827,200	66.49%
Lim Hwee Hai (Note 3)	4,493,200	4,751,158	—	—	9,244,358	3.33%
Lim Hwee Noi (Note 3)	4,751,158	4,493,200	—	—	9,244,358	3.33%
Lee Hiok Chuan	250,000	—	—	—	250,000	0.09%
Ong Wui Leng	250,000	—	—	—	250,000	0.09%

Notes:

- (1) 534,000 shares are jointly held by Mr. Lim Kiah Meng and his spouse.
- (2) Gold Sceptre Limited holds 140,360,000 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 12,760,000 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.50% and 39.50%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.
- (3) 4,493,200 shares and 4,751,158 shares are beneficially owned by Mr. Lim Hwee Hai and Madam Lim Hwee Noi respectively. Mr. Lim and Madam Lim are spouse, so they have deemed interest in their spouse's shares under the SFO.

(ii) Share Options

Directors of the Company and their associates had interest in share options under the Company's share option scheme, detail of which are set out in "Share Options" below.

(iii) Long positions in the shares and underlying shares of subsidiaries of the Company

- (a) Ordinary share of HK\$0.10 each of SiS Mobile Holdings Limited ("SiS Mobile"), which is listed on the Main Board of the HKEX (Stock Code: 1362)

Name of Director	Personal interests	Family interests	Joint interests (Note 1)	Corporate Interests (Note 2 and 3)	Total number of issued ordinary shares held	Percentage of the issued share capital of SiS Mobile
Lim Kia Hong	1,846,754	128,000	—	203,607,467	205,582,221	73.42%
Lim Kiah Meng	1,729,024	80,000	170,880	203,607,467	205,587,371	73.42%
Lim Hwee Hai (Note 4)	1,065,984	1,145,330	—	—	2,211,314	0.79%
Lim Hwee Noi (Note 4)	1,145,330	1,065,984	—	—	2,211,314	0.79%
Lee Hiok Chuan	64,000	—	—	—	64,000	0.02%
Ong Wui Leng	64,000	—	—	—	64,000	0.02%

Directors' Report

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

(iii) Long positions in the shares and underlying shares of subsidiaries of the Company (continued)

- (a) Ordinary share of HK\$0.10 each of SiS Mobile Holdings Limited ("SiS Mobile"), which is listed on the Main Board of the HKEX (Stock Code: 1362) (continued)

Notes:

- (1) Shares are jointly held by Mr. Lim Kiah Meng and his spouse.
- (2) 146,442,667 shares are registered in the name of SiS International Holdings Ltd. It is owned as to approximately 50.50% by Gold Sceptre Limited.
- (3) Gold Sceptre Limited holds 44,915,200 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 4,083,200 shares in the issued share capital of SiS Mobile. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.50% and 39.50%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.
- (4) 1,065,984 shares and 1,145,330 shares are beneficially owned by Mr. Lim Hwee Hai and Madam Lim Hwee Noi respectively. Mr. Lim and Madam Lim are spouse, so they have deemed interest in their spouse's shares under the SFO.

- (b) Ordinary share of Baht 1 each of SiS Distribution (Thailand) Public Company Limited ("SiS Thai"), which is listed in the Stock Exchange of Thailand

Name of Director	Personal interests	Corporate Interests (Note)	Total number of issued ordinary shares held in SiS Thai	Approximate % of issued share capital of SiS Thai
Lim Kia Hong	241,875	224,510,470	224,752,345	63.60%
Lim Hwee Hai	244,687	—	244,687	0.07%

Note:

The Company indirectly holds 224,510,470 ordinary shares of the issued capital of SiS Thai. As disclosed in (i) above, Mr. Lim Kia Hong and his family has total interest of 66.90% in the Company, therefore Mr. Lim has deemed corporate interest in SiS Thai under the SFO.

(iv) Share options of SiS Mobile, a subsidiary of the Company

On 16 December 2014 by written resolution, SiS Mobile adopted a share option scheme ("Scheme") pursuant to which selected participants may be granted options to subscribe for shares as incentive or rewards for their service rendered to the SiS Mobile group and any entity in which any member of the group holds any equity interest.

The purpose of the Scheme is to provide an incentive for any director, employee and qualified participant to work with commitment towards enhancing the value of SiS Mobile and its shares for the benefit of its shareholders, and to maintain or attract business relationship with the qualified participants whose contributions are or may be beneficial to the growth of the group. Directors believe that Scheme adopted by SiS Mobile enables the group to recruit and retain high caliber executives and employees.

Directors' Report

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

(iv) Share options of SiS Mobile, a subsidiary of the Company (continued)

The terms of the Scheme comply with the provisions of Chapter 17 of the Listing Rules.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of SiS Mobile in issue at the date when the Scheme was adopted. SiS Mobile may seek approval by its shareholders in general meeting to refresh the limit on the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised to not exceeding such number of shares as shall represent 30% of the shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of SiS Mobile in issue at any point in time, without prior approval from its shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of SiS Mobile's share capital or with a value in excess of HK\$5 million must be approved in advance by its shareholders.

Options granted must be taken up within thirty business days from the offer letter together with a payment of HK\$100 as consideration of grant. Options may be exercised in a period of time as set out in the offer letter to each grantee. The exercise price is determined by the directors of SiS Mobile, and will not be less than the higher of the closing price of its shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Outstanding at 31 December 2018
Directors and their associates:				
Lim Kia Hong				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	400,000
Lim Kiah Meng				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	400,000
Lim Hwee Hai				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	400,000
Lim Hwee Noi				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	200,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	200,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	200,000
				4,200,000

Directors' Report

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

(v) Long positions in the shares and underlying shares of an associated corporation of the Company

Ordinary share of 10 Taka each of Information Technology Consultants Ltd. ("ITCL"), which is incorporated in Bangladesh, and is listed in The Dhaka Stock Exchange and The Chittagong Stock Exchange.

Name of Director	Corporate Interests <i>(Note)</i>	Approximate % of issued share capital of ITCL
Lim Kiah Meng	52,702,131	46.05%

Note:

A related corporation which is jointly owned by Mr. Lim Kiah Meng and his spouse hold 9,669,660 ordinary shares in ITCL, while the Company indirectly holds 43,032,471 ordinary shares. As disclosed in (i) above, Mr. Lim Kiah Meng and his family has total interest of 66.49% in the Company, therefore Mr. Lim has deemed corporate interest of 43,032,471 in ITCL under the SFO.

Other than as disclosed above, none of the directors, nor their associates, had any interests or short positions in any shares and underlying shares or debentures of the Company or any of its associated corporations at 31 December 2018.

SHARE OPTIONS

A new share option scheme was adopted by the Company on 26 May 2017 (the "New Scheme"), while the old share option scheme adopted by the Company on 21 May 2007 had expired on 20 May 2017 (the "Old Scheme"). The Old Scheme and New scheme are collectively referred as SiS International Share Option Scheme (the "SiS International Share Option Scheme"). Pursuant to the SiS International Share Option Scheme, the Company may grant options to qualified persons, including employees and directors of the Company, its subsidiaries and associates, and third parties with a view to maintain business relationship with such persons to subscribe for shares of the Company.

The total number of shares in respect of which options may be granted under the New Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date when the New Scheme was adopted. The Company may seek approval by its shareholders in general meeting to refresh the limit on the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised to not exceeding such number of shares as shall represent 30% of the shares in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within ten business days from the offer letter together with a payment of HK\$100 as consideration of grant. Options may be exercised in a period of time as set out in the offer letter to each grantee. The exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, and the average closing price of the shares for the five business days immediately preceding the date of grant.

Directors' Report

SHARE OPTIONS (CONTINUED)

The following table discloses movements in the Company's share options during the year:

Date of grant	Vesting period	Exercise period	Exercise price HK\$	Outstanding number of share options at 31 December 2018
Directors and their associates:				
Lim Kia Hong				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
Lim Kiah Meng				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
Lim Hwee Hai				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
Lim Hwee Noi				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
Lee Hiok Chuan				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	40,000
Ong Wui Leng				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	40,000
Ma Shiu Sun, Michael				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
Total directors and their associates				990,000

Directors' Report

SHARE OPTIONS (CONTINUED)

Date of grant	Vesting period	Exercise period	Exercise price HK\$	Outstanding number of share options at 1 January and 31 December 2018
Employees and other qualified persons:				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	420,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	420,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	420,000
Total employees and other qualified persons				<u>1,260,000</u>
Total number of share options				<u>2,250,000</u>

No share options were granted, exercised, lapsed or forfeited during the financial year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company, its ultimate holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE AND CONNECTED TRANSACTIONS

No transaction, arrangement and/or contracts of significance to which the Company, its ultimate holding company or any of its subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, other than the interests disclosed above in respect of Directors and chief executives, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows and the following shareholders had notified the Company of relevant interests and long positions in the issued share capital of the Company.

Long positions in ordinary shares of HK\$0.10 each of the Company

Name of Shareholder	Personal interests	Family Interests (Note 1)	Corporate interests (Note 2)	Total number of issued ordinary shares held	Percentage of the issued share capital of the Company
Yeo Seng Chong	700,000	1,220,000	12,146,000	14,066,000	5.06%
Lim Mee Hwa	1,220,000	700,000	12,146,000	14,066,000	5.06%

Notes:

- (1) Mr. Yeo Seng Chong and Madam Lim Mee Hwa are spouse so they have deemed interest in their spouse's shares under the SFO.
- (2) Mr. Yeo Seng Chong and Madam Lim Mee Hwa each have 50% direct interest in a corporation which holds the shares of the Company as an investment manager.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's five largest customers was less than 30%. The five largest suppliers of the Group comprised approximately 53% by value of the Group's total purchases during the year, with the largest supplier accounted for 15%.

At no time during the year did a director, an associate of a director or a shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in any of the Group's five largest customers and suppliers.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

The Company has established the Remuneration Committee in September 2005.

The emoluments of the directors of the Company are reviewed and approved by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market trends.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 46 to the consolidated financial statements.

Directors' Report

CHARITABLE DONATIONS

During the year, the Group made charitable cash and in-kind donations amounting to total HK\$5,157,000.

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 existing shareholders.

CORPORATE GOVERNANCE AND MODEL CODE

The Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2018, except for the Code A.2.1, A.4.1 and A.4.2 as disclosed in the Corporate Governance Report of the Company.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct adopted by the Company during the year.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

COMPLIANCE WITH RELEVANT LAWS AND REGULATION

The Company has complied with relevant laws and regulations that have significant impact on the Company including the laws in Bermuda, the Hong Kong Companies Ordinance, SFO, and the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2018.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
SiS International Holdings Limited

LIM Kiah Meng
DIRECTOR

Hong Kong, 28 March 2019

Independent Auditor's Report

Deloitte.

德勤

TO THE SHAREHOLDERS OF SIS INTERNATIONAL HOLDINGS LIMITED

新龍國際集團有限公司

(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of SiS International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as “the Group”) set out on pages 43 to 149, 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 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 (“HKSA”) 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

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 significant judgements and estimates associated with determining the fair values.

The investment properties are located in Hong Kong, Japan, Singapore and Thailand and carried at HK\$4,598,274,000 as at 31 December 2018 and represents 55% of total assets in the consolidated financial statements of the Group as at 31 December 2018. Net gain from changes in fair value of the investment properties of HK\$220,819,000 was recognised in the consolidated statement of profit or loss for the year then ended.

As disclosed in note 16 to the consolidated financial statement, except for the investment properties in Thailand held at fair value based on the valuation performed by the directors of the Company, the Group's investment properties are held at fair value based on the valuations performed by independent qualified professional valuers (the "Valuers"). The valuations of investment properties are dependent on certain key inputs that require significant judgments and estimates, including unit sale rate and capitalisation rate.

Our procedures in relation to valuation of the investment properties included:

- Evaluating the competence, capabilities and objectivity of the Valuers and obtaining an understanding of their scope of work and their terms of engagement;
- Assessing the reasonableness of the valuation techniques used by the management and the Valuers based on the relevant accounting requirements and industry norms;
- Evaluating the reasonableness of the key inputs, including unit sale rate and capitalisation rate adopted by the management and the Valuers, on a sampling basis, by comparing the key inputs to relevant market data based on our knowledge of the property markets; and
- Assessing the accuracy of the rental income provided by the management to the Valuers by agreeing the rental income to the respective underlying tenancy agreements, on a sample basis.

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<i>Assessment of allowance on inventories</i>	
<p>We identified the assessment of allowance on inventories as a key audit matter due to the use of judgements in identifying obsolete and slow moving inventories and determining the net realisable value ("NRV") which are based on the ageing, conditions and marketability of the inventories.</p> <p>NRV represents the estimated selling price for inventories less all estimated costs necessary to make the sale. The Group carried out the inventory review at the end of the reporting period and made the necessary allowance on obsolete and slow moving items so as to write off or write down inventories to their NRVs. As disclosed in the consolidated statement of financial position and note 24, the carrying amount of inventories is HK\$640,165,000, net of allowance on obsolete and slow moving inventories of HK\$3,427,000 as at 31 December 2018.</p>	<p>Our procedures in relation to assessing the allowance on inventories included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of how allowance on obsolete and slow moving inventories is estimated by the management; • Testing the accuracy of the ageing of the inventories listed in the system generated report to the goods received notes on a sample basis; • Discussing with the management on the basis of determining the NRV and evaluate and assess the condition and marketability of the inventories, on a sample basis; and • Assessing the sufficiency of allowance on obsolete and slow moving inventories made by management where the estimated NRV is lower than the cost with reference to the latest selling price, on a sample basis.

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.

Independent Auditor's Report

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.

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 HKSAAs 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 HKSAAs, 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.

Independent Auditor's Report

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

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

The engagement partner on the audit resulting in the independent auditor's report is Tan Wei Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 March 2019

Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED 31 DECEMBER 2018

	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
Revenue	5	6,379,157	1,010,768
Cost of sales		(5,861,184)	(823,856)
Gross profit		517,973	186,912
Other income	7	48,591	11,340
Other gains and losses	8	5,387	5,543
Distribution costs		(165,936)	(28,138)
Administrative expenses		(159,001)	(93,388)
Listing expenses	13	(33,155)	—
Net gain from changes in fair value of investment properties	16	220,819	246,285
Gain on re-measurement of previously held interest in associate	39	—	118,832
Share of results of associates		13,666	34,623
Finance costs	9	(57,988)	(34,119)
Profit before taxation		390,356	447,890
Income tax expense	10	(60,880)	(77,746)
Profit for the year	11	329,476	370,144
Profit for the year attributable to:			
Owners of the Company		282,999	367,835
Non-controlling interests		46,477	2,309
		329,476	370,144
		HK Cents	HK Cents
Earnings per share	15		
Basic		101.8	132.4
Diluted		101.8	132.3

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	<u>329,476</u>	<u>370,144</u>
Other comprehensive (expense) income:		
Item that will not be reclassified to profit or loss		
Changes in fair value of equity instruments at fair value through other comprehensive income	<u>(770)</u>	<u>—</u>
Items that may be reclassified to profit or loss		
Changes in fair value of available-for-sale investments	—	51,047
Realisation of investments reserve upon disposal of available-for-sale investments	—	(26,609)
Exchange realignment arising on translation of foreign operations		
— Subsidiaries	12,311	25,624
— Associates	(476)	16,510
Realisation of translation reserve upon disposal of associate	<u>—</u>	<u>(16,162)</u>
	<u>11,835</u>	<u>50,410</u>
Other comprehensive income for the year	<u>11,065</u>	<u>50,410</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	290,693	415,325
Non-controlling interests	<u>49,848</u>	<u>5,229</u>
	<u>340,541</u>	<u>420,554</u>

Consolidated Statement of Financial Position

AT 31 DECEMBER 2018

	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Investment properties	16	4,598,274	4,081,883
Property, plant and equipment	17	527,685	353,770
Goodwill	18	126,406	126,406
Interests in associates	19	106,156	92,966
Available-for-sale investments	23	—	223,733
Equity instruments at fair value through profit or loss	20	212,291	—
Equity instruments at fair value through other comprehensive income	21	90,754	—
Deferred tax assets	35	67,105	68,778
Deposits paid		3,582	3,180
Other assets		2,500	1,300
		5,734,753	4,952,016
Current assets			
Inventories	24	640,165	547,985
Trade and other receivables, deposits and prepayments	25	943,645	855,243
Amounts due from associates	26	—	16,718
Tax recoverable		2,185	14
Investments held-for-trading	27	—	16,661
Equity instruments at fair value through profit or loss	20	13,428	—
Investment in preference shares	22	2,870	—
Pledged deposits	28	445,331	466,337
Bank balances and cash	28	586,755	652,152
		2,634,379	2,555,110
Current liabilities			
Trade payables, other payables and accruals	29	727,880	711,881
Contract liabilities	30	12,310	—
Amount due to related companies	26	6,616	—
Derivative financial instruments	31	582	536
Obligations under finance leases	32	4,398	4,173
Tax payable		17,960	19,037
Bank borrowings	33	2,257,272	1,667,093
Rental deposits	36	6,426	17,615
		3,033,444	2,420,335
Net current (liabilities) assets		(399,065)	134,775
Total assets less current liabilities		5,335,688	5,086,791

