GLORIOUS SUN ENTERPRISES LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code：393

ANNUAL REPORT 2019


JEANSWEST
SURPASS
TRANSFORM
YOUR LIFE
MCMLXXII

OUR CORE BUSINESS

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

OUR VISION

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

OUR MISSION

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

We strive after:

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

so as to benefit our community.

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Independent Non-executive
Mr. Lau Hon Chuen, Ambrose, GBS, JP
Dr. Chung Shui Ming, Timpson, GBS, JP
Dr. Chan Chung Bun, Bunny, GBS, JP
Mr. Ng Wing Ka, Jimmy, BBS, JP

BOARD COMMITTEES

Audit Committee
Mr. Lau Hon Chuen, Ambrose, GBS, JP *(Chairman)*
Dr. Chung Shui Ming, Timpson, GBS, JP
Mr. Ng Wing Ka, Jimmy, BBS, JP

Remuneration Committee
Dr. Chung Shui Ming, Timpson, GBS, JP *(Chairman)*
Mr. Pau Sze Kee, Jackson
Dr. Chan Chung Bun, Bunny, GBS, JP

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

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

COMPANY SECRETARY

Ms. Hoi Siu Ling

AUTHORISED REPRESENTATIVES

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

AUDITOR

Ernst & Young
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL BANKERS

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

WEBSITE

http://www.glorisun.com

STOCK CODE

393

BOARD LOT

4,000 shares

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Glorious Sun Enterprises Limited (the "Company") will be held at The Dynasty Club, 7th Floor, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Monday, 18 May 2020 at 3:30 p.m. for the following purposes:

(1) To receive and consider the Financial Statements and the Reports of the Directors and Auditor for the year ended 31 December 2019.

(2) To declare the final dividend for the year ended 31 December 2019.

(3) (A) (I) To elect Mr. Yeung Chun Fan as an executive director of the Company.

(II) To elect Mr. Hui Chung Shing, Herman as an executive director of the Company.

(III) To elect Mr. Chan Wing Kan, Archie as an executive director of the Company.

(IV) To elect Ms. Yeung Yin Chi, Jennifer as an executive director of the Company.

(V) To elect Mr. Chan Chung Bun, Bunny as an independent non-executive director of the Company.

(VI) To elect Mr. Ng Wing Ka, Jimmy as an independent non-executive director of the Company.

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

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

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

ORDINARY RESOLUTIONS

(A) "**THAT**:

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

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

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

(IV) for the purpose of this resolution:

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

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

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

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

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

(B) "**THAT**:

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

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

(III) for the purpose of this resolution:

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

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

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

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

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

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

By Order of the Board

Hoi Siu Ling
Company Secretary

Hong Kong, 15 April 2020

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

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

NOTICE OF ANNUAL GENERAL MEETING

Notes:

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

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

3. The register of members of the Company will be closed from Wednesday, 13 May 2020 to Monday, 18 May 2020, both days inclusive, during which period no transfer of shares shall be effected. In order to qualify for the entitlement to attend and vote at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 12 May 2020.

4. The register of members of the Company will also be closed from Friday, 22 May 2020 to Tuesday, 26 May 2020, both days inclusive, during which period no transfer of shares shall be effected. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 21 May 2020.

5. In relation to agenda item No. (3)(A) in this Notice regarding election of directors, Mr. Yeung Chun Fan, Mr. Hui Chung Shing, Herman, Mr. Chan Wing Kan, Archie, Ms. Yeung Yin Chi, Jennifer, Mr. Chan Chung Bun, Bunny and Mr. Ng Wing Ka, Jimmy will retire at the forthcoming annual general meeting of the Company pursuant to bye-laws 101 and 110(A) of the Company's Bye-laws and in compliance with code provision A.4.2 of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and, being eligible, offer themselves for re-election.

   To ensure that the Board has a balance of skills, knowledge, experience and diversity of perspectives appropriate to the Company's business needs and development, the Nomination Committee reviews the structure, size and composition of the Board annually and forms its recommendations to the Board on the proposals on re-election of the retiring Directors, with due regard to the board diversity policy of the Company.

   Each of Mr. Chan Chung Bun, Bunny and Mr. Ng Wing Ka, Jimmy has met the independence guidelines set out in Rule 3.13 of the Listing Rules and has given an annual confirmation of his independence. Based on the biographical details disclosed to the Company, neither Mr. Chan nor Mr. Ng holds seven or more listed company directorships and both of them continue to demonstrate their commitment to their roles with the Company.

   The Nomination Committee has also considered that Mr. Chan with his extensive experiences in commerce and community affairs in Hong Kong, and Mr. Ng with his extensive experiences in the legal field and in the public sector, each of them will be a valuable addition to the Board. Given the different backgrounds and expertise of Mr. Chan and Mr. Ng, the Nomination Committee is of the view that each of them contributes to the diversity of the Board.

   The Board, with the recommendations of the Nomination Committee, has nominated Mr. Chan and Mr. Ng for re-election as independent non-executive directors of the Company at the forthcoming annual general meeting.

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

7. The amount of emoluments paid for the year ended 31 December 2019 to each of the directors who stand for re-election at the forthcoming annual general meeting is set out in note 8 to the financial statements in this annual report and the basis of determining such emoluments is set out in the "Emolument policy" section in the Report of the Directors contained in this annual report.

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

   8.1 Mr. Yeung Chun Fan, aged 67, is an executive director of the Company, a brother of Mr. Charles Yeung and the spouse of Ms. Cheung Wai Yee. Mr. Yeung Chun Fan's interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") are set out in the "Directors' interests and short positions in securities" section in the Report of the Directors contained in this annual report and remain unchanged as at 7 April 2020, being the latest practicable date prior to the printing of this Notice (the "latest practicable date").

   Mr. Yeung was a director of the following companies:

Name of companies	Place of Incorporation	Principal business activity prior to dissolution	Date of commencement of winding up procedure/Date of dissolution	Means of dissolution	Reasons for dissolution
Generra Sportswear Company, Inc.	USA	Sportswear	2 July 1992/1995	Reorganisation under Chapter 11	Cessation of business
Generra Sportswear (HK) Limited	Hong Kong	Sportswear	2 July 1992/ 13 September 2002	Striking Off	Cessation of business
Generra Production Corporation	USA	Sportswear	2 July 1992/1994	Reorganisation under Chapter 11	Cessation of business
Sino Lucky Management Limited	British Virgin Islands	Provision of management services	Not applicable/ 1 November 2017	Striking Off	Cessation of business
Crownfund Industries Limited	Hong Kong	Trading	Not applicable/ 14 December 2018	Deregistration	Cessation of business
Kind Fast Limited	Hong Kong	Investment	Not applicable/ 19 July 2019	Deregistration	Cessation of business
Total Century Limited	Hong Kong	Investment	Not applicable/ 23 August 2019	Deregistration	Cessation of business
Shining Century Limited	Hong Kong	Investment	Not applicable/ 23 August 2019	Deregistration	Cessation of business
Genius Profit Limited	Hong Kong	Investment	Not applicable/ 23 August 2019	Deregistration	Cessation of business
Fast Region Limited	Hong Kong	Investment	Not applicable/ 11 October 2019	Deregistration	Cessation of business
Champion Step Limited	Hong Kong	Investment	Not applicable/ 11 October 2019	Deregistration	Cessation of business
Gain Champion Limited	Hong Kong	Investment	Not applicable/ 11 October 2019	Deregistration	Cessation of business

Name of companies	Place of Incorporation	Principal business activity prior to dissolution	Date of commencement of winding up procedure/Date of dissolution	Means of dissolution	Reasons for dissolution
Rays The Glorious Investment (BVI) Limited	British Virgin Islands	Investment holding	Not applicable/ 1 November 2019	Striking Off	Cessation of business
Silver Gain Limited	British Virgin Islands	Investment	Not applicable/ 1 November 2019	Striking Off	Cessation of business
Glorious Sun Sample Manufacturing Limited	Hong Kong	Manufacture of apparel	Not applicable/ 3 April 2020	Deregistration	Cessation of business
Quiksilver Glorious Sun Fashion Garment Mfy. (Longmen) Limited (旭日極速製衣廠(龍門)有限公司)@	Mainland China	Manufacture of apparel	1 November 2017/ 27 April 2018	Dissolution by resolutions of the Company	Cessation of business
Suzhou Industrial Park Famebish Apparels Limited (蘇州工業園區爵柏服飾有限公司)@	Mainland China	Apparel	28 October 2013/ 8 May 2018	Dissolution by resolutions of the Company	Cessation of business
Suzhou Industrial Park Fenfei Apparels Limited (蘇州工業園區芬菲服飾有限公司)@	Mainland China	Apparel	3 January 2019/ 31 January 2019	Dissolution by resolutions of the Company	Cessation of business
Rihong Trading (Zhuhai) Limited (日宏貿易(珠海)有限公司)@	Mainland China	Not yet commenced business	3 January 2019/ 3 April 2019	Dissolution by resolutions of the Company	Cancellation of a proposed business
Advancetex Fashion Garment Mfy. (Longmen) Limited (大進製衣廠(龍門)有限公司)@	Mainland China	Manufacture of apparel	5 June 2019/ 26 July 2019	Dissolution by resolutions of the Company	Cessation of business
Taizhou Famebish Apparels Limited (泰州爵柏服飾有限公司)@	Mainland China	Apparel	–/30 September 2019	Dissolution by resolutions of the Company	Cessation of business
Anhui Jeanswest Apparels Limited (安徽真維斯服飾有限公司)@	Mainland China	Apparel	12 October 2019/ 19 December 2019	Dissolution by resolutions of the Company	Cessation of business
Suzhou Industrial Park Mofeel Apparels Limited (蘇州工業園區菲爾服飾有限公司)@	Mainland China	Apparel	23 September 2019/ 21 January 2020	Dissolution by resolutions of the Company	Cessation of business

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

Mr. Yeung was a non-executive director of (i) Generra Sportswear Company, Inc., a company incorporated in Washington, USA (a corporate structure inclusive of (ii) Generra Sportswear (HK) Limited, a company incorporated in Hong Kong and (iii) Generra Production Corporation, a corporation incorporated in Washington, USA). At all material time Mr. Yeung had no duty in the day-to-day operations of Generra Sportswear Company, Inc. On 2 July 1992, Chapter 11 proceedings were instituted and Generra Sportswear Company, Inc. was administratively dissolved in 1995, Generra Sportswear (HK) Limited was dissolved on 13 September 2002 and Generra Production Corporation was dissolved in 1994, respectively. So far, no allegation has been made against Mr. Yeung in Generra Sportswear Company, Inc. for fraud, negligence or any conduct of dishonesty.