Consolidated Statement of Financial Position

AT 31 DECEMBER 2018

	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
Non-current liabilities			
Bank borrowings	33	835,576	965,581
Bonds	34	274,644	268,034
Obligations under finance leases	32	25,356	29,082
Deferred tax liabilities	35	200,687	168,288
Rental deposits	36	131,934	114,748
Retirement benefits obligations	47	12,327	10,227
		1,480,524	1,555,960
Net assets			
		3,855,164	3,530,831
Capital and reserves			
Share capital	37	27,797	27,797
Share premium		73,400	73,400
Other reserves		(19,146)	52,732
Retained profits		3,441,825	3,082,233
Equity attributable to owners of the Company			
		3,523,876	3,236,162
Non-controlling interests			
		331,288	294,669
Total equity			
		3,855,164	3,530,831

The consolidated financial statements on pages 43 to 149 were approved and authorised for issue by the Board of Directors on 28 March 2019 and are signed on its behalf by:

LIM KIA HONG
DIRECTOR

LIM KIAH MENG
DIRECTOR

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to the owners of the Company											
	Share capital	Share premium	Investments reserve	Translation reserve	Property revaluation reserve	Contributed surplus	Share options reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(Note 1)		(Note 2)				
At 1 January 2017	27,757	72,533	56,073	(40,761)	933	2,860	3,405	(17,558)	2,722,737	2,827,979	122,807	2,950,786
Profit for the year	–	–	–	–	–	–	–	–	367,835	367,835	2,309	370,144
Other comprehensive income for the year	–	–	24,321	23,169	–	–	–	–	–	47,490	2,920	50,410
Total comprehensive income for the year	–	–	24,321	23,169	–	–	–	–	367,835	415,325	5,229	420,554
Non-controlling interest arising on acquisition of subsidiaries (note 39)	–	–	–	–	–	–	–	–	–	–	161,380	161,380
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	5,917	5,917
Issue of shares upon exercise of share options	40	867	–	–	–	–	(219)	–	–	688	–	688
Recognition of equity-settled share-based payment	–	–	–	–	–	–	509	–	–	509	1,059	1,568
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(1,723)	(1,723)
Dividend recognised as distribution (note 14)	–	–	–	–	–	–	–	–	(8,339)	(8,339)	–	(8,339)
At 31 December 2017	27,797	73,400	80,394	(17,592)	933	2,860	3,695	(17,558)	3,082,233	3,236,162	294,669	3,530,831
Adjustments (note 2.2)	–	–	(79,572)	–	–	–	–	–	87,712	8,140	–	8,140
At 1 January 2018 (restated)	27,797	73,400	822	(17,592)	933	2,860	3,695	(17,558)	3,169,945	3,244,302	294,669	3,538,971
Profit for the year	–	–	–	–	–	–	–	–	282,999	282,999	46,477	329,476
Other comprehensive income for the year	–	–	438	7,256	–	–	–	–	–	7,694	3,371	11,065
Total comprehensive income for the year	–	–	438	7,256	–	–	–	–	282,999	290,693	49,848	340,541
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	4,687	4,687
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(17,916)	(17,916)
Dividend recognised as distribution (note 14)	–	–	–	–	–	–	–	–	(11,119)	(11,119)	–	(11,119)
At 31 December 2018	27,797	73,400	1,260	(10,336)	933	2,860	3,695	(17,558)	3,441,825	3,523,876	331,288	3,855,164

Note 1: Contributed surplus represents the excess of the nominal value of the shares of the acquired subsidiaries over the nominal value of the Company's shares issued for the acquisition upon the Group reorganisation in preparation for the listing of the Company's shares in the year 1992.

Note 2: Other reserve represents the difference between the fair value of the consideration (net of transaction cost) and the carrying amount of the reduction in the Company's interest in SiS Mobile Holdings Limited ("SiS Mobile"), arising from the listing of SiS Mobile's shares on the Stock Exchange of Hong Kong Limited on 15 January 2015.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 HK\$'000	2017 HK\$'000
Operating activities		
Profit before taxation	390,356	447,890
Adjustments for:		
Allowance for (reversal of) credit losses	352	(568)
Reversal of obsolete and slow moving inventories	(913)	(1,047)
Impairment loss on available-for-sale investments	—	7,318
Impairment loss on interest in associate	—	219
Provision for litigation and other related expense	—	30,000
Dividend income from available-for-sale investments	—	(361)
Dividend income from equity instruments in FVTPL	(2,239)	—
Dividend income from equity instruments in FVTOCI	(1,731)	—
Depreciation of property, plant and equipment	23,537	8,128
Finance costs	57,988	34,119
Loss from changes in fair value of derivative financial instruments	46	—
Gain on disposal of available-for-sale investments	—	(26,609)
Net gain from changes in fair value of investment properties	(220,819)	(246,285)
Interest income	(10,196)	(3,237)
Gain on disposal of property, plant and equipment	(38)	(376)
Loss on disposal of subsidiaries	—	97
Share of results of associates	(13,666)	(34,623)
Provision for retirement benefit obligation	2,100	—
Gain on re-measurement of previously held interest in associate	—	(118,832)
Equity-settled share-based payment	—	1,568
Gain from changes in fair value of equity instruments at FVTPL	(7,041)	—
Operating cash flows before movements in working capital	217,736	97,401
(Increase) decrease in inventories	(91,218)	5,737
Decrease in amount due from associates/related companies	23,197	—
(Increase) decrease in trade and other receivables, deposits and prepayments	(22,101)	15,547
Increase in equity instruments at FVTPL/ investments held-for-trading	(423)	(3,577)
Increase (decrease) in rental deposits	3,436	(1,439)
Increase in trade payables, other payables and accruals	28,778	9,098
Increase in contract liabilities	6,974	—
Cash from operations	166,379	122,767
Income Tax paid	(26,167)	(4,468)
Income Tax refunded	—	2,042
Net cash from operating activities	140,212	120,341

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018

	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
Investing activities			
Acquisition of investment properties		(240,361)	(35,273)
Dividend received from an associate		—	15,237
Dividend received from available-for-sale investments		—	361
Dividend received from equity instruments in FVTPL		2,239	—
Dividend received from equity instruments in FVTOCI		1,731	—
Repayment from associates		—	446
Interest received		10,196	3,237
Placement of pledged deposits		—	(212,580)
Deposit paid for renovation of investment properties		(709)	—
Withdrawal of pledged deposits		21,006	78,191
Consideration of acquisition of subsidiaries	38/39	(182,300)	(49,473)
Proceeds from disposal of available-for-sale investments		—	35,630
Purchase of available-for-sale investments		—	(55,507)
Purchase of property, plant and equipment		(11,548)	(3,522)
Proceeds from disposal of investment properties		—	29,087
Proceeds from disposal of property, plant and equipment		253	811
Purchase of investment in preference shares		(2,870)	—
Purchase of equity instruments at FVTPL		(38,562)	—
Purchase of equity instruments of FVTOCI		(23,307)	—
Purchase of other assets		(1,200)	—
Net cash used in investing activities		(465,432)	(193,355)
Financing activities			
Dividends paid to ordinary shareholders		(11,119)	(8,339)
Dividends paid to non-controlling interests		(17,916)	(1,723)
Interest paid		(61,868)	(32,350)
Proceeds from issue of new shares		—	688
Repayment of bonds		—	(17,978)
New bank loans raised		1,888,519	337,609
Repayment of bank loans		(1,519,972)	(220,613)
Repayment of finance lease obligations		(4,269)	(4,057)
Contribution from non-controlling interest		4,687	5,917
Net cash from financing activities		278,062	59,154
Net decrease in cash and cash equivalents		(47,158)	(13,860)
Cash and cash equivalents at 1 January		652,152	644,891
Effect of foreign exchange rate changes		(18,239)	21,121
Cash and cash equivalents at 31 December, represented by bank balances and cash		586,755	652,152

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENT

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “HKEX”). Its parent is Gold Sceptre Limited and its ultimate parent is Summertown Limited, a company with ultimate controlling shareholders are Mr. Lim Kiah Meng, Mr. Lim Kia Hong and their respective spouses. Mr. Lim Kiah Meng and Mr. Lim Kia Hong are also the directors of the Company. Both holding companies are incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate information” section of the annual report.

The Company acts as an investment trading and investment holding company and provides corporate management services. The principal activities of its principal subsidiaries are set out in note 50.

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

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by HK\$399,065,000 as at 31 December 2018. The directors of the Company believe that the existing loan facilities will continue to be made available to the Group and will not be withdrawn by the banks within the next twelve months from the end of the reporting period. In the opinion of the directors of the Company, the Group has a number of sources of funds available to enable its obligation and commitments to be settled on a timely manner. In addition, the Group will be able to withdraw the unutilised bank facilities or obtain additional financing from financial institutions by taking into account the carrying amount of the Group’s assets which have not been pledged. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

New and amendments to HKFRS that are 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 (“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 amendments to HKFRSs in the current year has had no material impact on the Group’s performance and financial 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 HKFRS that are 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*, 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 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group’s major revenue streams are distribution of mobile and IT products in Hong Kong and Thailand, leasing of investment properties in Japan, Hong Kong and Singapore and hotel operations in Japan. Rental income from investment properties continued to be accounted for under HKAS 17 *Leases*.

Information about the Group’s performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

Summary of effects arising from initial application of HKFRS 15

As at 1 January 2018, advances from customers of HK\$5,336,000 previously included in trade payables, other payables and accruals were reclassified to contract liabilities in the consolidated statement of financial position at 1 January 2018.

At 31 December 2018, the contract liabilities of HK\$12,310,000 (as reported), would have been presented as advances from customers included in trade payables, other payables and accruals in the Group’s consolidated statement of financial position if HKFRS 15 has not been applied.

At 31 December 2018, increase in contract liabilities of HK\$12,310,000, would have been presented as increase in trade payables, other payables and accruals under operating activities in the Group’s consolidated statement of cash flows if HKFRS 15 has not been applied.

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 HKFRS that are effective for the current year (continued)

2.2 HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* 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 under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

Notes	Available-for-sale investments HK\$'000	Investments held-for-trading HK\$'000	Equity instruments at FVTPL HK\$'000	Equity instruments at FVTOCI HK\$'000	Investments reserve HK\$'000	Retained profits HK\$'000
Closing balance at 31 December 2017						
– HKAS 39	223,733	16,661	–	–	80,394	3,082,233
Effect arising from initial application of HKFRS 9:						
Reclassification						
From available-for-sale investments	(223,733)	–	163,032	60,701	(87,712)	87,712
From investments held-for-trading	–	(16,661)	16,661	–	–	–
Remeasurement						
From cost less impairment to fair value	–	–	–	8,140	8,140	–
Opening balance at 1 January 2018	–	–	179,693	68,841	822	3,169,945

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 HKFRS that are effective for the current year (continued)

2.2 HKFRS 9 *Financial Instruments* (continued)

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

(a) Available-for-sale (“AFS”) investments

From AFS equity investments to fair value through other comprehensive income (“FVTOCI”)

The Group elected to present in other comprehensive income (“OCI”) for the fair value changes of all its equity investments previously classified as available-for-sale. These investments are not held-for-trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK\$60,701,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI. The fair value gain of HK\$8,140,000 relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and investments reserve as at 1 January 2018.

In addition, impairment losses previously recognised of HK\$7,318,000 were transferred from retained profits to investments reserve as at 1 January 2018.

From AFS investments to fair value through profit or loss (“FVTPL”)

At the date of initial application of HKFRS 9, the Group’s equity investments of HK\$163,032,000 were reclassified from available-for-sale investments to equity instruments at FVTPL. The fair value gains of HK\$80,394,000 relating to those investments previously carried at fair value were transferred from investments reserve to retained profits.

(b) Financial instruments at FVTPL

The Group reassessed its investment in certain equity investments classified as held for trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the fact and circumstances as at date of initial application, HK\$16,661,000 were held for trading and continued to be measured at FVTPL.

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade and lease receivables. Trade and lease receivables have been assessed individually for debtors with significant balances and the remaining trade and lease receivables collectively with appropriate groupings and individually for credit impaired balances.

ECL for other financial assets at amortised cost mainly comprise of other receivables, pledged deposits, bank balances and investment in preference shares are assessed on 12-month (“12m”) ECL basis as there had been no significant increase in credit risk since initial recognition.

The directors of the Company considered that the measurement of ECL has no material impact to the Group’s retained profits as at 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 HKFRS that are 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 entity’s accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited) HK\$'000	HKFRS 15 HK\$'000	HKFRS 9 HK\$'000	1 January 2018 (Restated) HK\$'000
Non-current assets				
Available-for-sale investments	223,733	—	(223,733)	—
Equity instruments at fair value through profit or loss	—	—	163,032	163,032
Equity instruments at fair value through other comprehensive income	—	—	60,701	60,701
Current assets				
Investments held-for-trading	16,661	—	(16,661)	—
Equity instruments at fair value through profit or loss	—	—	16,661	16,661
Current liabilities				
Trade payables, other payables and accruals	711,881	(5,336)	—	706,545
Contract liabilities	—	5,336	—	5,336

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in the working capital have been computed based on opening consolidated statement of financial position as at 1 January 2018 as disclosed 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

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 ³
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 ²
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 a date to be determined.

3 Effective for annual periods beginning on or after 1 January 2021.

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 all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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.

Amendments to HKAS 1 and HKAS 8 *Definition of Material*

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the 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 in issue but not yet effective (Continued)

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. 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.

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 operating lease payments 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 financing cash flows by the Group.

In contrast to lessee accounting, 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.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK\$49,725,000 as disclosed in note 44. A preliminary assessment indicates that these arrangements will 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 unless they qualify for low value or short-term lease.

In addition, the Group currently considers refundable rental deposits paid of HK\$3,160,000 and refundable rental deposits received of HK\$138,360,000 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 paid would be included in the initial measurement of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

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 Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

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 HKEX and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at 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 of 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 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 *Lease*, 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 Asset*.

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 investment 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 entity 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.

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.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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 *Share-based Payment* at the acquisition date; 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 over the net amount of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts 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 are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9/HKAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets 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/financial liabilities at the respective fair values, the remaining balance of 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (continued)

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).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

Investments in associates

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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. 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 interest 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 that 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (continued)

The Group assess whether there is an objective evidence that the interests in associates 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 *Impairment of Assets* 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.

Where a group entity transacts with an associate of the Group (such as a sale), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group.

When the Group ceases to have significant influence over an associate, or obtains control over an associate through acquisition of additional interests, 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.

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.

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 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

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.

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 and other similar allowances.

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.

Service income and revenue from hotel operation are recognised when the services are provided.

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

Leasing

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing (continued)

The Group as a lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Property, plant and equipment

Property, plant and equipment other than freehold land are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Freehold land is stated at cost less accumulated impairment losses.

Depreciation is recognised so as to write off the cost of assets 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.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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 the 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 (including investment properties for development held for such purposes).

Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

Construction cost incurred on investment properties for development are capitalised as part of the carrying amount of the investment properties for development.

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 the disposal. 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.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease 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 considerations (including any lump sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property lease is generally classified as if the leasehold land is under finance lease.

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 price.

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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.

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 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 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 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 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.

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.

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)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. 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. 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.

(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 investments 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 excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

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)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, investment in preference shares, pledged deposits and bank balances). 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. Assessment 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.

The Group always recognises lifetime ECL for trade and lease receivables. The ECL on trade and lease receivables are assessed individually for debtors with significant balances and the remaining balance are assessed collectively using appropriate groupings and individually for credit impaired balances.

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.

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

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;
- 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.

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)

(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.

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.

(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, or in the case of trade receivables, when the amounts are over one year past due, 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.

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

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.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group;
- Past-due status;
- Nature, size and reputation of debtors;
- Repayment history.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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 and lease receivables, where the corresponding adjustment is recognised through a loss allowance account.

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)

The Group's financial assets are classified into one of the three categories, including loans and receivables, financial assets at FVTPL and AFS financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Interest income is recognised on an effective interest basis.

(i) 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 and other receivables, amount due from an associate, pledged deposits and bank balances are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy on impairment loss on financial assets below).

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

(ii) Financial assets at FVTPL

Financial assets at FVTPL comprise investments held-for-trading and derivative financial instruments.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of a portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking.

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. 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 gains and losses" line item in the consolidated statement of profit or loss.

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)

(iii) 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 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. Dividends on AFS equity investment are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of "Investments reserve". When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the "Investments reserve" is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period.

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 where 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 investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortised cost, 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 the financial asset because of financial difficulties.

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 (before application of HKFRS 9 on 1 January 2018) (continued)

For certain categories of financial asset, such as trade receivables, 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 average credit period, 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.

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 with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade 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 in which the impairment takes place.

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 losses 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.

Impairment losses on AFS equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investments reserve. For 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity 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 equity 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 at amortised cost

Financial liabilities (including trade and other payables, bonds, bank loans and trust receipt loans) are subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

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.

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 and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses on assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its assets 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 asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where 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 to sell 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset other than financial assets is estimated to be less than its carrying amount, the carrying amount of the asset 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 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 exchange 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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each 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 translation reserve.

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.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is 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.

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)

Share-based payments arrangement

Equity-settled share-based payment transactions

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 the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to 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.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any application minimum funding requirements.

Remeasurements of the net defined benefit liability, actuarial gain or loss are recognised immediately in other comprehensive income. The Group determines the interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 taxation” as reported in the consolidated statement of profit or loss because it excludes items 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.

Deferred tax is recognised on the 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, associates, except where the Group is able to control the reversal of the temporary differences 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 and interests 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 the 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 when the liability is settled or the asset is realised, based on tax rates (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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

For the purposes of measuring deferred tax liabilities or deferred tax assets 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. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered). Non-depreciable freehold lands are presumed to be recovered entirely through sale.

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.

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).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company 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 ongoing 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 of the Company 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.

Deferred taxation for investment properties

For the purposes of measuring deferred tax liabilities or assets 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 directors of the Company have reviewed the Group's investment properties located in Japan and concluded that these properties are held under 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 except for the investment properties which the land under freehold. Such properties are presumed to be recovered entirely through sale.

The directors of the Company have also reviewed the Group's investment properties located in Hong Kong, Singapore and Thailand and concluded that the carrying amounts of these properties are to be recovered entirely through sale.

Accordingly, deferred taxation for these investment properties is measured based on the expected manner as to how the properties will be recovered.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

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

Net realisable value of inventories

The cost of inventories is written down to net realisable value (“NRV”) when the cost of inventories is not recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. When the net realisable value of an item of inventory is less than the carrying amount, the excess is written off immediately in the consolidated statement of profit or loss. The management’s review and estimation of the NRV is primarily based on the ageing, conditions and marketability of the inventories. The Group carried out the inventory review at the end of the reporting period and made the necessary allowance on obsolete and slow moving items so as to write off or write down inventories to their NRVs. The carrying amount of inventories is HK\$640,165,000 (2017: HK\$547,985,000), net of allowance on obsolete and slow moving inventories of HK\$3,427,000 (2017: HK\$4,340,000) as at 31 December 2018.

Fair value measurement of investment properties

As described in notes 3 and 16, investment properties are stated at fair values based on the valuation performed by independent professional valuers. The valuers have determined the fair values using a method of valuation which involves the making of certain assumptions and the use of estimates. In relying on the valuation reports of the professional valuers, the directors of the Company have exercised its judgment and is satisfied that the method of valuation is reflective of the current market conditions. The carrying amount of the investments properties at 31 December 2018 is HK\$4,598,274,000 (2017: HK\$4,081,883,000).

Fair value measurement of financial instruments

Certain of the Group’s financial assets, unquoted equity instruments amounting to HK\$50,286,000 as at 31 December 2018 are stated at fair values with fair values being determined based on valuation techniques which involves unobservable inputs.

Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 42(c) for further disclosures.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

5. REVENUE

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2018		
	Distribution of mobile and IT products HK\$'000	Hotels operations HK\$'000	Total HK\$'000
Types of goods or service			
Distribution of mobile and IT products			
Mobile products	1,486,195	—	1,486,195
IT related products	4,615,297	—	4,615,297
	<u>6,101,492</u>	<u>—</u>	<u>6,101,492</u>
Commission income	<u>15,060</u>	<u>—</u>	<u>15,060</u>
Hotel Operations			
Room revenue	—	24,985	24,985
Food and beverage	—	5,052	5,052
	<u>—</u>	<u>30,037</u>	<u>30,037</u>
Sub-total	<u>6,116,552</u>	<u>30,037</u>	<u>6,146,589</u>
Leasing of investment properties			<u>232,568</u>
Total			<u>6,379,157</u>
Geographical market			
Hong Kong	854,924	—	854,924
Thailand	5,261,628	—	5,261,628
Japan	—	30,037	30,037
	<u>—</u>	<u>30,037</u>	<u>30,037</u>
Total before leasing of investment properties	<u>6,116,552</u>	<u>30,037</u>	<u>6,146,589</u>
Timing of revenue recognition			
At a point in time	6,116,552	5,052	6,121,604
Over time	—	24,985	24,985
	<u>—</u>	<u>24,985</u>	<u>24,985</u>
Total before leasing of investment properties	<u>6,116,552</u>	<u>30,037</u>	<u>6,146,589</u>

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

Revenue from distribution of mobile and IT products

For distribution of mobile and IT products, the Group is acting as a principal as the Group and the customers control the specified good before that good is further transferred. The performance obligation is satisfied and the control of good is transferred to the Group's customers upon delivery of the good. Transportation and other related activities that occur before the customers obtain control of the related goods are considered as fulfillment activities. The Group allows credit period from 30 day to 90 days to certain trade customers. Sale return and warranty on defect items are borne by the suppliers. Rebate to customers are settled on monthly basis.

In addition, the Group also earned commission income from its customers for the purchase of additional warranty services for IT products provided by the Group's suppliers in which the Group acted as an agent. The commission income is recognised at a point of time.

Revenue from hotel operations

Hotel room revenue is recognised over the contract period when the relevant services are provided by the Group and the customers simultaneously receive and consume the benefits provided by the Group's performance.

The Group receives deposit from customers when the hotel room reservation is made. The deposits received from the contracts prior to meeting the above criteria for revenue recognition are recognised as deposits.

For food and beverage for which the control of services is transferred at a point in time, revenue is recognised when the related services have been rendered to customers.

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

As at 31 December 2018, contracts with customers with unsatisfied performance obligations for the distribution of mobile and IT products and hotel operations have original expected duration of one year or less. As permitted under HKFRS 15, the aggregate amount of transaction price allocated to these unsatisfied performance obligations is not disclosed.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

5. REVENUE (CONTINUED)

B. For the year ended 31 December 2017

An analysis of the Group's revenue for the year ended 31 December 2017 is the as follows:

	2017 HK\$'000
Distribution of mobile and IT products	766,323
Leasing of investment properties	215,329
Hotels operations	<u>29,116</u>
	<u>1,010,768</u>

6. SEGMENT INFORMATION

Information reported to the executive directors, being the chief operating decision makers ("CODM"), for the purpose of resource allocation and assessment of segment performance focuses on the distribution of mobile and IT products (Hong Kong and Thailand), property investment and hotel operations (Japan and other regions) and securities investment. Segment liabilities have not been presented as these are not presented to the CODM.

During the year, the property investment and hotel operations in Japan become a reportable segment resulting from changes in resource allocation and assessment of segment performance by CODM. Therefore, certain comparative figures of the segment information have been represented.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

6. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

	For the year ended 31 December 2018					Consolidated HK\$'000
	Distribution of mobile and IT products		Property investment and hotel operations		Securities investment HK\$'000	
	Hong Kong HK\$'000	Thailand HK\$'000	Japan HK\$'000	Other regions HK\$'000		
Segment revenue						
External sales	854,924	5,261,628	221,368	41,237	—	6,379,157
Segment (loss) profit	(8,030)	140,654	157,345	193,832	11,011	494,812
Share of results of associates						13,666
Listing expenses						(33,155)
Finance costs						(57,988)
Other unallocated income						19,818
Unallocated corporate expenses						(46,797)
Profit before taxation						390,356

	For the year ended 31 December 2017				Consolidated HK\$'000
	Distribution of mobile and IT products* HK\$'000	Property investment and hotel operations		Securities investment HK\$'000	
		Japan HK\$'000	Other regions HK\$'000		
Segment revenue					
External sales	766,323	206,887	37,558	—	1,010,768
Segment (loss) profit	(40,582)	137,641	236,632	23,218	356,909
Loss on disposal of subsidiaries					(97)
Gain on re-measurement of previously held interest in associate					118,832
Impairment loss on interest in associate					(219)
Share of results of associates					34,623
Finance costs					(34,119)
Other unallocated income					14,186
Unallocated corporate expenses					(42,225)
Profit before taxation					447,890

* This only relates to the Group's operations in Hong Kong as the acquisition of additional interest in SiS Thai (as defined in note 39) was completed towards the end of 2017.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

6. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

Segment profit represents the profit earned by each segment without allocation of central administration costs and corporate expenses, listing expenses, impairment loss on interest in associate, gain on re-measurement of previously held interest in associate, share of results of associates, finance costs and other unallocated income.

Segment assets

The following is an analysis of the Group's assets by reportable segment:

	At 31 December 2018					
	Distribution of mobile and IT products		Property investment and hotel operations		Securities investment	Consolidated
	Hong Kong	Thailand	Japan	Other regions		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment assets	223,215	1,542,367	2,998,502	2,136,775	321,843	7,222,702
Interests in associates						106,156
Unallocated corporate assets						1,040,274
Consolidated total assets						8,369,132

	At 31 December 2017					
	Distribution of mobile and IT products		Property investment and hotel operations		Securities investment	Consolidated
	Hong Kong	Thailand	Japan	Other regions		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment assets	153,950	1,441,716	2,627,138	1,792,762	241,694	6,257,260
Interests in associates						92,966
Unallocated corporate assets						1,156,900
Consolidated total assets						7,507,126

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than interests in associates and unallocated corporate assets.

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FOR THE YEAR ENDED 31 DECEMBER 2018

6. SEGMENT INFORMATION (CONTINUED)

Other segment information

Segment results and segment assets presented above includes the following:

	For the year ended 31 December 2018						Consolidated HK\$'000
	Distribution of mobile and IT products		Property investment and hotel operations		Securities investment HK\$'000	Unallocated HK\$'000	
	Hong Kong HK\$'000	Thailand HK\$'000	Japan HK\$'000	Other regions HK\$'000			
Capital additions	318	15,368	235,399	824	—	—	251,909
Capital additions through acquisition of subsidiaries in Hong Kong	—	—	—	182,000	—	—	182,000
Reversal of allowance on obsolete and slow moving inventories	(913)	—	—	—	—	—	(913)
Allowance on credit losses	215	137	—	—	—	—	352
Depreciation	1,372	9,920	4,719	7,233	—	293	23,537
Gain from changes in fair value of investment properties	—	—	(61,951)	(158,868)	—	—	(220,819)
Loss (gain) from changes in fair value of equity instruments at FVTPL	—	—	524	11,583	(19,148)	—	(7,041)
Loss from changes in fair value of derivative financial instruments	—	—	—	—	46	—	46
Gain on disposal of property, plant and equipment	—	(38)	—	—	—	—	(38)
	For the year ended 31 December 2017						
	Distribution of mobile and IT products HK\$'000	Property investment and hotel operations Japan HK\$'000	Other regions HK\$'000	Securities investment HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000	
Capital additions	3,481	35,289	25	—	—	38,795	
Capital additions through acquisition of and subsidiaries in Thailand	28,130	—	—	—	—	28,130	
Reversal of allowance on obsolete and slow moving inventories	(1,047)	—	—	—	—	(1,047)	
Reversal of allowance on credit losses	(568)	—	—	—	—	(568)	
Gain on disposal of available-for-sale investments	—	—	—	(26,609)	—	(26,609)	
Impairment loss on available-for-sale investments	—	—	—	7,318	—	7,318	
Depreciation	1,705	4,612	1,527	—	284	8,128	
Gain from changes in fair value of investment properties	—	(44,692)	(201,593)	—	—	(246,285)	
Gain on disposal of property, plant and equipment	(376)	—	—	—	—	(376)	

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6. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's revenue from external customers by geographical location of the customers are attributed to the group entities' countries of domicile (i.e. Hong Kong, Japan, Singapore and Thailand).

Information about the Group's revenue by geographical location of the customers and non-current assets by geographical location of assets are set out below:

	Revenue		Non-current assets	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Hong Kong	894,586	802,324	2,077,270	1,747,382
Japan	221,368	206,887	2,963,098	2,610,204
Singapore	1,574	1,557	51,547	49,937
Thailand	5,261,629	—	34,044	28,130
	6,379,157	1,010,768	5,125,959	4,435,653

Non-current assets excluded goodwill, deferred tax assets, deposits paid, equity instruments, interests in associates and other assets.

Major customer information

During the years ended 31 December 2017 and 2018, no customer contributed over 10% of the total revenue of the Group.

7. OTHER INCOME

	2018 HK\$000	2017 HK\$000
Interest from banks	10,196	3,237
Maintenance income	12,269	—
Service income	2,133	—
Utility income (Note)	9,111	6,040
Dividend income	3,970	697
Property consultant income	2,127	—
Others	8,785	1,366
	48,591	11,340

Note: The Group earned utility income by charging a price for utilities used net of direct costs incurred by the Group.

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FOR THE YEAR ENDED 31 DECEMBER 2018

8. OTHER GAINS AND LOSSES

	2018 HK\$000	2017 HK\$000
(Allowance for) reversal of allowance of credit losses	(352)	568
Impairment loss on available-for-sale investments	—	(7,318)
Impairment loss on interest in associate	—	(219)
Loss on disposal of subsidiaries	—	(97)
Gain on disposal of property, plant and equipment	38	376
Gain on disposal of available-for-sale investments	—	26,609
Exchange (loss) gain, net	(1,294)	12,394
Gain from changes in fair value of investments held-for-trading	—	3,230
Gain from changes in fair value of equity instruments at FVTPL	7,041	—
Provision for litigation and other related expenses	—	(30,000)
Loss from changes in fair value of derivate financial instruments	(46)	—
	5,387	5,543

9. FINANCE COSTS

	2018 HK\$000	2017 HK\$000
Interest on bank borrowings and bonds	57,036	33,065
Interest on finance leases	952	1,054
	57,988	34,119

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10. INCOME TAX EXPENSE

	2018 HK\$000	2017 HK\$000
Current tax:		
Hong Kong	18	797
Overseas:		
Corporate tax	27,105	1,571
Withholding tax on declared dividend income	2,533	2,570
	29,656	4,938
Under (over) provision in prior years		
Hong Kong	(30)	—
Overseas	416	(570)
	30,042	4,368
Deferred taxation (<i>note 35</i>)	30,838	73,378
	60,880	77,746

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 quantifying 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%.

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million for the qualified entity.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2017.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

Corporate Tax in Japan is calculated at 23.4% (2017: 23.4%) on the estimated assessable profit for the year. Pursuant to relevant laws and regulations in Japan, withholding tax is imposed at 20.42% and 5% on dividends declared to local investors and foreign investors, respectively, in respect of profit earned by Japanese subsidiaries.

Corporate Tax in Thailand is calculated at 20% on the estimated assessable profit for the year.