8.2 Mr. Hui Chung Shing, Herman, SBS, MH, JP, aged 69, is an executive director of the Company and his interests in the shares of the Company within the meaning of Part XV of the SFO are set out in the "Directors' interests and short positions in securities" section in the Report of the Directors contained in this annual report and remain unchanged as at the latest practicable date.

Mr. Hui was a director of the following companies:

Name of companies	Place of Incorporation	Principal business activity prior to dissolution	Date of commencement of winding up procedure/Date of dissolution	Means of dissolution	Reasons for dissolution
Generra Sportswear Company, Inc.	USA	Sportswear	2 July 1992/1995	Reorganisation under Chapter 11	Cessation of business
Generra Sportswear (HK) Limited	Hong Kong	Sportswear	2 July 1992/ 13 September 2002	Striking Off	Cessation of business
Generra Production Corporation	USA	Sportswear	2 July 1992/1994	Reorganisation under Chapter 11	Cessation of business
Sino Lucky Management Limited	British Virgin Islands	Provision of management services	Not applicable/ 1 November 2017	Striking Off	Cessation of business
Rays The Glorious Investment (BVI) Limited	British Virgin Islands	Investment holding	Not applicable/ 1 November 2019	Striking Off	Cessation of business
Quiksilver Glorious Sun Fashion Garment Mfy. (Longmen) Limited (旭日極速製衣廠(龍門)有限公司)@	Mainland China	Manufacture of apparel	1 November 2017/ 27 April 2018	Dissolution by resolutions of the Company	Cessation of business

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

Mr. Hui was a non-executive director of (i) Generra Sportswear Company, Inc. (a corporate structure inclusive of (ii) Generra Sportswear (HK) Limited and (iii) Generra Production Corporation). These three companies were dissolved as disclosed in paragraph 8.1 above. At all material time Mr. Hui had no duty in the day-to-day operations of Generra Sportswear Company, Inc. and so far, no allegation has been made against Mr. Hui in that company for fraud, negligence or any conduct of dishonesty.

8.3 Mr. Chan Wing Kan, Archie, aged 73, is an executive director of the Company. Mr. Chan does not have any interest in the shares of the Company.

Mr. Chan was a director of the following companies:

Name of companies	Place of Incorporation	Principal business activity prior to dissolution	Date of commencement of winding up procedure/Date of dissolution	Means of dissolution	Reasons for dissolution
Generra Sportswear Company, Inc.	USA	Sportswear	2 July 1992/1995	Reorganisation under Chapter 11	Cessation of business
Generra Sportswear (HK) Limited	Hong Kong	Sportswear	2 July 1992/ 13 September 2002	Striking Off	Cessation of business
Generra Production Corporation	USA	Sportswear	2 July 1992/1994	Reorganisation under Chapter 11	Cessation of business
Quiksilver Glorious Sun Fashion Garment Mfy. (Longmen) Limited (旭日極速製衣廠(龍門)有限公司)@	Mainland China	Manufacture of apparel	1 November 2017/ 27 April 2018	Dissolution by resolutions of the Company	Cessation of business
Rihong Trading (Zhuhai) Limited (日宏貿易(珠海)有限公司)@	Mainland China	Not yet commenced business	3 January 2019/ 3 April 2019	Dissolution by resolutions of the Company	Cancellation of a proposed business

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

Mr. Chan was a non-executive director of (i) Generra Sportswear Company, Inc. (a corporate structure inclusive of (ii) Generra Sportswear (HK) Limited and (iii) Generra Production Corporation). These three companies were dissolved as disclosed in paragraph 8.1 above. At all material time Mr. Chan had no duty in the day-to-day operations of Generra Sportswear Company, Inc. and so far, no allegation has been made against Mr. Chan in that company for fraud, negligence or any conduct of dishonesty.

8.4 Ms. Yeung Yin Chi, Jennifer, aged 40, is an executive director of the Company, a niece of Mr. Charles Yeung and Mr. Yeung Chun Fan. Ms. Yeung does not have any interest in the shares of the Company.

Ms. Yeung was a director of the following company:

Name of company	Place of Incorporation	Principal business activity prior to dissolution	Date of commencement of winding up procedure/Date of dissolution	Mean of dissolution	Reason for dissolution
Rihong Trading (Zhuhai) Limited (日宏貿易(珠海)有限公司)@	Mainland China	Not yet commenced business	3 January 2019/ 3 April 2019	Dissolution by resolutions of the Company	Cancellation of a proposed business

@ Official name of this company is in Chinese. English name of the company is included for identification purpose only

8.5 Dr. Chan Chung Bun, Bunny, GBS, JP, aged 62, is an independent non-executive director of the Company. Mr. Chan is also a director of Li Ning Company Limited, Great Harvest Maeta Group Holdings Limited and Speedy Global Holdings Limited. Mr. Chan does not have any interest in the shares of the Company.

8.6 Mr. Ng Wing Ka, Jimmy, BBS, JP, aged 50, is an independent non-executive director of the Company. Mr. Ng is also a director of Yanchang Petroleum International Limited and MTR Corporation Limited. In the past three years, Mr. Ng was a director of China Weaving Materials Holdings Limited. Mr. Ng does not have any interest in the shares of the Company.

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

10. Taking into account of the recent development of the epidemic caused by coronavirus disease ("COVID-19"), the Company will implement the following prevention and control measures at the forthcoming annual general meeting to protect the shareholders from the risk of infection:

10.1 Compulsory body temperature check will be conducted for every shareholder or proxy at the entrance of the venue. Any person with a body temperature of over 37.5 degrees Celsius will not be admitted to the venue;

10.2 Every shareholder or proxy is required to wear surgical facial mask throughout the meeting;

10.3 No refreshments will be served;

10.4 There will be no corporate gifts; and

10.5 Every shareholder or proxy may be asked whether (a) he/she travels outside of Hong Kong within the 14-day period immediately before the meeting; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may not be admitted to the venue or be required to leave the venue.

Furthermore, the Company wishes to advise the shareholders that they may appoint the chairman of the meeting as their proxy to vote on the resolutions, instead of attending the meeting in person.

CHAIRMAN'S STATEMENT

RESULTS

The global economy in 2019 was basically affected by the uncertainties brought about by the Sino-American trade disputes. Conflicts between these two largest economies hindered the macro economic growth in the world. The reintroduction of quantitative measures in other major countries only managed to keep their economies from slipping into recession.

During the year under review, PRC's economic growth was under pressure. The government's measures in cutting twice the required banks' reserve ratio and reducing corporate taxes and levies amounting to RMB2 trillion could hardly balance out the effects caused by the relocation of production chains in various industries out from the Mainland to overcome the rising production costs. Furthermore, the deterioration of working capital fund flow in private sectors kicked off the general unemployment issue. Hong Kong being an international city was inevitably affected by the slow-down of global economic activities. The trade disputes between US and PRC had direct impacts on Hong Kong export and re-export businesses. Business environment became very tough especially after the outburst of social unrests in June which are still unsettled till now. These social unrests were triggered off by the proposed amendment to the Extradition Bill. Social anger and grievances revealed in this mass movement came from the contradictions deeply rooted in the society. Daily living in Hong Kong was seriously disturbed. Quite a number of countries gave travellers warnings against Hong Kong. As a result, tourists to Hong Kong decreased substantially. Retail activities were assessed to have dropped for more than 30%. Bank of America Merrill Lynch adjusted downwards their forecast of Hong Kong GDP in 2019 to -2.1%. Hong Kong amid these domestic unrests and external uncertainties is rather unbecoming for any business development for the time being.

"Be prepared for the worst at good time" is always one of our business strategies. The Group adopted a very conservative approach in formulating our 2019 business plan at the beginning of the year and managed to weather through this stormy period under review without major cutbacks. During the year, the capital market was quite choppy. As we had just focused on investing in high yield property bonds, we managed to reap the expected returns. Our Export Operations were adversely affected by the Sino-American trade disputes. As our supplies were sourced mainly from manufacturers outside the Mainland, the impact to us was relatively minor. Hong Kong Retailing and Overseas Franchising Operations were inevitably affected by the slothful retail sentiment in Hong Kong and in the region. However, the damage to our business as a whole was minimal. Interior Decoration and Renovation business was operated basically in the Mainland domestic market and was able to keep a stable performance.