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10. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2018 HK\$'000	2017 HK\$'000
Profit before taxation	390,356	447,890
Tax at the domestic income tax rate of 16.5% (<i>note 1</i>)	64,409	73,902
Tax effect of share of results of associates	(2,255)	(5,713)
Tax effect of expenses not deductible for tax purposes	18,555	13,031
Tax effect of income not taxable for tax purposes	(33,941)	(59,192)
Tax effect of tax benefit of subsidiaries (<i>note 2</i>)	(12,355)	(10,563)
Tax effect of tax losses/deductible temporary differences not recognised	2,714	3,012
Under (over) provision in prior years	386	(570)
Utilisation of tax losses/deductible temporary differences previously not recognised	(942)	(821)
Effect of different tax rates of subsidiaries	9,457	453
Deferred tax on undistributed earnings of subsidiaries	14,725	7,689
Additional deferred tax liabilities on revaluation of properties	—	54,619
Others	127	1,899
Income tax expense	60,880	77,746

Notes:

1. *Hong Kong Profits Tax rate is used as the domestic tax rate as Hong Kong is the place where the operations of the Group are substantially based.*
2. *Certain of the Group's subsidiaries were incorporated as tokutei mokuteki kaisha ("TMK"), a special purpose entity in Japan for real estate transactions. In accordance with the Act on Special Measures Concerning Taxation, a TMK is permitted to deduct from its taxable income the amount of dividends it declared provided that a TMK is distributing at least 90 per cent of its profits in each financial year.*

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11. PROFIT FOR THE YEAR

	2018 HK\$'000	2017 HK\$'000
Profit for the year has been arrived at after charging:		
Auditor's remuneration	7,176	5,862
Cost of inventories recognised as an expense (including reversal of allowance on obsolete and slow moving inventories of HK\$913,000 (2017: HK\$1,047,000))	5,753,481	722,068
Depreciation of property, plant and equipment	23,537	8,128
Staff costs (<i>note</i>)	171,580	62,795
Share of tax of associates (included in share of results of associates)	3,185	10,833
Operating lease rentals in respect of rented premises	13,615	4,996
and after crediting:		
Gross rental income from investment properties	232,568	215,329
Less: direct operating expenses	(107,703)	(101,788)
Net rental income	124,865	113,541
Interest on bank deposits	10,196	3,237
Dividend income from investments held-for-trading	—	336
Dividend income from available-for-sale investments	—	361
Dividend income from equity instruments at FVTOCI	1,731	—
Dividend income from equity instruments at FVTPL	2,239	—

Note: Staff costs include emoluments to directors as set out in note 12. Staff costs include retirement benefit schemes contributions for directors and other staff amounting to HK\$5,335,000 (2017: HK\$1,765,000).

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12. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Emoluments paid or payable to each of the directors and chief executive officer of the Company during the year are as follows:

	Fees HK\$'000	Salaries and other benefits HK\$'000	Performance bonus HK\$'000	Contributions to retirement benefit scheme HK\$'000	Equity- settled share-based payment HK\$'000	2018 Total HK\$'000
Executive directors:						
Mr. Lim Kia Hong (Chief executive officer)	331	4,544	—	40	—	4,915
Mr. Lim Kiah Meng	399	5,330	100	40	—	5,869
Mr. Lim Hwee Hai	368	3,994	—	41	—	4,403
Madam Lim Hwee Noi	220	2,266	—	25	—	2,511
	1,318	16,134	100	146	—	17,698
Independent non-executive directors:						
Mr. Lee Hiok Chuan	280	—	—	—	—	280
Ms. Ong Wui Leng	280	—	—	—	—	280
Mr. Ma Shiu Sun Michael	280	—	—	—	—	280
	840	—	—	—	—	840
	2,158	16,134	100	146	—	18,538
	Fees HK\$'000	Salaries and other benefits HK\$'000	Performance bonus HK\$'000	Contributions to retirement benefit scheme HK\$'000	Equity- settled share-based payment HK\$'000	2017 Total HK\$'000
Executive directors:						
Mr. Lim Kia Hong (Chief executive officer)	246	4,520	—	49	178	4,993
Mr. Lim Kiah Meng	246	5,308	100	69	178	5,901
Mr. Lim Hwee Hai	246	3,971	—	39	178	4,434
Madam Lim Hwee Noi	126	2,248	—	37	98	2,509
	864	16,047	100	194	632	17,837
Independent non-executive directors:						
Mr. Lee Hiok Chuan	280	—	—	—	14	294
Ms. Ong Wui Leng	280	—	—	—	14	294
Mr. Ma Shiu Sun Michael	280	—	—	—	17	297
	840	—	—	—	45	885
	1,704	16,047	100	194	677	18,722

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12. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Mr. Lim Kia Hong is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive for both years.

The performance bonus is determined by reference to the performance and resources of the group companies and the performance of the individual directors for both years.

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

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

There was no arrangement under which directors waived or agreed to waive any remuneration for both years.

Of the five individuals with the highest emoluments in the Group, four (2017: four) were directors whose emoluments are disclosed above. The emoluments of the remaining one (2017: one) individual are as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries and other benefits	2,503	2,395
Contributions to retirement benefit scheme	22	18
Equity-settled share-based payment	—	67
	2,525	2,480

13. LISTING EXPENSES

The amount represents professional fees and other expenses incurred in preparation for the listing of subsidiary's shares.

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14. DIVIDENDS

	2018 HK\$'000	2017 HK\$'000
Dividend recognised as distribution during the year:		
Final dividend, paid in respect of the year ended 31 December 2017 of 4.0 HK cents per share (2017: 3.0 HK cents per share in respect of the year ended 31 December 2016)	11,119	8,339

A final dividend of 7.0 HK cents per share amounting to HK\$19,458,000 for the year ended 31 December 2018 have been proposed by the directors of the Company and are subject to approval by the shareholders in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

The calculation of both the basic and diluted earnings per share is based on the Group's profit attributable to owners of the Company of HK\$282,999,000 (2017: HK\$367,835,000) and the weighted average number of ordinary shares calculated below.

	2018	2017
Weighted average number of ordinary shares for the purpose of basic earnings per share	277,966,666	277,873,515
Effect of dilutive potential ordinary share:		
Share options issued by the Company	108,069	52,541
Weighted average number of ordinary shares for the purpose of diluted earnings per share	278,074,735	277,926,056

The computation of diluted earnings per share for the year ended 31 December 2017 and 2018 did not assume the exercise of certain share options of the Company and share options of SiS Mobile as the exercise prices of those options are higher than the average market prices of the Company and SiS Mobile for both years.

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16. INVESTMENT PROPERTIES

	2018 HK\$'000	2017 HK\$'000
Completed properties	4,472,072	4,081,883
Properties for development	126,202	—
	4,598,274	4,081,883

Completed properties

	2018 HK\$'000	2017 HK\$'000
At 1 January	4,081,883	3,723,972
Exchange realignment	55,211	105,440
Additions	240,361	35,273
Disposal	—	(29,087)
Transfer to properties for development	(126,202)	—
Net gain from changes in fair value recognised in profit or loss	220,819	246,285
At 31 December	4,472,072	4,081,883

Properties for development

	2018 HK\$'000	2017 HK\$'000
At 1 January	—	—
Transfer from completed properties	126,202	—
At 31 December	126,202	—

An analysis of the investment properties, which are stated at fair value, by geographical location and lease term is as follows:

	2018 HK\$'000	2017 HK\$'000
Hong Kong	1,762,600	1,606,200
Japan	2,782,446	2,429,234
Singapore	48,044	46,449
Thailand	5,184	—
	4,598,274	4,081,883

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16. INVESTMENT PROPERTIES (CONTINUED)

All of the Group's property interests which are held to earn rentals or for capital appreciation purposes (including those that are held under operating leases), are classified and accounted for as investment properties and are measured using the fair value model.

In determining the fair value of the relevant properties, the directors of the Company have exercised their judgement to determine the appropriate valuation technique and inputs for the fair value measurements.

The fair values of the investment properties in Hong Kong, Japan and Singapore, which falls under level 3 of the fair value hierarchy, as at the end of the reporting period, have been arrived at on the basis of valuations carried out on that date by Cushman & Wakefield Limited, CBRE KK and Knight Frank Pte. Ltd. respectively, who are independent qualified professional valuers not connected with the Group. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties and where appropriate by capitalisation of the net income with due allowance for outgoings and provisions for reversionary income potential.

The fair values of the investment properties in Thailand which falls under level 3 of the fair value hierarchy, as at the end of the reporting period, have been arrived at on the basis of valuation carried out by the directors of the Company. The valuations were carried out by reference to market evidence of recent transaction prices for similar properties.

The fair values of the investment properties for development in Japan, which falls under level 3 of the fair value hierarchy, as at 31 December 2018 have been arrived at on the basis of valuations carried out on that date by CBRE KK. The valuations were arrived at by income approach with adjustment made to account for the development costs, and indirect costs that will be expended to complete the development.

One of the key inputs used in valuing the investment properties located in Hong Kong, Singapore and Thailand was the unit sale rate. The unit sale rate of commercial properties located in Hong Kong ranged from HK\$6,200 to HK\$50,400 (2017: HK\$5,100 to HK\$30,700) while the unit sale rate of residential properties and car parks located in Hong Kong were HK\$15,300 and HK\$4,490,000 respectively (2017: HK\$15,000 and HK\$4,200,000 respectively). The unit sale rate of the investment properties located in Singapore ranged from Singapore Dollar ("SGD") 1,500 to SGD1,900 (2017: SGD1,000 to SGD1,500). The unit sale rate of the investment properties located in Thailand is Thai Baht ("THB") 16,471 (2017: nil). The unit sale rate takes into account of market comparables and the location and other individual factors such as road frontage, size of property etc. The higher the unit sales rate, the higher the fair value of the investment properties, and vice versa.

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16. INVESTMENT PROPERTIES (CONTINUED)

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

One of the key inputs used in valuing the investment properties located in Japan was the capitalisation rates used, of which the capitalisation rates used for hospitality premises and office premises ranged from 4.3% to 5.9% and 4.8% to 5.2% respectively (2017: 4.3% to 6.1% and 4.7% to 6.2% respectively). An increase in the capitalisation rate used would result in a decrease in fair value of the investment properties, and vice versa.

The valuation obtained for an investment property situated in Japan has been adjusted to avoid double-counting of liabilities that are recognised as separate finance lease obligation liabilities. A reconciliation between the valuation amount and the adjusted valuation is provided below.

	2018 HK\$'000	2017 HK\$'000
Valuation of the investment property	509,771	308,385
Recognised finance lease obligation	29,754	33,255
Fair value of the investment property	539,525	341,640

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17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK\$'000	Hotel properties HK\$'000	Land and building in Hong Kong HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST							
At 1 January 2017	82,314	96,254	138,888	11,879	6,125	2,442	337,902
Exchange realignment	3,725	4,355	—	—	94	159	8,333
Additions	—	—	—	1,261	268	1,993	3,522
Acquisition of subsidiaries (note 39)	—	—	—	6,702	21,428	—	28,130
Disposals	—	—	—	(1,568)	(754)	(1,401)	(3,723)
At 31 December 2017	86,039	100,609	138,888	18,274	27,161	3,193	374,164
Exchange realignment	1,986	2,323	—	(34)	(84)	(57)	4,134
Acquisition of properties (note 38)	—	—	182,000	—	—	—	182,000
Additions	—	—	206	—	10,542	800	11,548
Disposals	—	—	—	(48)	(342)	—	(390)
At 31 December 2018	88,025	102,932	321,094	18,192	37,277	3,936	571,456
DEPRECIATION							
At 1 January 2017	—	1,559	2,192	6,150	3,752	1,638	15,291
Exchange realignment	—	64	—	22	66	111	263
Provided for the year	—	4,521	430	1,780	1,089	308	8,128
Eliminated on disposals	—	—	—	(1,545)	(754)	(989)	(3,288)
At 31 December 2017	—	6,144	2,622	6,407	4,153	1,068	20,394
Exchange realignment	—	141	—	(25)	(77)	(24)	15
Provided for the year	—	4,623	6,189	3,382	8,715	628	23,537
Eliminated on disposals	—	—	—	(48)	(127)	—	(175)
At 31 December 2018	—	10,908	8,811	9,716	12,664	1,672	43,771
CARRYING VALUES							
At 31 December 2018	88,025	92,024	312,283	8,476	24,613	2,264	527,685
At 31 December 2017	86,039	94,465	136,266	11,867	23,008	2,125	353,770

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17. 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:

Hotel properties	2%–3%
Leasehold land	Over the term of the lease
Building	2%, or over the term of the lease, whichever is shorter
Leasehold improvements	15% or the term of the lease, whichever is shorter
Furniture, fixtures and equipment	10%–33%
Motor vehicles	20%

18. GOODWILL

	HK\$'000
COST AND CARRYING VALUES	
Arising on acquisition of subsidiaries (<i>note 39</i>)	<u>126,406</u>
At 31 December 2017 and 2018	<u>126,406</u>

Goodwill arose from the acquisition of equity interest in a group, which is engaged in distribution of mobile and IT products in Thailand.

For the purposes of impairment testing, goodwill has been allocated to group of cash-generating units, in relation to distribution of mobile and IT products in Thailand, which represent the lowest level at which the goodwill is monitored internally for management purpose.

During the years ended 31 December 2017 and 2018, management of the Group determines that there is no impairment as the fair value less cost of sale, based on the market capitalisation approach, is above the carrying amount.

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19. INTERESTS IN ASSOCIATES

	2018 HK\$'000	2017 HK\$'000
Cost of investment in associates		
Listed overseas	87,224	87,224
Unlisted overseas	4,873	4,873
Share of post-acquisition profits and reserves, net of dividend received	14,059	869
	106,156	92,966
Fair value of listed associates	184,454	131,517

The recoverable amount of the interest in an associate was estimated to be less than its carrying amount as at 31 December 2017. The Company recognised an impairment loss of HK\$219,000 in profit or loss for the year ended 31 December 2017.

Details of the principal associates at the end of the reporting period are as follows:

Name of company	Form of business structure	Country of incorporation/ operation	Class of shares held	Proportion of nominal value of issued capital held indirectly by the Company		Proportion of voting rights held indirectly by the Company		Principal activities
				2018	2017	2018	2017	
SiS Distribution (Thailand) Public Company Limited (listed on the Stock Exchange of Thailand)	Limited company	Thailand	Ordinary	— <i>(Note)</i>	— <i>(Note)</i>	—	—	Distribution of mobile and IT products and provision of services
Information Technology Consultants Limited ("ITCL")	Limited company	Bangladesh	Ordinary	37.6%	37.6%	37.6%	37.6%	Provision of financial services and mobile banking solutions
Wiko Mobile (Thailand) Co. Ltd.	Limited company	Thailand	Ordinary	28.6%	28.6%	28.6%	28.6%	Distribution of smartphone under brand ("Wiko")

Note: During the year ended 31 December 2017, the Group acquired an additional 16.82% equity interest in the associate through Thai Alliance Co., Ltd., a subsidiary which the Group owns 96.55% interest. Upon completion of the acquisition, the Group effectively holds 63.53% equity interest and obtained control in SiS Distribution (Thailand) Public Company Limited. Accordingly, the investment was reclassified from interest in associate to interest in subsidiary. Details of the transaction are set out in note 39.

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19. INTERESTS IN ASSOCIATES (CONTINUED)

(i) Information Technology Consultants Limited (“ITCL”)

	2018 HK\$'000	2017 HK\$'000
Current assets	129,888	132,363
Non-current assets	100,523	100,066
Current liabilities	(53,231)	(68,744)
Non-current liabilities	(10,904)	(10,006)
Revenue	79,711	101,917
Profit for the year	13,675	5,218
Other Comprehensive expense for the year	—	—
Group's share of the total profit for the year	5,141	1,962

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:

	2018 HK\$'000	2017 HK\$'000
Net assets of ITCL	166,276	153,679
Proportion of the Group's ownership interest in ITCL	37.6%	37.6%
The Group's share of net assets of ITCL	62,515	57,783
Goodwill (<i>Note</i>)	30,313	30,313
Carrying amount of the Group's interest in ITCL	92,828	88,096

Note: ITCL was listed on the stock exchange in Bangladesh in 2015. The amount represented the fair value of retained interest over the share of diluted interest of net assets value of ITCL.

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19. INTERESTS IN ASSOCIATES (CONTINUED)

The summarised financial information in respect of the material associate, up to the date of control obtained, is set out below:

(ii) SiS Distribution (Thailand) Public Company Limited

	2018 HK\$'000	2017 HK\$'000
Current assets	—	—
Non-current assets	—	—
Current liabilities	—	—
Non-current liabilities	—	—
Net assets	—	—
Group's share of net assets	—	—
Revenue	—	4,608,446
Profit for the year	—	69,065
Other comprehensive expense for the year	—	(22)
Dividend received from the associate during the year	—	15,237
Group's share of the total profit for the year	—	32,661

(iii) Aggregate information of associate that is not individually material

	2018 HK\$'000	2017 HK\$'000
The Group's share of profit for the year	8,525	—

The Group has discontinued recognising its share of losses of certain associates. The amounts of unrecognised share of losses of these associates, extracted from the management accounts of the relevant associates, both for the year and cumulatively, are as follows:

	2018 HK\$'000	2017 HK\$'000
Unrecognised share of profit (loss) of associates for the year	260	(11)
Accumulated unrecognised share of losses of associates	(519)	(779)

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FOR THE YEAR ENDED 31 DECEMBER 2018

20. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK\$'000
Listed securities at FVTPL:	
Equity securities listed in Hong Kong	18,266
Equity securities listed overseas	<u>194,025</u>
	<u>212,291</u>
Listed securities held for trading:	
Equity securities listed overseas	<u>13,428</u>
Analysed for reporting purposes as:	
Current assets	13,428
Non-current assets	<u>212,291</u>
	<u>225,719</u>

21. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 HK\$'000
Listed investments:	
Equity securities listed in Hong Kong	9,649
Equity securities listed overseas	<u>4,989</u>
	<u>14,638</u>
Unlisted investments:	
Equity securities established in Hong Kong	3,305
Equity securities established overseas	<u>72,811</u>
	<u>76,116</u>
	<u>90,754</u>

The above listed and unlisted equity investments are not held for trading, instead, they are held for long-term strategic purposes. The unlisted equity securities represent investment in entities involve in IT related business and development of hospitality business are held for strategic and capital appreciation purposes. The directors of the Company have elected to designate these investments as equity instruments at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investment for long-term purposes and realising their performance potential in the long run.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

22. INVESTMENT IN PREFERENCE SHARES

The investment represents preference shares investment which is non-convertible and for a fixed rate of return of 12% with the redemption date on 28 March 2019.