CHAIRMAN'S STATEMENT

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

	2019	2018	Changes
(Unit: HK$'000)			
Consolidated sales	**1,212,288**	1,271,001	↓4.62%
of which:			
A. Financial and real estates investments	**118,505**	126,501	↓6.32%
B. Total export sales	**335,934**	560,761	↓40.09%
C. Interior decoration and renovation	**705,194**	503,151	↑40.16%
D. Hong Kong retailing and overseas franchising	**49,553**	66,612	↓25.61%
Profit attributable to ordinary equity holders of the Company	**110,383**	107,430	↑2.75%
(Unit: HK cents)			
Earnings per share (basic)	**7.22**	7.00	↑3.14%
Dividend			
– Final	**3.40**	3.36	↑1.19%
– Total	**6.00**	5.86	↑2.39%
(Unit: HK$'000)			
Net cash and near cash in hand*	**2,563,490**	2,451,199	↑4.58%

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

DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK3.40 cents (2018: HK3.36 cents) per share for the year ended 31 December 2019 at the forthcoming annual general meeting to be held on Monday, 18 May 2020. The final dividend amounting to HK$51,963,000, if approved by the shareholders of the Company, will be paid on Monday, 8 June 2020 to those shareholders whose names appear on the register of members of the Company on Tuesday, 26 May 2020.

REVIEW OF BUSINESSES

Financial and Real Estates Investments

In the year under review, the global economic momentum lost steam. Federal Reserve thus cut US dollars rate accumulatively by 0.75% by three adjustments and expanded its balance sheet from US$3.75 trillion in August to US$4.02 trillion in October. PRC also lowered down its banks' reserve requirement ratio twice and reduced corporate tax and levies amounting to RMB2 trillion. With such driving forces behind, "A" shares and Dow Jones indexes managed to close at a higher level in year-end. However the market volatility during the year was fairly high. The Management adhered finally to the strategy to refrain from equity trading till the final settlement of the Sino-American trade disputes. Our investments only focused in the Mainland high yield property bonds. At the beginning of the year, face value of our bond portfolio was HK$1.901 billion. Year-end balance was HK$1.831 billion because around HK$70 million worth bond was redeemed during the year. The average yield of the portfolio was around 6.36%.

For the year ended 31 December 2019, the total turnover of the financial and real estates investments was HK$118,505,000 (2018: HK$126,501,000), representing a decrease of 6.32% from the previous year.

Export Operations

The Export Operations of the Group were composed of overseas agency trading and design centre business. As our export market was US, our Export Operations were also vulnerable to the trade disputes between US and PRC. As our design centre had accommodated the requirement of our clients to source supplies outside the Mainland at early stage, our business was not adversely affected and also registered an increase in export volume. The overseas agency trading also followed suit later to have part of its supplies from Southeast Asian manufactories and narrowed up its inferior trading performance in 2019 caused by fierce competitions. In the second half of the year, Jeanswest Australia was no longer getting their supplies through our overseas agency trading and attributed to a greater drop in volume of our overseas agency performance.

For the year ended 31 December 2019, the total sales of the export operations was HK$335,934,000 (2018: HK$560,761,000), representing a decrease of 40.09% from the previous year.

Our export business offers diversified products to customers

Interior Decoration and Renovation

In the year under review, the operations of our Interior Decoration and Renovation could be summarized by the words "to focus on our core business and keep abreast with the latest technology that is applicable to our products". We developed and grew together with our core customers. To take Huawei as an example, since 2013 we had built more than 10,000 image stores for them. In 2019, Huawei bestowed their Outstanding Quality Award and Mutual Enhancement Award to us as their appreciation of our contribution as its suppliers. Those projects we handled were marked with the characteristics of standardization, informatization and intelligentization ideas. During the year, the exhibition halls we built for Huawei and Derry New Energy Automobile with the theme of green environmental space got applause from all users. Our development along this direction seemed to be quite promising but our profit margin had yet to be improved.

For the year ended 31 December 2019, the total turnover of the interior decoration and renovation operations was HK$705,194,000 (2018: HK$503,151,000), representing an increase of 40.16%.

Changhong provided interior design services to the Shijiazhuang Qiao Xi Branch of the Industrial and Commercial Bank of China

Hong Kong Retailing and Overseas Franchising Operations

In the first half of the year under review, Jeanswest Retailing through prompt adjustment of its strategy and the improvement of its product mix to meet with the market changes did manage to have a mild improvement in turnover and gross margin. However, sales and gross margin were encroached by the social unrest since June. Under global economic slow-down environment, our franchisees also hesitated to place orders as usual and thus our sales were lower than that of last year.

As at 31 December 2019, Jeanswest had 9 stores operated in Hong Kong (2018: 11 stores). The total turnover of Jeanswest in Hong Kong and overseas for the year ended 31 December 2019 was HK$49,553,000 (2018: HK$66,612,000), representing a decrease of 25.61% when compared with last year.

CHAIRMAN'S STATEMENT

FINANCIAL POSITION

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

HUMAN RESOURCES

As at 31 December 2019, the Group employed about 532 employees. The Group granted bonus to employees based on the Group's results and individual performance from time to time.

SOCIAL RESPONSIBILITY

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

PROSPECTS

Looking forward to the ensuing months in 2020, the propelling force to drive global economic growth seems to be quite weak. Even the first stage trade agreement between US and PRC was signed, conflicts arising from other controversial issues are expected to persist. Year 2020 is also the presidential election year in US. President Trump is expected to endeavour to keep US economy in good shape. In PRC, the head wind against economic development is fairly strong. Keeping economic stability as the top priority in the government's to do list is self-explanatory. In addition, the outburst and spread out of the new corona virus (COVID-19) before the Chinese New Year has caused the economic activities in Wuhan to come to a complete stand-still. Other provinces also have to suspend most of their business activities. Commencing from mid-February, most of the companies outside Wuhan endeavoured to resume their operations. Of course, various challenges are expected to be faced. The COVID-19 pandemic is subsequently breaking out in Europe, America and other parts of the world. The global capital markets become very volatile. In view of the above, the Management of the Group formulates this year's operation strategy as "be focused on important matters". We will plan our business with utmost prudence so as to maintain stability in the process of development. We will increase the cash ratio in our investment portfolio. Before the Chinese New Year, the face value of the bond portfolio was reduced from HK$1.831 billion to HK$1.202 billion. It is expected that after some bonds turn mature in the middle of the year, the face value of the bond portfolio will be further reduced to HK$975 million. In respect of our Export Operations, though the production lines have been relocated overseas, product development and substantial intermediate supplies are still in PRC where the market is generally affected by the COVID-19 pandemic. Therefore, our Export Operations have still to overcome difficulties ahead. Hong Kong Retailing and Overseas Franchising will also be affected by the prevailing market sentiment. The Management will try to strengthen the products supplies and develop new customers and new markets.

As the market of Interior Decoration and Renovation is in the Mainland, its business environment will turn challenging as well. The Management will focus on using latest technology and environmental friendly materials to highlight our products so as to sharpen our competitive edge.

APPRECIATION

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

Dr. Charles Yeung, GBS, JP
Chairman

Hong Kong, 25 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 December 2019, the Group's consolidated revenue decreased by 4.62% to HK$1,212,288,000 (2018: HK$1,271,001,000). The Group recorded a profit attributable to the shareholders of the Company amounting to HK$110,383,000 (2018: HK$107,430,000), representing an increase of 2.75%.

Despite of the continuing decrease of gross profits due to the increasingly fierce market competition and early redemption of our high yield listed debt investments, the Group still recorded a marginal increase of 2.75% in profit attributable to the shareholders of Company mainly due to reduction of administrative expenses after the disposal of Jeanswest retail operation in Mainland China.

DIVIDENDS

The Directors have resolved to recommend the payment of a final dividend of HK3.40 cents (2018: HK3.36 cents). Subject to the approval of the Company's shareholders at the forthcoming annual general meeting, the total dividend amount for 2019 will be HK$91,700,000 (2018: HK$89,754,000) which is 83.07% of the profit attributable to the shareholders of the Company for the year. Management is confident that there are sufficient funds in the business for medium term investments.

LIQUIDITY AND FINANCIAL RESOURCES

The Group held cash and cash equivalents, pledged deposits, current portion of debt investments at amortised cost and current portion of equity investments designated at fair value through other comprehensive income of HK$1,426,316,000 (2018: HK$1,067,917,000) as at 31 December 2019.

The Group's land and buildings, and right-of-use assets were with total carrying value of HK$39,992,000 (2018: HK$6,483,000). Significant increase in the carrying value was mainly due to recognition of right-of-use assets in accordance with HKFRS 16 effective from 1 January 2019. These assets were neither charged nor pledged to any bank borrowings as at 31 December 2019.

The Group had bank loans of approximately HK$16,456,000 (2018: HK$474,051,000) as at 31 December 2019 being secured by (i) corporate guarantees provided by the Company up to approximately HK$780,000,000 (2018: HK$783,000,000); and (ii) pledged of certain of Group's assets amounting to approximately HK$40,384,000 (2018: HK$6,742,000).

The Group's total assets less current liabilities were HK$2,562,491,000 (2018: HK$2,470,136,000) as at 31 December 2019.

The current ratio increased from approximately 1.65 times as at 31 December 2018 to approximately 3.99 times as at 31 December 2019. The gearing ratio was approximately 1% (2018: approximately 16%), which is total interest-bearing bank borrowings divided by the total shareholders' equity plus total interest-bearing bank borrowing.

The Group had neither material capital commitment nor material contingent liabilities as at 31 December 2019.

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

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURES

The Group has transactional currency exposures. Such exposure arise from sales and purchases by operating units in currencies other than the unit's functional currencies, mostly in United States dollars and Renminbi. In addition, the Group has currency exposure from debt investments at amortised cost and equity investments designated at fair value through other comprehensive income which are also in United States dollars and Renminbi. For the year ended 31 December 2019, the Group did not employ financial instruments for hedging its exposures to foreign currency risk. The Group closely monitors its exposures on an ongoing basis.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents and interest-bearing bank borrowing with floating interest rates. The Group manages its interest cost using a mix of fixed and variable rate debts.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2019, the Group had listed and non-listed investments being classified as debt investments at amortised cost and equity investments designated at fair value through other comprehensive income, respectively.