23. AVAILABLE-FOR-SALE INVESTMENTS

	2017 HK\$'000
Equity securities	
Listed overseas, at fair value	163,032
Unlisted, at costs less impairment	60,701
	<u>223,733</u>

The fair values of listed equity securities are determined based on the quoted market bid prices available on the relevant exchanges.

The unlisted equity securities represent investment in entities involve in IT related business and development of hospitality business are held for strategic and capital appreciation purposes. The unlisted equity securities are measured at cost less impairment, if any, because the range of reasonable fair value estimates is so broad that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

24. INVENTORIES

	2018 HK\$'000	2017 HK\$'000
Finished goods	643,592	552,325
Less: allowance on obsolete and slow moving inventories	<u>(3,427)</u>	<u>(4,340)</u>
	<u>640,165</u>	<u>547,985</u>

During the year, a reversal of allowance on obsolete and slow moving inventories of HK\$913,000 (2017: HK\$1,047,000) have been made in respect to an allowance no longer required on the subsequent sales of certain inventories, which indicated the circumstance that previously caused inventories to be written down below cost no longer exists.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

25. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018 HK\$'000	2017 HK\$'000
Trade receivables from sales of goods	815,319	725,562
Lease receivables	361	360
Less: allowance for credit losses	(585)	(233)
	815,095	725,689
Consumption tax receivable	6,322	52
Value added tax receivable	9,322	44,626
Rebate and claims receivable	36,024	44,906
Prepayment to suppliers	13,883	14,072
Effective rental receivables	15,352	12,767
Prepayments	12,035	6,929
Others	35,612	6,202
	943,645	855,243

At 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to HK\$815,319,000 and HK\$725,562,000 respectively.

The Group maintains a defined credit policy. Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customers. Limits granted to customers are reviewed periodically. For sales of goods, the Group allows credit period range from 30 to 90 days to certain trade customers. No credit period is granted to the customers for renting of properties. Rent is payable on presentation of a demand note. No interest is charged on overdue debts.

The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period.

	2018 HK\$000	2017 HK\$'000
Within 30 days	410,650	430,390
31 to 90 days	355,989	260,913
91 to 120 days	33,040	11,229
Over 120 days	15,416	23,157
	815,095	725,689

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$163,038,000 which are past due as at the reporting date. Out of the past due balances, HK\$250,000 has been past due 90 days or more and is not considered as in default after considering the creditworthiness and past payment history of these debtors. The Group does not hold any collateral over these balances.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

25. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

As at 31 December 2017, included in the trade receivable balance are debts with total carrying amount of HK\$117,729,000 which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considers that the default risk is low after considering the creditworthiness and past payment history of the debtors and settlement after the end of the reporting period. No collateral is held over these receivables. Trade receivables which are neither overdue nor impaired are of good quality.

The aging of these trade receivables at the end of each reporting period which are past due but not impaired, aged from their respective due dates are as follows:

	2017 HK\$'000
Overdue:	
Within 30 days	95,472
31 to 90 days	15,331
91 to 120 days	595
Over 120 days	<u>6,331</u>
	<u>117,729</u>

Movement in the allowance for credit losses deducted from the trade receivable are as follows:

	2017 HK\$'000
Balance at beginning of reporting period	801
Reversal of impairment loss recognised	<u>(568)</u>
Balance at end of the reporting period	<u>233</u>

The allowance for credit losses is provided on individually impaired trade debtors which have either been in severe financial difficulties or defaulted payments.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in note 42.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

26. AMOUNTS DUE FROM (TO) ASSOCIATES/RELATED COMPANIES

The amounts due to related companies as at 31 December 2018 are unsecured, bearing interest at rate 5% per annum and repayable on 3 December 2019.

As at 31 December 2017, included in the amounts due from associates is an amount of HK\$8,797,000 which is unsecured, bear interest at rates ranging from 3.03% to 5.25% per annum and repayable on December 2017. The remaining balances are unsecured, interest free and repayable on demand. The directors considered the amounts will be repaid within twelve months from the reporting period.

27. INVESTMENTS HELD-FOR-TRADING

	2017 HK\$'000
Equity securities	
Listed overseas, at fair value	16,661

The fair values are determined based on the quoted market bid prices available on the relevant exchange.

28. PLEDGED DEPOSITS/BANK BALANCES AND CASH

Pledged deposits and bank balances comprise of short-term bank deposits which carry interest at market rates ranging from 0.001% to 2.57% (2017: 0.001% to 1.23%) per annum.

Pledged deposits that are denominated in foreign currencies, currencies other than the functional currencies of the relevant group entities, amounted to HK\$330,700,000 (2017: HK\$353,106,000).

29. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2018 HK\$'000	2017 HK\$'000
Trade payables	456,699	453,251
Payables for marketing expenses	84,316	74,449
Accrued listing fee	13,750	—
Receipt in advance for leasing investment properties	21,801	34,003
Accrued staff costs	42,040	40,158
Provision for litigation and other related expense (note 40)	30,000	30,000
Other tax payable	5,591	11,235
Interest payable	3,684	7,564
Other payables and accruals	69,999	61,221
	727,880	711,881

The average credit period on purchase of goods is 30 to 60 days. The Group has policies in place to ensure that all payables are paid within the credit time frame.

Notes to the Consolidated Financial Statements

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29. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS (CONTINUED)

Trade payables that are denominated in United States Dollar, currency other than the functional currencies of the relevant group entities amounted to HK\$39,333,000 (2017: HK\$87,520,000).

The following is an aged analysis of the trade payables, based on the invoice date, at the end of the reporting period.

	2018 HK\$'000	2017 HK\$'000
Within 30 days	271,665	323,297
31 to 90 days	167,620	118,267
91 to 120 days	8,470	1,205
Over 120 days	8,944	10,482
	<u>456,699</u>	<u>453,251</u>

30. CONTRACT LIABILITIES

	31.12.2018 HK\$'000	1.1.2018* HK\$'000
Distribution of mobile and IT products	<u>12,310</u>	<u>5,336</u>

* The amounts in this column are after the adjustments from the application of HKFRS 15.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	Distribution of mobile and IT products HK\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	<u>5,336</u>

The Group receives deposits from certain customers when they issues purchase order. This results in contract liabilities being recognised until the control of the mobile and IT products is passed to the customers.

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FOR THE YEAR ENDED 31 DECEMBER 2018

31. DERIVATIVE FINANCIAL INSTRUMENTS

	2018 HK\$'000	2017 HK\$'000
Foreign currency forward contracts	582	536

The terms of the foreign currency forward contracts are listed out as below:

2018			
Buy	Sell	Maturity	Contract rates
USD12,098,000	THB392,929,000	4 February 2019 to 27 June 2019	USD1: THB32.14 to USD1: THB33.01
2017			
Buy	Sell	Maturity	Contract rates
USD8,098,000	THB265,574,000	17 January 2018 to 5 June 2018	USD1: THB32.42 to USD1: THB33.95

The Group has no financial assets and financial liabilities which are offset in the Group's consolidated statements of financial position. As at 31 December 2018, the foreign currency forward contracts are financial liabilities.

32. OBLIGATIONS UNDER FINANCE LEASES

	2018 HK\$'000	2017 HK\$'000
Analysed for reporting purposes as:		
Current liabilities	4,398	4,173
Non-current liabilities	25,356	29,082
	29,754	33,255

In 2015, the Group acquired an equipment under finance leases with a lease term of 10 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 2.80% to 3.56%.

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32. OBLIGATIONS UNDER FINANCE LEASES (CONTINUED)

	Minimum lease payments		Present value minimum lease payments	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Obligations under finance lease payable:				
Within one year	5,222	5,104	4,398	4,173
Within a period of more than one year but not more than two years	5,222	5,104	4,530	4,298
Within a period of more than two years but not more than five years	15,666	15,313	14,426	13,688
Within a period of more than five years	6,527	11,274	6,400	11,096
	32,637	36,795	29,754	33,255
Less: Future finance charges	(2,883)	(3,540)	N/A	N/A
	29,754	33,255	29,754	33,255
Less: Amount due for settlement within 12 months (shown under current liabilities)			(4,398)	(4,173)
Amount due for settlement after 12 months			25,356	29,082

33. BANK BORROWINGS

	2018 HK\$'000	2017 HK\$'000
Bank Loans	2,682,818	2,307,261
Trust Receipt	410,030	325,413
	3,092,848	2,632,674
Secured	2,571,648	2,090,271
Unsecured	521,200	542,403
	3,092,848	2,632,674

Notes to the Consolidated Financial Statements

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33. BANK BORROWINGS (CONTINUED)

The Group's bank borrowings were repayable as follows:

Carrying amount of bank borrowings based on scheduled repayment dates sets out in the loan agreements:

	2018 HK\$000	2017 HK\$000
Within one year	2,251,034	1,530,930
More than one year but not more than two years	18,810	21,128
More than two years but not more than five years	743,746	406,657
More than five years	73,020	537,796
	<u>3,086,610</u>	<u>2,496,511</u>
Carrying amount of bank borrowings that contains a repayment on demand clause (show under current liabilities):		
– repayable more than one year, but not exceeding two years	630	27,286
– repayable more than two years, but not exceeding five years	5,608	21,106
– repayable more than five years	–	87,771
	<u>6,238</u>	<u>136,163</u>
	<u>3,092,848</u>	2,632,674
Less: Amount due within one year shown under current liabilities	<u>(2,257,272)</u>	<u>(1,667,093)</u>
Amount shown under non-current liabilities	<u>835,576</u>	<u>965,581</u>

The bank loans bear interest at variable market interest rates, which are based on London Interbank Offer Rate ("LIBOR"), Singapore Interbank Offer Rate ("SIBOR") or JPY LIBOR plus a margin, ranging from 0.40% to 1.90% per annum (2017: LIBOR, SIBOR or JPY LIBOR plus 0.40% to 1.90% per annum).

The bank loans that are denominated in Thai Baht bears floating interest rates from 2.10% to 2.65% per annum (2017: 2.27% to 2.30% per annum).

Trust receipt bears floating interest rates from 2.00% to 2.50% per annum (2017: 2.00% to 2.25%).

Bank loans that are denominated in Japanese Yen and United State Dollar, amounted to JPY12,309,250,000 (equivalent to HK\$872,726,000) (2017: JPY9,658,250,000 (equivalent to HK\$669,317,000)) and USD12,100,000 (equivalent to HK\$94,380,000) (2017: USD18,200,000 (equivalent to HK\$141,960,000)) respectively. All other bank loans are denominated in functional currency of the respective group entities.

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34. BONDS

Bonds with aggregate principal amount of JPY3,873,685,000 (equivalent to HK\$274,644,000) (2017: JPY3,867,728,000 (equivalent to HK\$268,034,000)) will mature on 30 July 2024. The bonds are all denominated and settled in Japanese Yen, bear interest at rates ranging from JPY LIBOR plus 1.00% to 1.90% (2017: JPY LIBOR plus 0.97% to 1.90%) per annum, payable quarterly and non-recourse in nature.

	2018 HK\$'000	2017 HK\$'000
Carrying amount of bond repayable based on contractual repayment dates:		
More than two years but not more than five years	227,961	67,621
More than five years	46,683	200,413
	274,644	268,034

35. DEFERRED TAXATION

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

	Accelerated tax depreciation	Allowances for credit losses/ inventories	Tax losses	Undistributed earnings of subsidiaries and an associate	Revaluation of properties	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2017	(9,951)	1,356	9,783	(21,207)	(57,824)	(77,843)
(Charge) credit to profit or loss	(4,718)	—	1,690	(7,689)	(62,661)	(73,378)
Acquisition of subsidiaries	—	55,949	—	—	—	55,949
Exchange realignment	—	—	—	(1,628)	(2,610)	(4,238)
At 31 December 2017	(14,669)	57,305	11,473	(30,524)	(123,095)	(99,510)
(Charge) credit to profit or loss	(88)	144	(1,816)	(14,725)	(14,353)	(30,838)
Exchange realignment	—	(1)	—	(248)	(2,985)	(3,234)
At 31 December 2018	(14,757)	57,448	9,657	(45,497)	(140,433)	(133,582)

Additional deferred tax liabilities on revaluation of properties in Japan of HK\$54,619,000 has been provided based on corporate tax rate of 23.4% for the year ended 31 December 2017.

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35. DEFERRED TAXATION (CONTINUED)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2018 HK\$'000	2017 HK\$'000
Deferred tax assets	67,105	68,778
Deferred tax liabilities	<u>(200,687)</u>	<u>(168,288)</u>
	<u>(133,582)</u>	<u>(99,510)</u>

At the end of the reporting period, the Group has deductible temporary differences of HK\$332,764,000 (2017: HK\$330,880,000) and unutilised tax losses of HK\$262,663,000 (2017: HK\$232,013,000). A deferred tax asset has been recognised in respect of the tax losses of HK\$58,525,000 (2017: HK\$69,533,000) and deductible temporary differences of HK\$287,963,000 (2017: HK\$287,963,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$204,138,000 (2017: HK\$162,480,000) and the deductible temporary differences of HK\$44,801,000 (2017: HK\$42,917,000) due to the unpredictability of future assessable profit streams. All tax losses can be carried forward indefinitely.

36. RENTAL DEPOSITS

The amount recognised represents the rental deposits received under operating leases.

37. SHARE CAPITAL

	Number of ordinary shares of HK\$0.10 each		Nominal value	
	2018	2017	2018 HK\$'000	2017 HK\$'000
Authorised	<u>350,000,000</u>	<u>350,000,000</u>	<u>35,000</u>	<u>35,000</u>
Issued and fully paid				
At beginning of year	277,966,666	277,566,666	27,797	27,757
Exercise of share options	<u>—</u>	<u>400,000</u>	<u>—</u>	<u>40</u>
At end of year	<u>277,966,666</u>	<u>277,966,666</u>	<u>27,797</u>	<u>27,797</u>

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38. ACQUISITION OF PROPERTIES AND OTHER ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

On 29 June 2018, the Group entered into a sale and purchase agreement with an independent third party for the acquisition of the entire issued share capital of the companies, which owned a property in Hong Kong, at a consideration of approximately HK\$182,300,000. The acquisition was accounted for as assets acquisition and the related liabilities.

The assets acquired and liabilities assumed in the transaction were as follows:

	HK\$'000
Properties	182,000
Other receivables	67,557
Other payables and accruals	(116)
Bank borrowings	(67,141)
	<hr/>
Net assets of the subsidiaries acquired	182,300
	<hr/>
Net cash outflow arising on acquisition:	HK\$'000
	<hr/>
Cash consideration paid	182,300
	<hr/>

39. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2016, the Group held 47.29% interest in SiS Distribution (Thailand) Public Company Limited ("SiS Thai") listed on the stock exchange Thailand and accounted the investment in SiS Thai as interest in an associate. On 13 September 2017, the Group sent a letter to the board of directors of SiS Thai pursuant to which the Group will make a pre-conditional voluntary general offer for the remaining shares held by the other shareholders in SiS Thai at a price of Thai Baht ("THB") 7.00 (the "Acquisition"). Details are set out in the Company's circular dated 16 October 2017. Upon completion of the Acquisition on 18 December 2017, the Group acquired 58,893,875 shares, representing approximately 16.82% of the total issued share capital of SiS Thai through Thai Alliance Co., Ltd., which the Group holds 96.55% interest. The purchase consideration of THB412,257,000 (approximately HK\$99,354,000) was paid by cash. After the completion of the Acquisition, the Group holds 63.53% effective interest in SiS Thai and it became a subsidiary of the Group.