Debt investments at amortised cost were listed debt investments with maturity, which were further classified as non-current portion in the amount of HK$810,835,000 (2018: HK$1,119,879,000) and current portion of HK$225,744,000 (2018: Nil). Altogether, the total net carrying value was HK$1,036,579,000 (2018: HK$1,119,879,000), representing 34.42% (2018: 33.45%) of the Group's total assets.

Details of the debt instruments held were as follows:

	As at 31 December 2019			Net carrying value		Movements in 2019				For the year ended 31 December 2019	
Name of Issuer and Terms of Instruments	Nominal value Currency	Nominal value Held in million	Percentage to the Group's total assets	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000	Disposal HK$'000	Amortisation HK$'000	Impairment loss HK$'000	Exchange loss HK$'000	Redemption income HK$'000	Interest income HK$'000
Easy Tactic Limited											
5.75% Senior Notes 5 years due 2022	US$	19.200	4.99%	150,307	152,133	-	(590)	(653)	(583)	-	8,021
5.875% Senior Notes 5 years due 2023	US$	38.000	9.80%	295,117	297,540	-	-	(1,283)	(1,140)	-	17,414
Agile Group Holdings Limited											
9% Senior Notes 5 years due 2020	US$	29.000	7.50%	225,744	228,973	-	(1,361)	(991)	(877)	-	18,997
5.125% Senior Notes 5 years due 2022	US$	19.000	4.90%	147,616	148,849	-	(22)	(641)	(570)	-	7,573
Shui On Development (Holding) Limited											
6.875% Senior Notes 3 years due 2021	RMB	196.350	7.23%	217,795	221,684	-	(497)	(940)	(2,452)	-	14,843
Shimao Property Holdings Limited											
8.375% Senior Notes 7 years due 2022	US$	-	-	-	70,700	(70,420)	(9)	-	(271)	2,728	938
Total			34.42%	1,036,579	1,119,879	(70,420)	(2,479)	(4,508)	(5,893)	2,728	67,786

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

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

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

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

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

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

Management expects a stable rate of 5–7% per annum in average will be generated from the debt investments at amortised cost.

Equity investments designated at fair value through other comprehensive income consisted of listed and non-listed investments. During the year, the Group had not changed its holdings under this category of assets. The listed investments were listed perpetual security issued by Shui On. As at 31 December 2019, its carrying value with current and non-current portion in aggregate of HK$791,545,000 (2018: HK$737,454,000), represented 26.28% of the Group's total assets. Significant increase in carrying value of Shui On perpetrated security was due to rising in market price. Distribution from Shui On during the year was HK$50,719,000 (2018: HK$50,394,000). Management expects a stable return rate of at least 6% per annum from this investment.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Disposals of significant investment held

(i) Disposals of 6.4% senior perpetual capital securities callable 2022 of Shui On Development (Holding) Limited guaranteed by Shui On Land Limited (the "Securities")

On 3 January 2020, 7 January 2020 and 8 January 2020, the Group disposed of the Securities classified as equity investments designated at fair value through other comprehensive income with a total principal amount of US$57,600,000 (equivalent to approximately HK$449,280,000) in the secondary market for a total consideration of approximately US$57,490,900 (equivalent to approximately HK$448,429,000) (save for the disposal of the Securities on 3 January 2020, excluding the transaction costs).

Details of the disposals of the Securities are set out in the Company's announcements dated 3 January 2020, 7 January 2020 and 8 January 2020 respectively and circular dated 14 February 2020.

(ii) Disposals of 6.875% senior notes due 2021 of Shui On Development (Holding) Limited guaranteed by Shui On Land Limited (the "Notes")

On 23 January 2020 and 24 January 2020, the Group disposed of the Notes classified as debt investments at amortised cost with a total principal amount of RMB110,000,000 (equivalent to approximately HK$122,223,000) in the secondary market for a total consideration of approximately RMB112,530,000 (equivalent to approximately HK$125,033,000).

Details of the disposals of the Notes on 23 January 2020 and 24 January 2020 are set out in the Company's announcement dated 24 January 2020.

On 29 January 2020, 30 January 2020 and 31 January 2020, the Group further disposed of the Notes with a total principal amount of RMB52,350,000 (equivalent to approximately HK$58,167,000 in the secondary market for a total consideration of approximately RMB53,407,000 (equivalent to approximately HK$59,341,000).

COVID-19

The outbreak of coronavirus disease 2019 ("COVID-19") has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position. The Group has been closely monitoring the impact from the COVID-19 on the Group's businesses and has commenced to put in place various measures. Based on the information currently available, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group up to the date of this report. However, the actual impacts may differ from these estimates as the situation continues to evolve and further information becomes available.

OUTLOOK

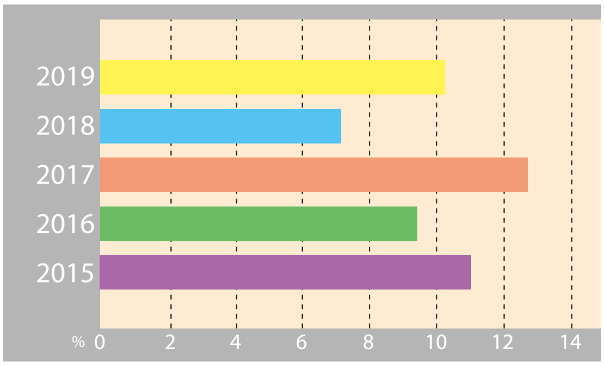
With emphasis on the market driven and result oriented strategies on operations, Management is confident that the Group will continue to bring reasonable returns to its shareholders.

FINANCIAL HIGHLIGHTS

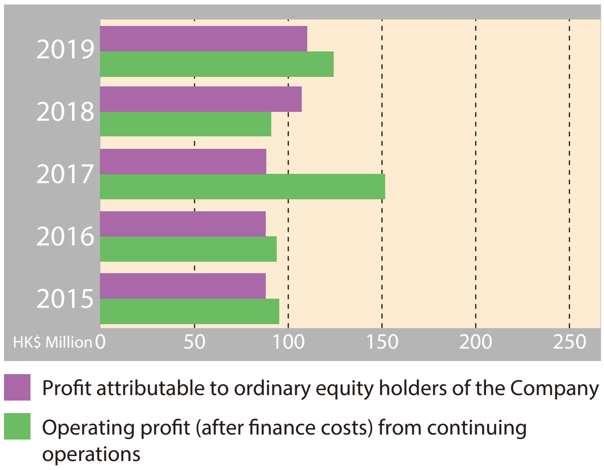
	2019	2018	2017	2016	2015
Revenue from continuing operations (HK$'000)	**1,212,288**	1,271,001	1,193,724	997,176	865,979
Increase/(decrease) in revenue in percentage	**(4.62%)**	6.47%	19.71%	15.15%	(9.70%)
Revenue analysis:					
1. Financial investments (HK$'000)	**118,505**	126,501	121,575	102,447	51,410
2. Export (HK$'000)	**335,934**	560,761	476,554	336,393	438,277
3. Interior decoration and renovation (HK$'000)	**705,194**	503,151	460,571	473,245	330,800
4. Retail (HK$'000)	**49,553**	66,612	78,670	77,050	44,843
5. Other (HK$'000)	**3,102**	13,976	56,354	8,041	649
Operating margin (%)	**10.27%**	7.18%	12.73%	9.44%	11.04%
Profit attributable to ordinary equity holders of the Company (HK$'000)	**110,383**	107,430	88,669	88,320	88,152
Increase/(decrease) in profit attributable to ordinary equity holders of the Company (%)	**2.75%**	21.16%	0.40%	0.19%	(26.17%)
Equity attributable to ordinary equity holders of the Company (HK$'000)	**2,515,126**	2,448,254	2,544,732	2,454,782	2,039,838
Working capital (HK$'000)	**1,341,643**	573,685	286,432	596,413	506,872
Current ratio (times)	**3.99**	1.65	1.14	1.38	1.32
Gearing ratio (times)	**0.01**	0.16	0.28	0.15	0.10
Return on total assets (%)	**3.66%**	3.21%	1.88%	2.15%	2.38%
Return on equity (%)	**4.39%**	4.39%	3.48%	3.60%	4.32%
Return on revenue (%)	**9.11%**	8.45%	7.43%	8.86%	10.18%
Earnings per share (HK cents)					
Basic	**7.22**	7.00	5.77	6.29	8.39
Diluted	**7.22**	7.00	5.77	6.29	8.39
Dividend per share (HK cents)	**6.00**	5.86	5.70	5.70	7.70

FINANCIAL HIGHLIGHTS

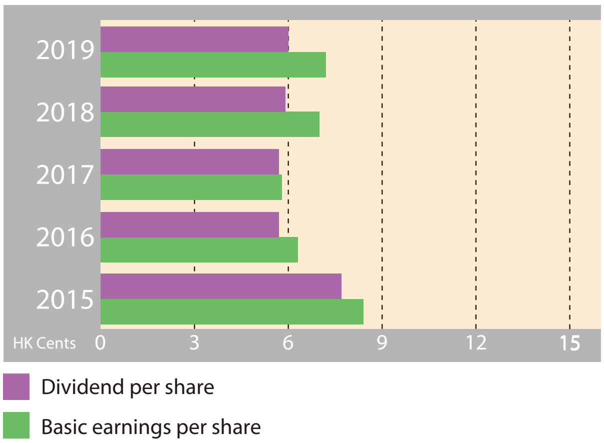
OPERATING MARGIN FROM CONTINUING OPERATIONS (AFTER FINANCE COSTS)