The directors of the Company determined the fair value of the Group's existing interest in SiS Thai when control is obtained to be approximately HK\$315,317,000 which represents the 165,616,595 shares of SiS Thai held by the Group stated at the quoted market price per share of THB7.90 on that date. As a result, the gain on re-measurement of previously held interest in SiS Thai was HK\$118,832,000.

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39. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Assets acquired and liabilities recognised at the date of Acquisition were as follows:

	HK\$000
Property, plant and equipment	28,130
Interests in associates	4,873
Deferred tax assets	55,949
Deposit paid	3,180
Inventories	500,714
Trade and other receivables	726,803
Amounts due from associates	14,780
Bank balances and cash	49,881
Trade and other payables	(527,766)
Derivative financial instruments	(536)
Tax payable	(833)
Bank borrowings	(395,303)
Retirement benefits obligations	(10,227)
	<hr/>
Total identifiable net assets at fair value	449,645

The fair value of trade and other receivables at the date of Acquisition amounted to HK\$726,803,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK\$757,587,000 at the date of Acquisition. The best estimate at Acquisition date of the contractual cash flows not expected to be collected amounted to HK\$30,784,000.

Goodwill arising from Acquisition

	HK\$000
Cash consideration	99,354
Add: fair value of previously held interest in associates	315,317
Add: non-controlling interests	161,380
Less: total identifiable net assets at fair value	(449,645)
	<hr/>
Goodwill on acquisition	126,406

Goodwill arose from the Acquisition because the cost of the combination included a control premium. In addition, the consideration paid effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of SiS Thai. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The above goodwill is not deductible for tax purposes.

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39. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Net cash outflow on Acquisition

	HK\$000
Cash consideration for the Acquisition	99,354
Less: bank balances and cash acquired	<u>(49,881)</u>
Net cash outflow arising on Acquisition	<u>49,473</u>

Had the acquisition been completed on 1 January 2017, total group revenue for the year would have been HK\$5,619,214,000, and profit for the year would have been HK\$406,548,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had SiS Thai been acquired at the beginning of the year ended 31 December 2017, the directors of the Company have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and
- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

40. CONTINGENT LIABILITIES

During the year ended 31 December 2017, an originating notice of application (the "Originating Notice") filed with the Competition Tribunal of the Hong Kong Special Administrative Region (the "Competition Tribunal") was served on SiS International Limited, a wholly-owned subsidiary of the Group ("SiS International"), by the legal adviser of the applicant, the Competition Commission (the "Applicant"). According to the Originating Notice, the Applicant alleged that, among other things, SiS International, along with other respondents under the Originating Notice (the "Respondents"), has contravened section 6(1) of the Competition Ordinance (Cap. 619, the laws of Hong Kong) (the "First Conduct Rule") and the Applicant seeks orders from the Competition Tribunal, amongst other reliefs, for pecuniary penalty to be imposed on the Respondents and declaration that each Respondent has contravened the First Conduct Rule.

The hearing before the Competition Tribunal was completed in September 2018. As judgement has not been handed down, the ultimate outcome and liability of the claim cannot be ascertained at 31 December 2018. The Group has made provision for the litigation and related expenses to the consolidated financial statements and the directors of the Company are of the opinion that further financial effects, if any, are not likely to be significant to the Group.

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41. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for both years.

The capital structure of the Group consists of bank borrowings, bonds and equity, comprising issued share capital, reserves and retained profits.

The management of the Group reviews the capital structure on an annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the capital, and takes appropriate actions to adjust the Group's capital structure. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as raising new debt or repayment of existing debt.

42. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2018 HK\$'000	2017 HK\$'000
Financial assets		
Equity instruments at FVTPL	225,719	—
Financial assets at amortised cost	1,908,948	—
Equity instruments at FVTOCI	90,754	—
Available-for-sale investments	—	223,733
Investments held-for-trading	—	16,661
Loans and receivables (including cash and cash equivalents)	—	1,907,002
	2,225,421	2,147,396
Financial liabilities		
Derivative financial instruments	582	536
Financial liabilities at amortised cost	3,923,973	3,441,679
	3,924,555	3,442,215

b. Financial risk management objectives and policies

The Group's major financial instruments and details of the financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Market risk

The Group's activities expose it primarily to the risks of changes in foreign currency rates and equity prices.

(i) Currency risk

Certain purchase of goods of the Group are denominated in United States Dollar. Certain bank balances are denominated in United States Dollar, Australian Dollar, Singapore Dollar, Malaysian Riggitt, Japanese Yen and Renminbi, the currencies other than the functional currencies of the relevant group entities.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
United States Dollar	605,005	682,385	140,407	232,369
Australian Dollar	13,915	16,650	—	—
Singapore Dollar	60,686	64,773	9,301	9,225
Malaysian Riggitt	—	—	981	1,002
Japanese Yen	8,899	8,143	878,274	669,317
Renminbi	3,141	3,445	—	—
Thai Baht	479	—	659	—
Inter-company balances				
Japanese Yen	983,034	756,329	—	—

The Group currently does not have comprehensive hedging policy. However, the management monitors the currency fluctuation exposure and will consider hedging significant currency risk exposure should need arise.

Sensitivity analysis

The following analysis indicates the change in the Group's post-tax profit in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis (continued)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities' exposure to currency risk at that date, and all other variables are held constant. The sensitivity analysis also includes inter-company balances where the denomination of the loans are in a currency other than the functional currency of the lenders.

	2018		2017	
	Increase (decrease) in foreign exchange rates %	Increase (decrease) in post-tax profit HK\$'000	Increase (decrease) in foreign exchange rates %	Increase (decrease) in post-tax profit HK\$'000
Non-derivative financial instruments				
United States Dollar	1.5 (1.5)	5,764 (5,764)	1.5 (1.5)	5,600 (5,600)
Australian Dollar	10.0 (10.0)	1,162 (1,162)	10.0 (10.0)	1,390 (1,390)
Singapore Dollar	5.0 (5.0)	2,145 (2,145)	5.0 (5.0)	2,319 (2,319)
Malaysian Riggitt	5.0 (5.0)	(41) 41	5.0 (5.0)	(42) 42
Japanese Yen	10.0 (10.0)	9,491 (9,491)	10.0 (10.0)	7,946 (7,946)
Renminbi	10.0 (10.0)	262 (262)	10.0 (10.0)	288 (288)
Thai Baht	5.0 (5.0)	8 (8)	10.0 (10.0)	— —
Derivative financial instruments				
United States Dollar	1.5 (1.5)	1,406 (1,444)	1.5 (1.5)	949 (994)

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the reporting period exposure does not reflect the exposure during the year.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Price risk

The Group is exposed to equity price risk through its investment in equity securities measured at FVTPL and FVTOCI (2017: held-for-trading investments and available-for-sale investments). The management closely keeps watch of the price changes and takes appropriate action when necessary.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to listed equity securities at the end of the reporting period.

If the price of the respective equity instruments of FVTPL had been 10% (2017: 10%) higher/lower, the Group's post-tax profit for the year ended 31 December 2018 would increase/decrease by HK\$22,572,000 (2017: HK\$1,666,000) as a result of the changes in fair value of equity instruments at FVTPL (2017: held-for-trading investments).

If the price of the respective equity instruments at FVTOCI had been 10% (2017: 10%) higher/lower, the Group's investments reserve would increase/decrease by HK\$1,464,000 (2017: HK\$16,303,000) as result of the changes in fair value of equity instruments at FVTOCI (2017: available-for-sale investments). However, for 2017, any significant or prolonged decrease in the fair value of available-for-sale investments below the Group's cost requires recognising impairment loss in profit or loss. As such, the Group's post-tax profit for the year would decrease by the amount of impairment loss recognised.

(iii) Interest rate risk

The balances comprising pledged deposits, bank balances, bonds and bank borrowings carry interests at floating rate, thus exposing the Group to cash flow interest rate risk. The Group currently does not have any policy to hedge against interest rate risk and will consider hedging exposure such should the needs arise.

Sensitivity analysis

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2018 would decrease/increase by HK\$9,387,000 (2017: HK\$5,774,000). The analysis is prepared assuming the amounts of pledged deposits, bank balances, bank borrowings and bonds outstanding at the end of the reporting period were outstanding for the whole year.

A 50 basis points increase or decrease was used when reporting interest rate risk internally to key management personnel and represented management's assessment of the reasonably possible change in interest rates.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rates risk as the year end exposure does not reflect the exposure during the year.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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 collectively with appropriate groupings and individually for credit impaired balances.

Other receivables/Deposits

The management of the Group regularly reviews and assesses the credit quality of the counterparties. The other receivables mainly represents rebate and claims receivables from suppliers. The Group uses 12m ECL to assess the loss allowance of other receivables and deposits since these receivables and deposits are not past due and there has not been a significant increase in credit risk since initial recognition. In this regard, the directors of the Company consider that the Group's credit risk is not significant.

Investment in preference shares

The credit risk on investment in preference shares is limited because the directors of the Company consider the probability of default is minimal after assessing the counter-party's financial background and creditability.

Pledged deposits and bank balances

The credit risks on pledged deposits and bank balances are limited because the counterparties are financial institutions with high credit ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk over its trade debtors, with exposure spread over a number of counterparties and customers. The Group's concentration of credit risk by geographical location of customers are mainly in Hong Kong and Thailand which accounted for majority of the trade receivables at 31 December 2018.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

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	Lifetime ECL — not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	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

The tables below detail the credit risk exposures of the Group's major financial assets which are subject to ECL assessment:

31 December 2018	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK\$'000
Financial assets at amortised cost					
Trade receivables	25	N/A	Low risk/ watch list (Note a)	Lifetime ECL — not credit impaired	814,734
			Loss	Lifetime ECL — credit-impaired	585
Lease receivables	25	N/A	Low risks (Note a)	Lifetime ECL — not credit impaired	361
Pledged deposits	28	Above A- (Note c)	N/A	12-month ECL	445,331
Bank balances	28	Above A- (Note c)	N/A	12-month ECL	586,755
Other receivables	25	N/A	(Note b)	12-month ECL	58,897
Investment in preference shares	22	N/A	Low risk	12-month ECL	2,870

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes:

a. For trade and lease receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors that are credit-impaired, the Group determines the expected credit losses on these items by internal credit rating status with appropriate grouping with reference to historical credit loss experience. Debtors that are large scale and/or with long business relationship with good repayment history are considered as low risk and a minimal default rate is assigned, while debtors which usually settle one to three months after due dates are considered as watch list and a low default rate is assigned. During the year, no loss allowance was recognised as the ECL amount is not significant.

b. Other receivables amounted to HK\$58,897,000 are not past due or with no fixed repayment terms.

Other receivables mainly represented rebates and claims receivables due from suppliers. It has a low risk of default since the counterparties are subsidiaries of high credit rating companies.

For deposits, the counterparty has a low risk of default since the counterparty is a subsidiary of a high-credit rating company listed in Japan.

c. For pledged deposits and bank balances, the ECL is assessed by reference to probability of default and loss by credit rating grade published by international credit agencies.

The following table shows the movement in lifetime ECL that has been recognised for trade and lease receivables under simplified approach.

	Credit impaired 2018 HK\$'000
As at 31 December 2017 under HKAS 39 and as at 1 January 2018	233
Impairment loss	352
As at 31 December 2018	585

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. During the year ended 31 December 2018, the Group provided HK\$352,000 impairment allowance for trade receivables as there is information indicating that the debtors is in severe financial difficulty.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The following table provides information about the exposure to credit risk for trade and lease receivables, which are assessed based on provision matrix as at 31 December 2018 within lifetime ECL (not credit-impaired).

Internal credit rating

	Loss rates	Trade and lease receivables HK\$'000
Low risk	0.5%	515,614
Watch list	1%–5%	299,481
		815,095

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 following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows.

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FOR THE YEAR ENDED 31 DECEMBER 2018

42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average interest rate %	On demand or within 3 months HK\$'000	3-12 months HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December HK\$'000
2018								
Non-derivative financial liabilities								
Trade and other payables	N/A	465,549	84,316	—	—	—	549,865	549,865
Bank borrowings	1.83	2,255,747	24,851	30,376	767,310	73,916	3,152,200	3,092,848
Bonds	1.34	933	2,800	3,733	237,344	47,199	292,009	274,644
Amount due to related companies	N/A	6,616	—	—	—	—	6,616	6,616
Sub-total		2,728,845	111,967	34,109	1,004,654	121,115	4,000,690	3,923,973
Obligation under finance leases	2.97	1,305	3,917	5,222	15,666	6,527	32,637	29,754
Rental deposits	N/A	583	5,845	34,002	28,124	69,806	138,360	138,360
		2,730,733	121,729	73,333	1,048,444	197,448	4,171,687	4,092,087
Derivative financial instruments								
Foreign currency forward contracts		582	—	—	—	—	582	582
		2,731,315	121,729	73,333	1,048,444	197,448	4,172,269	4,092,669
2017								
Non-derivative financial liabilities								
Trade and other payables	N/A	466,522	74,449	—	—	—	540,971	540,971
Bank borrowings	1.64	1,654,976	23,662	32,366	433,969	543,789	2,688,762	2,632,674
Bonds	1.26	927	2,781	3,709	78,913	202,524	288,854	268,034
Sub-total		2,122,425	100,892	36,075	512,882	746,313	3,518,587	3,441,679
Obligation under finance leases	2.97	1,276	3,828	5,104	15,313	11,274	36,795	33,255
Rental deposits	N/A	7,406	10,209	23,470	21,197	70,081	132,363	132,363
		2,131,107	114,929	64,649	549,392	827,668	3,687,745	3,607,297
Derivative financial instruments								
Foreign currency forward contracts		278	258	—	—	—	536	536

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Bank borrowings with a repayment on demand clause are included in the “on demand or less than 1 year” time band in the above maturity analysis. As at 31 December 2018, the aggregate amounts of these bank borrowings amounted to HK\$28,568,000 (2017: HK\$150,148,000). The directors of the Company believe that these loan facilities will continue to be made available to the Group and will not be withdrawn by the bank within the next twelve months from the end of the reporting period.

For the purpose of managing liquidity risk, management reviews the expected cash flow information of the Group’s bank borrowings with a repayment on demand clause based on the scheduled repayment dates set out in the agreement as set out in the table below:

	On demand or less than 1 year HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
2018						
Bank borrowings with a repayment on demand clause	22,330	837	6,102	—	29,269	28,568
2017						
Bank borrowings with a repayment on demand clause	13,986	30,183	28,372	89,827	162,368	150,148

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

c. Fair value

(i) Fair value of the Group’s financial assets and financial liabilities that are measured at fair value on a recurring basis

Certain of the Group’s financial assets are measured at fair value at the end of each reporting period. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. These financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of fair value hierarchy into which fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurement is observable.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

42. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value (continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurements recognised in the consolidated statement of financial position

Financial assets/ liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31.12.2018 HK\$'000	31.12.2017 HK\$'000		
1. Listed equity securities classified as investments held-for-trading	—	16,661	Level 1	Quoted bid prices in active markets.
2. Listed equity securities classified as available-for-sales investments	—	163,032	Level 1	Quoted bid prices in active markets.
3. Listed equity securities classified as equity instruments at FVTPL	225,719	—	Level 1	Quoted bid prices in active markets.
4. Listed equity securities classified as equity instruments at FVTOCI	14,638	—	Level 1	Quoted bid prices in active markets.
5. Unquoted equity investments classified as equity instruments at FVTOCI	25,830	—	Level 2	Recent share price of the investee issued to independent third parties.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

42. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value (continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value measurements recognised in the consolidated statement of financial position (continued)

Financial assets/ liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31.12.2018 HK\$'000	31.12.2017 HK\$'000		
6. Unquoted equity investments classified as equity instruments at FVTOCI	50,286	—	Level 3	The discount cash flows method was used to capture the present value of the expected future economic benefit to be derived from the ownership of these investees. Discount of 25% for lack of marketability determined by reference to the share price of listed entities in similar industries.
7. Foreign currency forward contracts classified as derivative financial instruments	Liabilities — 582	Liabilities — 536	Level 2	Discounted cash flows: Future cash flows are estimated based on quoted forward exchange rates, which is observable at the end of period.

There were no transfers between Level 1, 2 and 3 during both periods.

An increase in the discount for lack of marketability or discount rate would result in a decrease in the fair value measurement of unquoted equity investment, and vice versa.

The fair value of listed securities is determined with reference to quoted market bid price from relevant stock exchanges.

The fair value of foreign currency forward contracts are measured at the present value of future cash flows estimated using quoted forward exchange rates, which is observable at the end of the reporting period.

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair value.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

43. 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 flow were, or future cashflows will be classified in the Group's consolidated statement of cash flows from financing activities.

	Bank borrowings	Bonds	Dividend payable	Obligations under finance leases	Interest payables	Total
	HK\$'000 (note 33)	HK\$'000 (note 34)	HK\$'000 (note 14)	HK\$'000 (note 32)	HK\$'000 (note 29)	HK\$'000
At 1 January 2018	2,632,674	268,034	—	33,255	7,564	2,941,527
Dividend declared	—	—	11,119	—	—	11,119
Dividend accrued to non-controlling interests	—	—	17,916	—	—	17,916
Acquisition of properties and other assets and liabilities through acquisition of subsidiaries	67,141	—	—	—	—	67,141
Interest accrued	—	—	—	—	57,988	57,988
Effect of foreign exchange rate changes	24,486	6,610	—	768	—	31,864
Financing inflows (outflows)	368,547	—	(29,035)	(4,269)	(61,868)	273,375
At 31 December 2018	3,092,848	274,644	—	29,754	3,684	3,400,930
At 1 January 2017	2,041,616	273,605	—	35,692	5,795	2,356,708
Dividend declared	—	—	8,339	—	—	8,339
Dividend accrued to non-controlling interests	—	—	1,723	—	—	1,723
Acquisition of subsidiaries	395,303	—	—	—	—	395,303
Interest accrued	—	—	—	—	34,119	34,119
Effect of foreign exchange rate changes	78,759	12,407	—	1,620	—	92,786
Financing inflows (outflows)	116,996	(17,978)	(10,062)	(4,057)	(32,350)	52,549
At 31 December 2017	2,632,674	268,034	—	33,255	7,564	2,941,527

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44. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	11,741	13,918
In the second to fifth year inclusive	6,796	17,646
Over five years	31,188	31,193
	49,725	62,757

The Group has entered into agreements with unrelated third parties for leases of their properties and land period of 1 to 52 years (2017: 1 to 52 years).

The Group as lessor

At the end of the reporting period, the Group had contracted with lessees for the following future minimum lease payments:

	2018 HK\$'000	2017 HK\$'000
Within one year	222,452	190,088
In the second to fifth year inclusive	509,936	521,336
More than five years	961,265	976,392
	1,693,653	1,687,816

The Group has entered into agreements with the tenants for the leasing activities of the properties in Japan for a period of 5 to 30 years (2017: 5 to 30 years). The remaining leases are negotiated between the Group and the tenants with majority of the terms in 2 to 5 years.

45. CAPITAL COMMITMENTS

	2018 HK\$'000	2017 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Investment in unquoted equity instruments	1,014	—
Refurbishment of investment properties	177,867	—

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46. SHARE OPTION SCHEME

(a) SiS International Holdings Limited

A new share option scheme was adopted by the Company on 26 May 2017 (the “New Scheme”), while the old share option scheme adopted by the Company on 21 May 2007 had expired on 20 May 2017 (the “Old Scheme”). The Old Scheme and New scheme are collectively referred as SiS International Share Option Scheme (the “SiS International Share Option Scheme”). Pursuant to the SiS International Share Option Scheme, the Company may grant options to qualified persons, including employees and directors of the Company, its subsidiaries and associates, and third parties with a view to maintain business relationship with such persons to subscribe for shares of the Company.

Share options were granted on 20 August 2007 to certain directors of the Company and employees of the Group and directors of an associate at an exercise price of HK\$1.72 per share and at a cash consideration of HK\$10.00 per grantee.

The total number of shares in respect of which options may be granted under the New Scheme is not permitted to exceed 10% of shares of the Company in issue, without prior approval from the Company’s shareholders. The number of shares issued and to be issued in respect of which option granted and may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the Company’s issued share capital, without prior approval from the Company’s shareholders. HK\$100.00 is payable by each eligible participant to the Company on acceptance of an offer of options.

During the year ended 31 December 2015, share options were granted by the Company on 26 June 2015 to certain directors of the Company and employees of the Group and third parties at an exercise price of HK\$4.47 per share and at a cash consideration of HK\$10.00 per grantee.

The fair values of the options determined at the date of grant in 2015 using the Binomial model was approximately HK\$3,695,000.

The Group recognised an expense of HK\$509,000 for the year ended 31 December 2017 in relation to the share options granted by the Company.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors’ best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

The following assumptions used to calculate the fair values of share options were:

Grant date share price	HK\$4.39
Exercise price	HK\$4.47
Expected life	10 years
Expected volatility	40.35%
Dividend yield	1.14%
Risk-free interest rate	1.84%
Sub-optimal	1.80 to 1.83

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

46. SHARE OPTION SCHEME (CONTINUED)

(a) SiS International Holdings Limited (continued)

Details of the share options outstanding as at 31 December 2018 are as follows:

Number of share options	Vesting period	Exercise period	Exercise price
750,000	26 June 2015–31 December 2015	1 January 2016–26 June 2025	HK\$4.47
750,000	26 June 2015–31 December 2016	1 January 2017–26 June 2025	HK\$4.47
750,000	26 June 2015–31 December 2017	1 January 2018–26 June 2025	HK\$4.47

The movements in the shares options during the two years ended 31 December 2017 and 31 December 2018 are as follows:

Grantee	Outstanding at 1 January 2017	Exercised during the year	Outstanding at 31 December 2017	Exercised during the year	Outstanding at 31 December 2018
Directors	990,000	—	990,000	—	990,000
Employees and others	1,660,000	(400,000)	1,260,000	—	1,260,000
	<u>2,650,000</u>	<u>(400,000)</u>	<u>2,250,000</u>	<u>—</u>	<u>2,250,000</u>
Exercisable at the end of the year			<u>1,500,000</u>		<u>2,250,000</u>
Weighted average exercise price	<u>4.05</u>	<u>1.72</u>	<u>4.47</u>	<u>—</u>	<u>4.47</u>

No options were exercised during the year ended 31 December 2018.

In respect of the share options exercised during the year ended 31 December 2017, the weighted average share price at the dates of exercise was HK\$4.00.

No options were lapsed during the two years ended 31 December 2017 and 31 December 2018.

No options were granted during the year ended 31 December 2018.

At 31 December 2018, the number of options which remained outstanding under the Scheme was 2,250,000 (2017: 2,250,000) which, if exercised in full, represents 0.8% (2017: 0.8%) of the enlarged capital of the Company.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

46. SHARE OPTION SCHEME (CONTINUED)

(b) SiS Mobile Holdings Limited

Pursuant to the SiS Mobile Share Option Scheme adopted by the SiS Mobile on 16 December 2014, SiS Mobile may grant options to qualified persons, including employees and directors of SiS Mobile, its subsidiaries and associates, and third parties with a view to maintain business relationship with such persons to subscribe for shares of SiS Mobile.

During the year ended 31 December 2015, share options were granted by SiS Mobile on 25 June 2015 to directors, certain employees and eligible persons of the SiS Mobile group. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of shares of SiS Mobile in issue, without prior approval from SiS Mobile shareholders. The number of shares issued and to be issued in respect of which option granted and may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of SiS Mobile issued share capital, without prior approval from SiS Mobile shareholders. HK\$100 is payable by each eligible participant to SiS Mobile on acceptance of an offer of options.

The following assumptions used to calculate the fair values of share options at the date of options granted were:

Grant date share price	HK\$2.17
Exercise price	HK\$2.36
Expected life	8 years
Expected volatility	54.75%
Dividend yield	0%
Risk-free interest rate	1.64%
Sub-optimal	1.80 to 1.83

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

Details of the share options outstanding as at 31 December 2018 are as follows:

No. of share options	Vesting period	Exercise period	Exercise price
2,630,000	25.6.2015–31.12.2015	1.1.2016–30.6.2023	HK\$2.36
2,630,000	25.6.2015–31.12.2016	1.1.2017–30.6.2023	HK\$2.36
2,630,000	25.6.2015–31.12.2017	1.1.2018–30.6.2023	HK\$2.36

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FOR THE YEAR ENDED 31 DECEMBER 2018

46. SHARE OPTION SCHEME (CONTINUED)

(b) SiS Mobile Holdings Limited (continued)

Grantee	Outstanding at 1 January 2017	Exercised during the year	Outstanding at 31 December 2017	Exercised during the year	Outstanding at 31 December 2018
Directors	6,390,000	—	6,390,000	—	6,390,000
Employees and others	1,500,000	—	1,500,000	—	1,500,000
	<u>7,890,000</u>	<u>—</u>	<u>7,890,000</u>	<u>—</u>	<u>7,890,000</u>
Exercisable at the end of the year			<u>5,260,000</u>		<u>7,890,000</u>

No options were exercised, lapsed or forfeited during the year ended 31 December 2018 and 2017.

47. RETIREMENT BENEFIT SCHEMES

The Group participates in defined contribution schemes which are registered under Mandatory Provident Fund Scheme (“MPF Scheme”) established under the Mandatory Provident Fund Ordinance in December 2000 in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes monthly 5% of the employees’ monthly salaries costs or HK\$1,500, whichever the lower, to the scheme.

Employees of the Group’s subsidiaries incorporated in Singapore are members of pension schemes operated by the local government. The subsidiaries contributions to the pension schemes ranges from 6.5% to 16% of the employees’ monthly salaries.

The Group also operates defined benefit plans (“the Plan”) for qualifying employees of its subsidiaries in Thailand based on the requirement of Thai Labour Protection Act B.E. 2541(1998) to provide retirement benefits to employees based on pensionable remuneration and length of service.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2018 by independent actuary, NIDA Consulting Center. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	2018	2017
Discount rate	2.39%	2.39%
Expected rate of salary increase	6% p.a.	6% p.a.
Employee turnover rate	0–27%	0–27%

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FOR THE YEAR ENDED 31 DECEMBER 2018

47. RETIREMENT BENEFIT SCHEMES (CONTINUED)

The amount included in the consolidated statement of financial position arising from the Group's obligations in respect of the scheme is as follows:

	2018 HK\$'000	2017 HK\$'000
Present value of defined benefit obligation	12,327	10,227

Movements of the present value of defined obligation are as follows:

	2018 HK\$'000	2017 HK\$'000
At the beginning of the year	10,227	—
Acquisition of a subsidiary (<i>note 39</i>)	—	10,227
Current services costs	1,897	—
Interest on obligation	244	—
Benefits paid during the year	(41)	—
At the end of the year	12,327	10,227

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 100 basis points higher or lower, the defined benefit obligation would decrease by HK\$1,120,000 or increase by HK\$1,314,000 (2017: decrease by HK\$955,000 or increase by HK\$1,119,000).
- If the expected salary growth increases or decreases by 1%, the defined benefit obligation would increase by HK\$1,381,000 or decrease by HK\$1,200,000 (2017: increase by HK\$1,067,000 or decrease by HK\$933,000).
- If the life expectancy increases or decreases by 1 year, the defined benefit obligation would decrease by HK\$62,000 or increase by HK\$61,000 (2017: decrease by HK\$53,000 or increase by HK\$53,000).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

48. PLEDGE OF ASSETS

At the end of the reporting period,

- (a) The Group's investment properties with carrying values of HK\$4,361,882,000 (2017: HK\$3,912,647,000) and property, plant and equipment of carrying values of HK\$362,652,000 (2017: HK\$180,970,000) were under legal charge to secure general banking facilities and the obligation under finance leases available to the Group.
- (b) Bank deposits of HK\$445,331,000 (2017: HK\$466,337,000) were pledged to secure bank loans drawn during the year.
- (c) Certain shares of subsidiaries have been pledged to the banks as at 31 December 2017 and 2018 to secure several banking facilities available to the Group.

49. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2018 and 2017, the Group had the following transactions with associates.

Nature of transactions	2018 HK\$'000	2017 HK\$'000
Sales of goods	2,486	—
Purchase of goods	800,457	—
Other services fee income	6,382	—
Management service fee income	—	2,892

The amount due from the associate at 31 December 2017 for the services provided is included in trade and other receivables amounted to HK\$532,000.

The Group also provide finance to its associates. Details of the balance at the end of the reporting period is disclosed in note 26.

Apart from the above, remunerations paid and payable to the executive directors of the Company who are considered to be the key management personnels are disclosed in note 12. The remuneration of directors are determined by the Remuneration Committee having regard to the Group's operating result, performance of individuals and market trends.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

50. PRINCIPAL SUBSIDIARIES

General information of subsidiaries

Details of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2018 %	2017 %	
Direct subsidiaries:					
SiS Distribution Limited	British Virgin Islands	US\$45,001	100	100	Investment holding
SiS Hospitality Holdings Limited	Cayman Islands	HK\$0.0001	100	100	Investment holding
SiS Investment Holdings Limited	British Virgin Islands	US\$1	100	100	Investment holding
SiS Mobile Holdings Limited	Cayman Islands	HK\$28,000,000	52.3	52.3	Investment holding
SiS Tech Ventures Corp.	British Virgin Islands	US\$1	100	100	Investment holding
Indirect subsidiaries:					
Computer Zone Limited	Hong Kong	HK\$2	100	100	Property investment
Charmax Enterprises Limited	Hong Kong	HK\$10	100	—	Property investment
Ever Wealthy Limited	Hong Kong	HK\$1	100	100	Investment holding
Faith Prosper Limited	British Virgin Islands	US\$1	100	100	Investment holding
Gain Best Limited	Hong Kong	HK\$1	100	100	Property investment
Gold Kite Limited	Hong Kong	HK\$1	100	100	Investment holding
Qool Bangladesh Limited	Bangladesh	TK1,000,000	99	99	Investment holding

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50. PRINCIPAL SUBSIDIARIES (CONTINUED)

General information of subsidiaries (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2018 %	2017 %	
Qool Distribution (Thailand) Co., Ltd.	Thailand	THB200,000	63.5	63.5	Trading of mobile and IT products
Qool Labs Pte. Ltd.	Singapore	S\$2	100	100	Distribution of IT and communication products
Qool International Limited	Hong Kong	HK\$1	52.3	52.3	Distribution of mobile phone products
QR Capital Limited	Hong Kong	HK\$1	100	100	Property investment
SiS Asia Pte. Ltd.	Singapore	S\$2	100	100	Investment holding, provision of hardware, software and corporate management services
SiS Assets Pte. Ltd	Singapore	S\$1	100	100	Investment holding
SiS Capital Limited	Hong Kong	HK\$1	100	100	Investment holding
SiS Capital (Bangladesh) Pte Ltd.	Singapore	S\$2	100	100	Investment holding
SiS China Limited	Hong Kong	HK\$2	100	100	Property investment

Notes to the Consolidated Financial Statements

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50. PRINCIPAL SUBSIDIARIES (CONTINUED)

General information of subsidiaries (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2018 %	2017 %	
SiS Distribution (Thailand) Public Company Limited	Thailand	THB350,198,665	63.5	63.5	Distribution of mobile and IT products and provision of services
SiS HK Limited	Hong Kong	HK\$400,000	100	100	Investment holding
SiS International Limited	Hong Kong	HK\$1	100	100	Distribution of IT products and provision of services
SiS Japan Inn TMK	Japan	JPY150,000	100	100	Property investment
SiS Netpreneur Ventures Corp.	British Virgin Islands	US\$1	100	100	Investment holding
SiS Technologies (Thailand) Pte. Ltd.	Singapore	S\$2	100	100	Investment holding
Synergy Technologies (Asia) Limited	Hong Kong	HK\$5,000,000	52.3	52.3	Distribution of mobile phone and related products
Tokutei Mokuteki Kaisha SSG8	Japan	JPY470,000,000	100	100	Property investment
Tokutei Mokuteki Kaisha SSG13	Japan	JPY200,000	100	100	Property investment

Notes to the Consolidated Financial Statements

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50. PRINCIPAL SUBSIDIARIES (CONTINUED)

General information of subsidiaries (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			2018 %	2017 %	
SISJP9 Tokutei Mokuteki Kaisha	Japan	JPY198,250,000	100	100	Property investment
SISJP10 Tokutei Mokuteki Kaisha	Japan	JPY302,500,000	100	100	Property investment
Thai Alliance Co., Ltd	Thailand	THB4,800,000	96.6	96.6	Investment holding
Thai Hero Co., Ltd.	Thailand	THB2,600,000	93.2	93.2	Investment holding
Thai Joyful Co., Ltd.	Thailand	THB1,500,000	86.7	86.7	Investment holding
Thai Prosperity Co., Ltd.	Thailand	THB900,000	74.0	74.0	Investment holding
Thai Success Co., Ltd.	Thailand	THB60,000	49.0	49.0	Investment holding
Thai Investment Holdings Pte. Ltd	Singapore	S\$1	100	100	Investment holding
Tokutei Mokuteki Kaisha SSG23	Japan	JPY200,000	70	70	Property investment
Tokutei Mokuteki Kaishi SSG28	Japan	JPY200,000	100	100	Property investment

Except for the bonds stated in note 34, none of the subsidiaries had issued any debt securities during the year nor held at the end of the year.