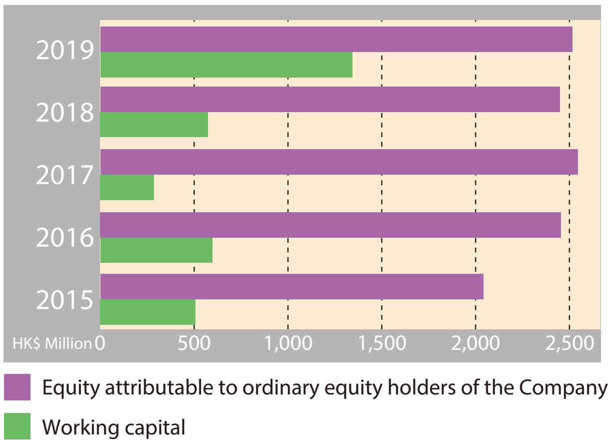
OPERATING PROFIT FROM CONTINUING OPERATIONS AND PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY



BASIC EARNINGS PER SHARE AND DIVIDEND PER SHARE

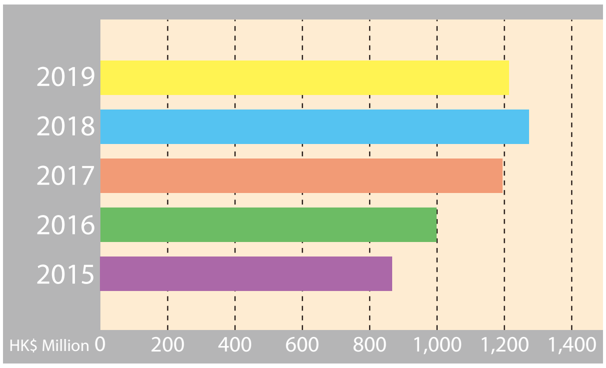


WORKING CAPITAL AND EQUITY ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

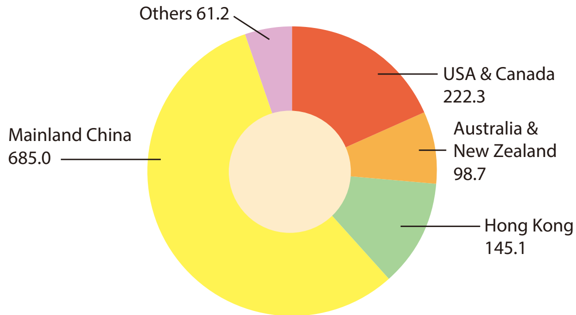


FINANCIAL HIGHLIGHTS

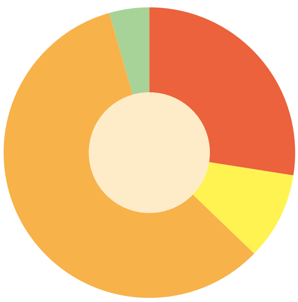
REVENUE FROM CONTINUING OPERATIONS
(HK$Million)



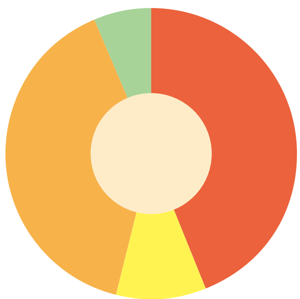
REVENUE FROM CONTINUING OPERATIONS BY GEOGRAPHICAL LOCATIONS
(HK$Million)



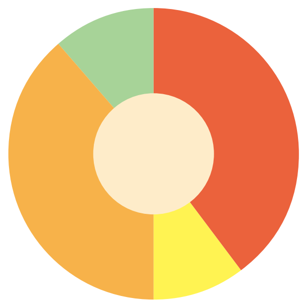
TURNOVER FROM CONTINUING OPERATIONS BY ACTIVITIES (HK$Million)


2019

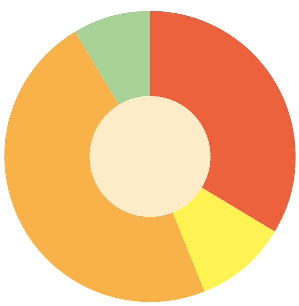
Export	335.9
Financial Investments	118.5
Interior decoration and renovation	705.2
Retail, wholesale, franchise and others	52.7


2018

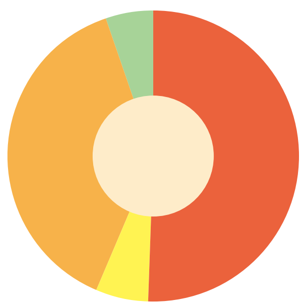
Export	560.8
Financial Investments	126.5
Interior decoration and renovation	503.1
Retail, wholesale, franchise and others	80.6


2017

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


2016

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


2015

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

The Company is committed to maintaining a high standard of corporate governance and has applied throughout the year ended 31 December 2019 (the "year under review") the principles set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

Throughout the year under review, the Company has complied with the code provisions set out in the CG Code, save and except for the deviation from code provisions A.5.5(2) and A.6.7 of the CG Code, details of which are as follows:

– under code provision A.5.5(2) of the CG Code, where the board proposes a resolution to elect an individual as an independent non-executive director at a general meeting, it should set out in the explanatory statement accompanying the notice of the relevant general meeting the reasons for the board believes that the proposed independent non-executive director would still be able to devote sufficient time to the board if he will be holding his seventh (or more) listed company directorship. Such reasons were not disclosed in the explanatory statement of the Company in which it set out that Mr. Chung Shui Ming, Timpson and Mr. Lam Lee G., each of them is holding his seventh (or more) listed company directorship, were proposed to be re-elected at the Company's annual general meeting for 2019. The Company took remedial action by disclosing the reasons at the annual general meeting held on 28 May 2019. Before the respective motions of re-electing Mr. Chung and Mr. Lam as independent non-executive directors were proposed at the annual general meeting, the Company explained to the shareholders/proxies/corporate representatives present that, notwithstanding each of Mr. Chung and Mr. Lam serving as an independent non-executive director for more than seven listed companies, they had actively participated in the meetings of the Board of Directors of the Company (the "Board"), and the Board was satisfied that both of them had devoted and would be able to devote sufficient time and attention to the affairs of the Company. In addition, the Board also believed that both of them based on their experience, skills and expertise could make contributions to the Company.

– under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of the shareholders. Due to other pre-arranged commitments, Mr. Lau Hon Chuen, Ambrose and Mr. Chung Shui Ming, Timpson, were not present at the Company's annual general meeting for the year 2019.

The Board continues to monitor and review the Company's corporate governance practices to ensure compliance.

BOARD OF DIRECTORS

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

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

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

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

Independent Non-executive Directors
Mr. Lau Hon Chuen, Ambrose, GBS, JP
Dr. Chung Shui Ming, Timpson, GBS, JP
Mr. Wong Man Kong, Peter, BBS, JP *(passed away on 11 March 2019)*
Dr. Lam Lee G., BBS *(resigned on 31 August 2019)*
Dr. Chan Chung Bun, Bunny, GBS, JP *(appointed on 8 June 2019)*
Mr. Ng Wing Ka, Jimmy, BBS, JP *(appointed on 8 June 2019)*

During the year under review, the Company has met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors, one of whom, namely Mr. Chung Shui Ming, Timpson, has appropriate professional qualifications or accounting or related financial management expertise.

Mr. Wong Man Kong, Peter had been an Independent Non-executive Director and the Chairman of the Remuneration Committee before he passed away on 11 Mach 2019. Following the passing away of Mr. Wong:

– the number of Independent Non-executive Directors was reduced to three, being below the requirement under Rule 3.10A of the Listing Rules which stipulates that the Company must appoint independent non-executive directors representing at least one-third of the Board. Following the appointments of Mr. Chan Chung Bun, Bunny and Mr. Ng Wing Ka, Jimmy as Independent Non-executive Directors on 8 June 2019, the Company has fully complied with the requirement under Rule 3.10A of the Listing Rules.

– the number of members of the Remuneration Committee was reduced to two, being below the composition requirement of the remuneration committee under Rule 3.25 of the Listing Rules which stipulates that the Company must establish a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors. Following the re-designation of Mr. Chung Shui Ming, Timpson (an Independent Non-executive Director) from a member of the Remuneration Committee to the Committee Chairman and the appointment of Mr. Lam Lee G. (an Independent Non-executive Director) as a member of the Remuneration Committee on 19 March 2019, the Company has fully complied with the requirements under Rule 3.25 of the Listing Rules.

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

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

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

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

The Nomination Committee, which was established by the Board in March 2012, is responsible for reviewing its size, structure and composition (including the skills, knowledge and experience) of the members of the Board to ensure that the Board has a balance of expertise, skills, knowledge and experience appropriate for the business of the Company. On 20 May 2019, the Nomination Committee considered the appointments of Mr. Chan Chung Bun, Bunny and Mr. Ng Wing Ka, Jimmy as Independent Non-executive Directors and made recommendation to the Board for consideration. The appointments were approved by the Board and took effect on 8 June 2019.

The Nomination Committee has also reviewed and made recommendation to the Board on the appointments of the Directors standing for re-election at the forthcoming annual general meeting of the Company which is to be held on 18 May 2020. The Board has accepted such recommendation.

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

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

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

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

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

MEETINGS AND ATTENDANCE

The Board met on four occasions during the year under review. The attendance of individual Directors at the Board meetings, the Board Committees (the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment Committee) meetings and the annual general meeting for the year 2019 is set out in the table below:

	Meetings Attended/Held					
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Investment Committee**	**Annual General Meeting**
Executive						
Dr. Charles Yeung, GBS, JP	4/4			1/1	2/2	1/1
Mr. Yeung Chun Fan	4/4				2/2	1/1
Mr. Pau Sze Kee, Jackson	4/4		2/2		2/2	1/1
Mr. Hui Chung Shing, Herman, SBS, MH, JP	4/4					1/1
Ms. Cheung Wai Yee	4/4					1/1
Mr. Chan Wing Kan, Archie	4/4				2/2	1/1
Ms. Yeung Yin Chi, Jennifer	4/4				2/2	1/1
Independent Non-executive						
Mr. Lau Hon Chuen, Ambrose, GBS, JP	4/4	2/2		1/1		0/1
Dr. Chung Shui Ming, Timpson, GBS, JP	2/4	1/2	2/2	1/1		0/1
Mr. Wong Man Kong, Peter, BBS, JP^	N/A	N/A	N/A		N/A	N/A
Dr. Lam Lee G., BBS*	3/3	2/2	1/1		1/1	1/1
Dr. Chan Chung Bun, Bunny, GBS, JP#	2/2		1/1		1/1	N/A
Mr. Ng Wing Ka, Jimmy, BBS, JP#	2/2	1/1				N/A

^ *Mr. Wong Man Kong, Peter passed away on 11 March 2019 and ceased to be a Director on the same date. All Board meetings and committee meetings for the year 2019 were held after 11 March 2019.*

* *Mr. Lam Lee G. resigned as a Director on 31 August 2019.*

Mr. Chan Chung Bun, Bunny and Mr. Ng Wing Ka, Jimmy were appointed as Independent Non-executive Directors on 8 June 2019.

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

BOARD COMMITTEES

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

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

The Audit Committee

The Audit Committee has been established since 1998. Currently, it comprises three Independent Non-executive Directors, namely Mr. Lau Hon Chuen, Ambrose (Committee Chairman), Mr. Chung Shui Ming, Timpson and Mr. Ng Wing Ka, Jimmy. While recognising the Audit Committee plays an important role in corporate governance, the Board has delegated the corporate governance functions to the Audit Committee. The terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

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

The Audit Committee held two meetings during the year under review. The work of the Audit Committee in 2019 included the following:

– review of the annual results announcement, the financial statements, the report of the Directors and the corporate governance report for the year 2018

– review of the 2019 interim results announcement and the interim report

– review of the internal audit reports and the risks assessment report, all prepared by the Internal Audit Department of the Company

– review of continuing connected transactions for the year 2018 and for the six months ended 30 June 2019

– approval of the terms of engagement and the remuneration of the external auditor

– assessment of the independence of the external auditor

– review of a report prepared by the external auditor on any issues arising from their audits

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

The Remuneration Committee

The Remuneration Committee currently comprises a total of three members, being two Independent Non-executive Directors, namely Mr. Chung Shui Ming, Timpson (Committee Chairman) and Mr. Chan Chung Bun, Bunny, and an Executive Director, Mr. Pau Sze Kee, Jackson. The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual Directors and senior management. The terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

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

The Remuneration Committee held two meetings during the year under review.

The work of the Remuneration Committee in 2019 included the following:

– approval of and recommendation to the Board on 2019 salary adjustment, 2018 year-end bonuses and performance bonuses for the Executive Directors

– approval of the directors' fees of the Independent Non-executive Directors, including the newly appointed ones during the year under review

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

The Nomination Committee

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

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

The Company has established a nomination policy of director setting out the approach and procedures adopted for the nomination and selection of Directors. The policy sets out the principles for assessing the suitability and potential contribution to the Board of a proposed candidate, including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy; diversity of the Board; requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules.

The Nomination Committee held one meeting during the year under review.

The work of the Nomination Committee in 2019 included the following:

- review of the structure, size and composition (including the skills, knowledge and experience) of the Board
- assessment of the independence of all Independent Non-executive Directors
- recommendation to the Board on the re-election of Directors
- review of the Board diversity policy
- consideration of and recommendation to the Board on the appointment of new Independent Non-executive Directors

The Investment Committee

The Board set up the Investment Committee on 10 December 2015 with specific written terms of reference. Currently, the Investment Committee comprises five Executive Directors, namely Mr. Charles Yeung (Committee Chairman), Mr. Yeung Chun Fan, Mr. Pau Sze Kee, Jackson, Mr. Chan Wing Kan, Archie and Ms. Yeung Yin Chi, Jennifer, an Independent Non-executive Director, Mr. Chan Chung Bun, Bunny, and one senior staff.

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

The Investment Committee held two meetings during the year under review. The work of the Investment Committee in 2019 included the following:

- monitoring of the performance of financial investment portfolio and review of the associated risk levels
- recommendation on strategic plan of financial investment activities

DIRECTORS' TRAINING

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

On appointment, the new Directors, each of Mr. Chan Chung Bun, Bunny and Mr. Ng Wing Ka, Jimmy, received an induction covering, among others, information about the Group's operations and business, the roles and responsibilities of a director under the applicable laws, rules and regulations.

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

Directors		
Executive		
Dr. Charles Yeung, GBS, JP		A, B, C
Mr. Yeung Chun Fan		A, B, C
Mr. Pau Sze Kee, Jackson		A, C
Mr. Hui Chung Shing, Herman, SBS, MH, JP		A, C
Ms. Cheung Wai Yee		A, C
Mr. Chan Wing Kan, Archie		A, C
Ms. Yeung Yin Chi, Jennifer		A, B, C
Independent Non-executive		
Mr. Lau Hon Chuen, Ambrose, GBS, JP		A, C
Dr. Chung Shui Ming, Timpson, GBS, JP		A, B, C
Dr. Lam Lee G., BBS	*(resigned on 31 August 2019)*	A, B, C
Dr. Chan Chung Bun, Bunny, GBS, JP	*(appointed on 8 June 2019)*	A, C
Mr. Ng Wing Ka, Jimmy, BBS, JP	*(appointed on 8 June 2019)*	A, C

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

LIABILITY INSURANCE FOR THE DIRECTORS

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities against possibility of legal action to be taken against the Directors and senior management. In 2019, no claims under the insurance policy were made.

DIRECTORS' SECURITIES TRANSACTIONS

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

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

EMPLOYEES' SECURITIES TRANSACTIONS

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

INSIDE INFORMATION POLICY

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

FINANCIAL STATEMENTS

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

Main features of the risk management and internal control systems

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

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

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

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

The Board considers that the Group's internal control system is adequate and effective and the Company has complied with the relevant code provisions of the CG Code for the year ended 31 December 2019.

Internal audit

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

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

Inside Information

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

COMPANY SECRETARY

The Company Secretary, Ms. Hoi Siu Ling, has taken no less than 15 hours of relevant professional training during 2019.

AUDITOR'S REMUNERATION

The fees in respect of audit and non-audit services provided to the Group by the external auditor of the Company, Ernst & Young, for the year ended 31 December 2019 amounted to approximately HK$1,830,000 and HK$120,000 respectively. The non-audit services included tax and other services.

DIVIDEND POLICY

The Board has adopted a dividend policy. According to the dividend policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into the account the following factors:

– the Group's actual and expected financial results

– the Group's working capital requirements, capital expenditure requirements and future expansion/ investment plans

– the Group's liquidity position

– retained earnings and distributable reserves of the Company and each of the members of the Group

– the general economic and political conditions and other external factors that may have an impact on the future business and financial performance of the Group

– the expectation of shareholders and investors

– any other factors that the Board considers relevant

COMMUNICATIONS WITH SHAREHOLDERS

The Company regards the annual general meeting as an important event as it provides an opportunity for direct communications between its Shareholders and the Board. At the Company's 2019 annual general meeting, the Chairman of the Board (also the Chairman of the Nomination Committee and the Investment Committee), a member of the Audit Committee representing the Chairman thereof, a member of the Remuneration Committee representing the Chairman thereof, as well as the external auditor were present to answer Shareholders' questions.

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

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

CONSTITUTIONAL DOCUMENTS

The Company's Bye-laws are available on the websites of the Company and the Stock Exchange. During 2019, there is no change in the Company's Bye-laws.

SHAREHOLDERS' RIGHTS

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

Procedures for Shareholders to convene a special general meeting

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

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

Procedures for putting forward proposals at a general meeting

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

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

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

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

Procedures for directing Shareholders' enquiries to the Board

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

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

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

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

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Chairman's Statement and the Management Discussion and Analysis set out on pages 12 to 20 of this annual report. This discussion forms part of this Report of the Directors.

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

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2019 and the Group's financial position at that date are set out in the financial statements on pages 54 to 154 of this annual report.

An interim dividend of HK2.60 cents per ordinary share was paid on 20 September 2019. The Directors recommended the payment of a final dividend of HK3.40 cents per ordinary share in respect of the year, to shareholders on the register of members on 26 May 2020.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on pages 155 and 156 of this annual report. This summary does not form part of the audited financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's authorised or issued share capital and share options during the year are set out in notes 32 and 33 to the financial statements.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution, calculated in accordance with The Companies Act 1981 of Bermuda (as amended), amounted to HK$1,135,707,000, of which HK$51,963,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$733,815,000, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$114,000.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 65.12% of the Group's total turnover for the year, and the sales to the largest customer and Jeanswest Corporation Pty. Ltd., included therein amounted to 40.91% and 5.68%, respectively.