The directors of the Company are of the opinion that a complete list of the particulars of all subsidiaries of the Group will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or assets of the Group.

Notes to the Consolidated Financial Statements

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50. PRINCIPAL SUBSIDIARIES (CONTINUED)

Details of a non-wholly owned subsidiary that has material non-controlling interests

The table below shows details of a non-wholly owned subsidiary of the Group that has material non-controlling interests as at 31 December 2018 and 2017.

Name of subsidiary	Country of incorporation or registration/operation	Proportion of nominal value of issued capital held by the Company		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interest	
		2018	2017	2018	2017	2018	2017
		%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
SiS Mobile Holdings Limited ("SiS Mobile")	Hong Kong	52.3	52.3	46	630	51,704	52,865
Tokutei Mokuteki Kaisha SSG23 ("SSG23")	Japan	70.0	70.0	5,008	1,996	67,354	65,017
SiS Distribution (Thailand) Public Company Limited	Thailand	63.5	63.5	41,462	—	195,607	161,380
Individually immaterial subsidiaries with non-controlling interest				(39)	(317)	16,623	15,407
				46,477	2,309	331,288	294,669

Summarised financial information in respect of SiS Mobile as at 31 December 2018 that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	31.12.2018 HK\$'000	31.12.2017 HK\$'000
Non-current assets	15,287	2,929
Current assets	120,211	133,778
Current liabilities	(35,237)	(34,009)
Equity attributable to owners of the Company	48,557	49,833
Non-controlling interests	51,704	52,865

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FOR THE YEAR ENDED 31 DECEMBER 2018

50. PRINCIPAL SUBSIDIARIES (CONTINUED)

Details of a non-wholly owned subsidiary that has material non-controlling interests (continued)

	Year ended 31.12.2018 HK\$'000	Year ended 31.12.2017 HK\$'000
Revenue	<u>472,535</u>	445,911
Expenses	<u>(472,438)</u>	(444,591)
Profit for the year	<u>97</u>	1,320
Profit for the year attributable to owners of the Company	<u>51</u>	690
Profit for the year attributable to non-controlling interests	<u>46</u>	630
Profit for the year	<u>97</u>	1,320
Total comprehensive (expense) income attributable to owners of the Company	<u>(1,325)</u>	819
Total comprehensive (expense) income attributable to non-controlling interests	<u>(1,209)</u>	746
Total comprehensive (expense) income for the year	<u>(2,534)</u>	1,565
Net cash (used in) from operating activities	<u>(40,696)</u>	297
Net cash used in investing activities	<u>(15,292)</u>	(2,836)
Net cash used in financing activities	<u>(40)</u>	(18)

Summarised financial information in respect of TMK SSG23 as at 31 December 2018 that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	31.12.2018 HK\$'000	31.12.2017 HK\$'000
Non-current assets	<u>472,194</u>	462,924
Current assets	<u>66,418</u>	62,450
Current liabilities	<u>(10,189)</u>	(9,650)
Non-current liabilities	<u>(300,088)</u>	(295,266)
Equity attributable to owners of the Company	<u>160,981</u>	155,441
Non-controlling interests	<u>67,354</u>	65,017

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

50. PRINCIPAL SUBSIDIARIES (CONTINUED)

Details of a non-wholly owned subsidiary that has material non-controlling interests (continued)

Summarised financial information in respect of TMK SSG23 as at 31 December 2018 that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations. (continued)

	Year ended 31.12.2018 HK\$'000	Year ended 31.12.2017 HK\$'000
Revenue	<u>38,600</u>	<u>37,815</u>
Expenses	<u>(21,907)</u>	<u>(31,163)</u>
Profit for the year	<u>16,693</u>	<u>6,652</u>
Profit for the year attributable to owners of the Company	<u>11,685</u>	4,656
Profit for the year attributable to non-controlling interests	<u>5,008</u>	<u>1,996</u>
Profit for the year	<u>16,693</u>	<u>6,652</u>
Total comprehensive income for the year attributable to owners of the Company	<u>15,275</u>	11,192
Total comprehensive income for the year attributable to non-controlling interests	<u>6,509</u>	<u>4,796</u>
Total comprehensive income for the year	<u>21,784</u>	<u>15,988</u>
Dividends paid to non-controlling interest	<u>4,172</u>	<u>1,723</u>
Net cash from operating activities	<u>10,694</u>	<u>18,883</u>
Net cash used in investing activities	<u>(3,068)</u>	<u>(2,455)</u>
Net cash used in financing activities	<u>(4,940)</u>	<u>(23,934)</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

50. PRINCIPAL SUBSIDIARIES (CONTINUED)

Details of a non-wholly owned subsidiary that has material non-controlling interests (continued)

Summarised financial information in respect of SiS Distribution (Thailand) Public Company Limited as at 31 December 2018 that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	31.12.2018 HK\$'000	31.12.2017 HK\$'000
Non-current assets	106,338	92,132
Current assets	1,380,182	1,295,920
Current liabilities	(949,771)	(927,223)
Non-current liabilities	(12,326)	(11,184)
Equity attributable to owners of the Company	328,816	288,265
Non-controlling interests	195,607	161,380

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FOR THE YEAR ENDED 31 DECEMBER 2018

50. PRINCIPAL SUBSIDIARIES (CONTINUED)

Details of a non-wholly owned subsidiary that has material non-controlling interests (continued)

Summarised financial information in respect of SiS Distribution (Thailand) Public Company Limited as at 31 December 2018 that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations. (continued)

	Year ended 31.12.2018 HK\$'000
Revenue	5,261,628
Other income	28,992
Expenses	(5,176,931)
Profit for the year	113,689
Profit for the year attributable to owners of the Company	72,227
Profit for the year attributable to non-controlling interests	41,462
Profit for the year	113,689
Total comprehensive income for the year attributable to owners of the Company	65,101
Total comprehensive income for the year attributable to non-controlling interests	47,971
Total comprehensive income for the year	113,072
Dividends paid to non-controlling interest	13,744
Net cash from operating activities	21,044
Net cash from investing activities	9,877
Net cash used in financing activities	(21,059)

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

51. FINANCIAL POSITION OF THE COMPANY

Below is a summary of the financial position of the Company at the end of the reporting period:

	2018 HK\$'000	2017 HK\$'000
Non-current assets		
Interest in subsidiaries	13,163	13,163
Amounts due from subsidiaries	926,856	1,132,294
Available-for-sales investments*	—	58,264
Equity instruments at FVTPL	75,249	—
	<u>1,015,268</u>	<u>1,203,721</u>
Current assets		
Bank balances and cash	16,169	47,348
Amounts due from subsidiaries	1,100,145	596,882
Equity instruments at FVTPL	441	—
Other assets	1,395	1,409
	<u>1,118,150</u>	<u>645,639</u>
Current liabilities		
Payables and accruals	(20,817)	(23,357)
Bank borrowings	(361,193)	(264,741)
Amounts due to subsidiaries	(555,194)	(352,732)
	<u>(937,204)</u>	<u>(640,830)</u>
Net current assets	<u>180,946</u>	<u>4,809</u>
Net assets	<u>1,196,214</u>	<u>1,208,530</u>
Share capital	27,797	27,797
Share premium	73,400	73,400
Other reserves (<i>Note below</i>)	1,095,017	1,107,333
Total equity	<u>1,196,214</u>	<u>1,208,530</u>

* On initial adoption of HKFRS 9 as at 1 January 2018, available-for-sale investments have been reclassified as equity investments at fair value through profit or loss.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

51. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: The movement in other reserves are presented below:

	Investments reserve HK\$'000	Share options reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2017	3,478	3,405	29,186	1,074,713	1,110,782
Loss for the year	—	—	—	(1,851)	(1,851)
Other comprehensive expense for the year	6,451	—	—	—	6,451
Total comprehensive expense for the year	6,451	—	—	(1,851)	4,600
Issue of shares upon exercise of share options	—	(219)	—	—	(219)
Recognition of equity-settled share-based payment	—	509	—	—	509
Dividend recognised as distribution	—	—	—	(8,339)	(8,339)
At 31 December 2017	9,929	3,695	29,186	1,064,523	1,107,333
Adjustments*	(9,929)	—	—	9,929	—
At 1 January 2018 (restated)	—	3,695	29,186	1,074,452	1,107,333
Loss for the year	—	—	—	(1,197)	(1,197)
Other comprehensive expense for the year	—	—	—	—	—
Total comprehensive expense for the year	—	—	—	(1,197)	(1,197)
Recognition of equity-settled share-based payment	—	—	—	—	—
Dividend recognised as distribution	—	—	—	(11,119)	(11,119)
At 31 December 2018	—	3,695	29,186	1,062,136	1,095,017

* At the date of initial application HKFRS 9, the Company equity investments of HK\$58,264,000 were reclassified from available-for-sale investments to equity investments at FVTPL. The fair value gained of HK\$9,929,000 relating to investments previously carried at fair value were transferred from investments reserve to retained profits. Except for the above, the director of the Company considered that the application of the new and amendments to HKFRSs in the current year has no material impact on the Company's result and financial position.

52. SUBSEQUENT EVENT

On 22 February 2019, the Group entered into a sale and purchase agreement with an independent third party to acquire a hostel in Japan for a consideration of HK\$126,202,000.

On 15 March 2019, the Group entered into a sale and purchase agreement with an independent third party to disposal of an investment property in Hong Kong for a consideration of HK\$33,800,000.

Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the published audited financial statements is set out below. The amounts for each year in the four year financial summary have not been adjusted for the effects of the application of the HKFRS 9 & HKFRS 15.

RESULTS

	For the year ended 31 December				
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Revenue	<u>1,716,868</u>	<u>1,145,780</u>	<u>1,128,417</u>	<u>1,010,768</u>	<u>6,379,157</u>
Profit before taxation	185,603	281,845	277,652	447,890	<u>390,356</u>
Income tax expense	<u>(9,736)</u>	<u>(42,532)</u>	<u>(24,919)</u>	<u>(77,746)</u>	<u>(60,880)</u>
Profit for the year	<u>175,867</u>	<u>239,313</u>	<u>252,733</u>	<u>370,144</u>	<u>329,476</u>
Attributable to:					
Owners of the Company	176,174	240,684	236,209	367,835	<u>282,999</u>
Non-controlling interests	<u>(307)</u>	<u>(1,371)</u>	<u>16,524</u>	<u>2,309</u>	<u>46,477</u>
	<u>175,867</u>	<u>239,313</u>	<u>252,733</u>	<u>370,144</u>	<u>329,476</u>

ASSETS AND LIABILITIES

	At 31 December				
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Total assets	3,625,787	4,334,643	5,676,445	7,507,126	<u>8,369,132</u>
Total liabilities	<u>(1,174,547)</u>	<u>(1,735,480)</u>	<u>(2,725,659)</u>	<u>(3,976,295)</u>	<u>(4,513,968)</u>
Net assets	<u>2,451,240</u>	<u>2,599,163</u>	<u>2,950,786</u>	<u>3,530,831</u>	<u>3,855,164</u>
Attributable to:					
Owners of the Company	2,375,958	2,546,982	2,827,979	3,236,162	<u>3,523,876</u>
Non-controlling interests	<u>75,282</u>	<u>52,181</u>	<u>122,807</u>	<u>294,669</u>	<u>331,288</u>
	<u>2,451,240</u>	<u>2,599,163</u>	<u>2,950,786</u>	<u>3,530,831</u>	<u>3,855,164</u>

Particulars of Properties

AT 31 DECEMBER 2018

Name of property and location	Lease terms	Use
<u>Investment properties held for investment</u>		
Singapore		
#11-07/23 Maxwell House 20 Maxwell Road Singapore	Long-term lease	Commercial
#01-08 23 Dalvey Estate Singapore	Freehold	Residential
#03-07 23 Dalvey Estate Singapore	Freehold	Residential
Hong Kong		
8th Floor Far East Finance Centre 16 Harcourt Road Hong Kong	Long-term lease	Commercial
8th Floor Nine Queen's Road Central Hong Kong	Long-term lease	Commercial
6 Carparking spaces and carport basement Nine Queen's Road Central Hong Kong	Long-term lease	Commercial
23rd Floor, United Centre 95 Queensway Hong Kong	Long-term lease	Commercial
33rd Floor, United Centre 95 Queensway Hong Kong	Long-term lease	Commercial
Unit 1, 11th Floor Eastern Harbour Centre 28 Hoi Chak Street Hong Kong	Medium-term lease	Industrial/Office

Particulars of Properties

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Name of property and location	Lease terms	Use
<u>Investment properties held for investment (continued)</u>		
Unit 5, 17th Floor Eastern Harbour Centre 28 Hoi Chak Street Hong Kong	Medium-term lease	Industrial/Office
Unit 5, 7th Floor New Treasure Centre 10 Ng Fong Street Hong Kong	Medium-term lease	Industrial/Office
Flat B, 7/F., Ming Kung Mansion Kam Din Terrence 22 Tai Koo Shing Road Hong Kong	Long-term lease	Residential
Thailand		
74 Soi Terdrachan 11, Terdrachan Road, Sikan Sub-district Dong Muang District, Bangkok 10210	Freehold	Commercial
Japan		
Rinku Gate Tower Building 1, Rinku Ourai Kita Izumisano City, Osaka Japan	Freehold	Commercial and hotel
Toyoko Inn Naha Asahi-bashi Ekimae 1-20, 2 chome, Kume Naha City, Okinawa Japan	Freehold	Hotel
Toyoko Inn Kanazawa Kenrokuen Korinbo 2-4-28, Korinbo Kanazawa City, Ishikawa Japan	Freehold	Hotel
Toyoko Inn Shonan Hiratsuka-eki Kitaguchi No.1 1-1 Akashicho Hiratsuka City, Kanagawa Japan	Freehold and medium-term lease	Hotel

Particulars of Properties

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Name of property and location	Lease terms	Use
<u>Investment properties held for investment (continued)</u>		
Toyoko Inn Niigata Furumachi 1168-2, 7-bancho, Kamiokawamaedori Chuo-ku Niigata City, Niigata, Japan	Freehold	Hotel
Toyoko Inn Tokushima Ekimae 1-5, Ryogokuhoncho Tokushima City, Tokushima Japan	Freehold	Hotel
Dormy Inn Premium Otaru 3-9-1, Inaho Otaru City, Hokkaido Japan	Freehold	Hotel
Hakodate Rich Hotel Goryokaku 35-3, Goryokaku-cho Hakodate City, Hokkaido Japan	Freehold	Hotel
First Cabin Tsukiji 11-10, 2-chome, Tsukiji Chuo-ku, Tokyo Japan	Freehold	Hotel
The b Kyoto Sanjo 49-1, Nichome, Sanjo-dori Ohashi-higashi, Higashiyama-ku Kyoto City, Kyoto Japan	Freehold	Hotel
SK Kashiwa Building 14-1, Suehirocho Kashiwa City, Chiba Japan	Freehold	Commercial and hotel
Unwind Hotel & Bar Otaru 8-25, 1-chome, Ironai, Otaru City, Hokkaido Japan	Freehold	Hotel

Particulars of Properties

AT 31 DECEMBER 2018

Name of property and location	Lease terms	Use
<u>Investment properties held for investment (continued)</u>		
Piece Hostel Kyoto 21-1, Higashisannocho, Higashikujo, Minami-ku Kyoto City, Kyoto Japan	Freehold	Hostel
Piece Hostel Sanjo 531, Asakuracho, Tominokoji-dori Sanjo-Sagaru, Nakagyo-ku Kyoto City, Kyoto Japan	Freehold	Hostel
Best Western Sapporo-odorikoen 2-36, 8-chome, Odorinishi Chuo-ku Sapporo City, Hokkaido Japan	Freehold	Hotel
Unwind Hotel & Bar 289-111, Nishi 5-chome Minami 8-jo, Chuoku Sapporo, Hokkaido Japan	Freehold	Hotel
<u>Properties held for hotel operation</u>		
Hotel Sun Plaza Sakai Annex 1-20, 1-cho, Ryujin bashi-cho Sakai-Ku, Sakai City Osaka, Japan	Freehold	Hotel
Imano Tokyo Hostel 5-12-2, Shinjuku-ku Tokyo, Japan	Freehold	Hostel