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

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

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

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

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

REPORT OF THE DIRECTORS

DIRECTORS

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

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

Independent Non-executive
Mr. Lau Hon Chuen, Ambrose, GBS, JP
Dr. Chung Shui Ming, Timpson, GBS, JP
Mr. Wong Man Kong, Peter, BBS, JP *(passed away on 11 March 2019)*
Dr. Lam Lee G., BBS *(resigned on 31 August 2019)*
Dr. Chan Chung Bun, Bunny, GBS, JP *(appointed on 8 June 2019)*
Mr. Ng Wing Ka, Jimmy, BBS, JP *(appointed on 8 June 2019)*

In accordance with bye-laws 101 and 110(A) of the Company's Bye-laws and in compliance with code provision A.4.2 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, Mr. Yeung Chun Fan, Mr. Hui Chung Shing, Herman, Mr. Chan Wing Kan, Archie, Ms. Yeung Yin Chi, Jennifer, Mr. Chan Chung Bun, Bunny and Mr. Ng Wing Ka, Jimmy will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmation from each of the Independent Non-executive Directors as regards their independence to the Company and considers that each of the Independent Non-executive Directors is independent of the Company. Details are set out in the Corporate Governance Report on pages 24 to 35 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the sections headed "Connected Transaction" and "Continuing Connected Transactions" below and in note 40 to the financial statements, no Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 December 2019, the interests or short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Long positions in shares of the Company

Name of Director	Capacity	Number of shares held	Total	Percentage of issued share capital (%)
Dr. Charles Yeung, GBS, JP	(i) Interest of controlled corporations	830,073,000	968,358,499 (1) & (2)	63.360
	(ii) Joint interest	138,285,499		
Mr. Yeung Chun Fan	(i) Beneficial owner	75,000,000	1,053,453,499 (1), (2) & (3)	68.928
	(ii) Interest of controlled corporations	830,073,000		
	(iii) Joint interest	138,285,499		
	(iv) Interest of spouse	10,095,000		
Mr. Pau Sze Kee, Jackson	Beneficial owner	9,370,000	9,370,000	0.613
Mr. Hui Chung Shing, Herman, SBS, MH, JP	Beneficial owner	6,250,000	6,250,000	0.409
Ms. Cheung Wai Yee	(i) Beneficial owner	10,095,000	1,053,453,499 (1), (2) & (3)	68.928
	(ii) Interest of spouse	1,043,358,499		
Mr. Lau Hon Chuen, Ambrose, GBS, JP	Beneficial owner	1,492,402	1,492,402	0.098
Dr. Chung Shui Ming, Timpson, GBS, JP	Beneficial owner	408,000	408,000	0.027

Notes:

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

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

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

Save as disclosed above, as at 31 December 2019, none of the directors of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Divisions 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEMES

Particulars of the share option schemes of the Company are set out in note 33 to the financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Executive Directors/Senior Management

Dr. YEUNG Chun Kam, GBS, JP, alias Charles YEUNG, aged 73, is the founder and Chairman of the Group. He is responsible for the Group's business strategies. Mr. Yeung has over 45 years of experience in the garment industry. He was an awardee of the "Young Industrialist Award of Hong Kong" in 1991 and was conferred an honorary doctorate degree by the China Textile University in 1993 and an honorary fellow by The Professional Validation Council of Hong Kong Industries in 2002. Mr. Yeung served as a Member of the 9th, 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference and is a Life Honorary Chairman of The Chinese General Chamber of Commerce. Mr. Yeung is a director and shareholder of Glorious Sun Holdings (BVI) Limited and Advancetex Holdings (BVI) Limited which are substantial shareholders of the Company (as disclosed in the section headed "Substantial shareholders" in this report).

Mr. YEUNG Chun Fan, aged 67, is the Vice-chairman and General Manager of the Group which he joined in 1975. He has over 40 years of experience in the garment industry. Mr. Yeung is an Honorary Fellow Member of the Hong Kong Institution of Textile and Apparel, an Honorary President of The Federation of Hong Kong Garment Manufacturers, an advisory professor of the Nanjiang University, the Donghua University and the Qingdao University. Mr. Yeung is a Member of the National Committee of the Chinese People's Political Consultative Conference, a Vice-chairman of the China Association of Enterprises with Foreign Investment and a Vice-president of the China National Textile and Apparel Council. Mr. Yeung is responsible for the Group's overall business operations. He is a brother of Mr. Charles Yeung. Mr. Yeung is a director and shareholder of Glorious Sun Holdings (BVI) Limited and Advancetex Holdings (BVI) Limited which are substantial shareholders of the Company (as disclosed in the section headed "Substantial shareholders" in this report).

Mr. PAU Sze Kee, Jackson, aged 68, joined the Group in 1987 and is a Deputy General Manager of the Group. Mr. Pau graduated from the University of Hong Kong with a bachelor's degree in Social Sciences. Before joining the Group, he had worked in several financial institutions and a listed trading company in the United Kingdom for more than 10 years. He is responsible for the finance and administrative functions of the Group.

Mr. HUI Chung Shing, Herman, SBS, MH, JP, aged 69, is responsible for the strategic planning and legal matters of the Group. Mr. Hui graduated from the University of Hong Kong with a bachelor's degree in Laws. He is a solicitor of the High Court of the Hong Kong Special Administrative Region and has also been admitted as a solicitor of the Supreme Court of England and Wales and as a solicitor and barrister of the Supreme Court of Victoria, Australia. Before joining the Group in 1995, Mr. Hui was the Group's external legal advisor. In 2010, he was conferred Honorary Fellow of the Vocational Training Council.

Ms. CHEUNG Wai Yee, aged 68, joined the Group in 1975 and is responsible for the Group's apparel sales and exports to third party customers. Ms. Cheung is the wife of Mr. Yeung Chun Fan.

Mr. CHAN Wing Kan, Archie, aged 73, has been an Executive Director of the Company since August 2005 and was the Group's business consultant in the past. Mr. Chan graduated from the University of New South Wales, Australia with a bachelor's degree in Commerce. He is a Member of the Hong Kong Institute of Certified Public Accountants and Chartered Accountants Australia and New Zealand. Mr. Chan has extensive experience in corporate investment and management. He is responsible for the business development of the Group.

Ms. YEUNG Yin Chi, Jennifer, aged 40, joined the Group in 2011 and has been an Executive Director of the Company since November 2016. Ms. Yeung has many years of experience in the financial investment industry. She is responsible for the Group's financial investment business. Ms. Yeung graduated from the Hong Kong Baptist University with a bachelor's degree in Business Administration. Ms. Yeung is a niece of Mr. Charles Yeung and Mr. Yeung Chun Fan.

Independent Non-executive Directors

Mr. LAU Hon Chuen, GBS, JP, alias Ambrose LAU, aged 72, has been an Independent Non-executive Director of the Company since March 1997. He obtained a Bachelor of Laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr. Lau served as a Standing Committee Member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference. Mr. Lau is currently the senior partner of Messrs. Chu & Lau, Solicitors & Notaries, an Independent Non-executive Director of China Jinmao Holdings Group Limited, Yuexiu Property Company Limited, Yuexiu Transport Infrastructure Limited and Joy City Property Limited. He is also a Director of OCBC Wing Hang Bank (China) Limited, Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Cinda Financial Holdings Co., Limited, Sun Hon Investment And Finance Limited, Wydoff Limited, Wytex Limited, Trillions Profit Nominee & Secretarial Services Limited, Helicoin Limited, Wyman Investments Limited and Polex Limited. Mr. Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council).

Dr. CHUNG Shui Ming, Timpson, GBS, JP, aged 68, has been an Independent Non-executive Director of the Company since September 2004. Mr. Chung holds a Master of Business Administration Degree and was awarded the degree of Doctor of Social Sciences, honoris causa, by the City University of Hong Kong ("CityU"). Mr. Chung is the Pro-Chancellor of CityU and a Fellow Member of the Hong Kong Institute of Certified Public Accountants. Currently he is an Independent Non-executive Director of Miramar Hotel and Investment Company, Limited, China Unicom (Hong Kong) Limited, China Overseas Grand Oceans Group Limited, China Everbright Limited, Jinmao Hotel and Jinmao (China) Hotel Investments and Management Limited, China Railway Group Limited, Orient Overseas (International) Limited and Postal Savings Bank of China Co., Ltd. He is also a Member of National Committee of the 13th Chinese People's Political Consultative Conference.

Dr. CHAN Chung Bun, Bunny, GBS, JP, aged 62, has been an Independent Non-executive Director of the Company since June 2019. Mr. Chan was conferred Doctor of Business Administration, honoris causa, by the Open University of Hong Kong in December 2013. He is the Chairman of Prospectful Holdings Limited, and has more than 30 years of experience in business and in the garment industry. Mr. Chan is an independent non-executive director of Li Ning Company Limited, Great Harvest Maeta Group Holdings Limited and Speedy Global Holdings Limited. Mr. Chan is a member of the Council for Sustainable Development from 2015. Mr. Chan was appointed as Justice of the Peace in 2002 and was awarded the Bronze Bauhinia Star in 2004, the Silver Bauhinia Star in 2009 and the Gold Bauhinia Star in 2014 by the Government of the Hong Kong Special Administrative Region.

Mr. NG Wing Ka, BBS, JP, alias Jimmy NG, aged 50, has been an Independent Non-executive Director of the Company since June 2019. Mr. Ng holds a Bachelor of Laws degree and a Post-graduate Certificate in Laws from The University of Hong Kong. He is a solicitor admitted to practise in Hong Kong and currently is a partner of Messrs. Tung, Ng, Tse & Lam, Solicitors. He has been appointed as Justice of the Peace in 2015. He is a Legislative Council member representing the Industrial (Second) Functional Constituency. Mr. Ng is an independent non-executive director of Yanchang Petroleum International Limited and MTR Corporation Limited. He is the chairman of HKSAR Passports Appeal Board, Hong Kong—Taiwan Business Cooperation Committee, a director of Hong Kong Science and Technology Parks Corporation, and a member of the Council of The Hong Kong Polytechnic University, the Small and Medium Enterprises Committee of Trade and Industry Department, HKSAR Election Committee and the Chinese People's Political Consultative Conference of Chongqing City, the People's Republic of China.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, the register required to be kept by the Company pursuant to Section 336 of the SFO showed that the following shareholders (other than directors of the Company) had disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO an interest or a short position in the shares or underlying shares of the Company:

Long positions in shares of the Company

Name of shareholder	Capacity	Number of shares held	Percentage of issued share capital (%)
Glorious Sun Holdings (BVI) Limited	Beneficial owner	622,263,000	40.715
Advancetex Holdings (BVI) Limited	Beneficial owner	207,810,000	13.597

Save as disclosed above, no other parties (other than directors of the Company) disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 31 December 2019.

CONNECTED TRANSACTION

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

On 6 June 2019, Glorious Sun Enterprises (BVI) Limited ("GSE (BVI)") (as tenant), a wholly owned subsidiary of the Company, entered into an agreement of partial surrender and variation of lease (the "Surrender Agreement") with Rank Profit Industries Limited ("Rank Profit") (as landlord), a company owned by Mr. Charles Yeung and Mr. Yeung Chun Fan, both are directors and substantial shareholders of the Company. Pursuant to the Surrender Agreement, GSE (BVI) would surrender and deliver up to Rank Profit the tenancy of certain portions of One Kowloon Premises under the tenancy agreement which was signed on 20 July 2017. After the Group's adoption of HKFRS 16 *Leases* issued by the Hong Kong Institute of Certified Public Accountants which came into effect on 1 January 2019, the entering into of the Surrender Agreement is regarded as an acquisition of asset and constitutes a connected transaction for the Company under the Listing Rules. Details of the transaction are set out in the Company's announcements dated 6 June 2019 and 24 June 2019.

CONTINUING CONNECTED TRANSACTIONS

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

	Notes	**2019 HK$'000**	2018 HK$'000
Rental expenses paid to:	(i)		
G. S. (Yeungs) Limited		**225**	1,098
Rank Profit Industries Limited*		**2,105**	4,888
銀富房產（惠州）有限公司 (Yin Fu Properties (Huizhou) Company Limited)@		**–**	541
惠州市惠富置業有限公司 (Huizhou Hui Fu Properties Company Limited)@		**–**	1,104
Gloryear Management Limited		**–**	466
Yeung's Family#		**–**	1,186
惠州旭興置業有限公司 (Huizhou Xuxing Property Company Limited)@		**–**	2,569
		2,330	11,852
Management fees paid to:	(ii)		
Rank Profit Industries Limited		**637**	947
惠州市城市花園物業管理有限公司 (Huizhou City Garden Property Management Company Limited)@		**–**	31
		637	978
Total		**2,967**	12,830
Design and management fee paid to:	(iii)		
Glory Star Investments Limited		**–**	5,048
Supply of apparel products and accessories to:	(iv)		
Jeanswest Corporation Pty. Ltd.		**68,906**	258,109
Jeanswest Corporation (New Zealand) Limited		**8,380**	28,991
		77,286	287,100
Provision of interior decoration and renovation services to:	(v)		
Advancetex Investment Limited		**5,569**	1,134
Provision of asset management services to:	(vi)		
Mr. Charles Yeung and Mr. Yeung Chun Fan		**–**	–

Notes:

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

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

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

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

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

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

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

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

* The Group has consistently complied the relevant Listing Rules requirement for the existing leases that have been classified as continuing connected transactions under Chapter 14A of the Listing Rules prior to 1 January 2019. The amount represented the rental payment for the year ended 31 December 2019. Upon the application of HKFRS 16 *Leases* on 1 January 2019, the Group has recognised right-of-use asset of HK$7,436,000 and lease liabilities of HK$7,549,000, respectively. During the year ended 31 December 2019, the Group has recognised depreciation of right-of-use asset of HK$3,099,000 and interest expense on lease liabilities of HK$119,000, respectively.

All of the above companies are controlled by (1) Mr. Charles Yeung and Mr. Yeung Chun Fan, both are directors of the Company or (2) Mr. Yeung Chun Fan, Ms. Cheung Wai Yee (a director of the Company) and their sons.

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

MANAGEMENT CONTRACTS

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

EQUITY-LINKED AGREEMENTS

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

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

During the year, the Company repurchased a total of 224,000 shares of the Company on the Stock Exchange. All the repurchased shares were subsequently cancelled by the Company. Details of those transactions are as follows:

Month of repurchase	Number of shares repurchased	Price per share Highest	Price per share Lowest	Aggregate price
		HK$	*HK$*	*HK$*
January	224,000	0.87	0.86	194,118

The repurchase of the Company's shares during the year was effected by the Directors, pursuant to the mandate from shareholders received at the annual general meeting of the Company for the year 2018, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

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

EMOLUMENT POLICY

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance and has complied with the code provisions as set out in the CG Code in Appendix 14 of the Listing Rules throughout the year ended 31 December 2019, save and except for the deviation from code provisions A.5.5(2) and A.6.7 of the CG Code. Details are set out in the Corporate Governance Report on pages 24 to 35 of this annual report.

DISCLOSURE OF INFORMATION ON DIRECTORS

Changes in Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Mr. Chung Shui Ming, Timpson has been appointed as a director of Postal Savings Bank of China Co., Ltd. (a public listed company in Hong Kong and Shanghai, PRC).

Mr. Ng Wing Ka, Jimmy resigned as a director of China Weaving Materials Holdings Limited (a public listed company in Hong Kong).

AUDITOR

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

ON BEHALF OF THE BOARD

Dr. Charles Yeung, GBS, JP
Chairman

Hong Kong, 25 March 2020

Our export business specializes in quality apparels for our customers

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Glorious Sun Enterprises Limited (the "Company") and its subsidiaries (the "Group") set out on pages 54 to 154, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

INDEPENDENT AUDITOR'S REPORT

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

KEY AUDIT MATTERS *(CONTINUED)*

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses on trade receivables, financial assets included in prepayments, deposits and other receivables, and contract assets	
The carrying value of the Group's trade receivables, financial assets included in prepayments, deposits and other receivables, and contract assets as at 31 December 2019 amounted to HK$166.4 million, HK$46.8 million and HK$64.8 million, respectively. The provision for expected credit losses ("ECL") for trade receivables, financial assets included in prepayments, deposits and other receivables, and contract assets carried as at 31 December 2019 was HK$3.1 million, HK$1.9 million and HK$3.2 million. Management uses the simplified approach to calculate ECL for trade receivables and contract assets and the general approach to calculate ECL for other receivables. Management has engaged an independent specialist to determine the calculation of the ECL. The Group considers the available information which includes information about past events, current conditions and forecasts of future economic conditions to estimate the ECL. The Group also assesses whether the credit risk on the other receivables has increased significantly under the general approach. The accounting policies and disclosures in relation to provision for expected credit losses on trade receivables, financial assets included in prepayments, deposits and other receivables, and contract assets are included in notes 2.4, 3, 22, 23 and 24 to the consolidated financial statements.	We obtained an understanding of the Group's credit risk management and practices, and assessed the Group's policy on determining ECL, including an evaluation of management judgements on (i) the level of disaggregation of categories for collective assessment; (ii) the use of available credit risk information including historical and forward-looking factors; and (iii) the criteria for determining if a significant increase in credit risk has occurred. We obtained and reviewed the valuation established by management which was based on the Group's historical credit loss experience and adjusted for forward-looking factors specific to the debtors and the economic environment. We obtained the valuation report prepared by the external specialist engaged by the Group, we involved our internal valuation specialists to assist us to evaluate the Group's estimation methodology of ECL and check the parameters to external available data sources.

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

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

25 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	**2019 HK$'000**	2018 HK$'000
CONTINUING OPERATIONS REVENUE			
Revenue from contracts with customers		**1,093,783**	1,144,500
Revenue from other sources:			
Interest income from financial assets measured at amortised cost		**67,786**	76,107
Others		**50,719**	50,394
	5	**1,212,288**	1,271,001
Cost of sales		**(989,812)**	(1,021,633)
Gross profit		**222,476**	249,368
Other income and gains	5	**29,683**	35,294
Gains from derecognition of financial assets measured at amortised cost		**2,728**	9,272
Selling and distribution expenses		**(30,148)**	(39,716)
Administrative expenses		**(85,143)**	(122,774)
Other expenses		**(17,288)**	(24,224)
Reversal of impairment loss/(impairment loss) of financial and contract assets, net		**7,629**	(5,123)
Finance costs	6	**(5,481)**	(10,782)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	**124,456**	91,315
Income tax expenses	10	**(11,718)**	(8,169)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**112,738**	83,146
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	11	**–**	26,433
PROFIT FOR THE YEAR		**112,738**	109,579
Attributable to:			
Ordinary equity holders of the Company		**110,383**	107,430
Non-controlling interests		**2,355**	2,149
		112,738	109,579
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13	**HK cents**	HK cents
Basic and diluted			
For profit for the year		**7.22**	7.00
For profit from continuing operations		**7.22**	5.23

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
PROFIT FOR THE YEAR	**112,738**	109,579
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Release of reserve upon disposal of subsidiaries	**–**	(20,734)
Exchange differences on translation of foreign operations	**(1,088)**	(38,384)
	(1,088)	(59,118)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(1,088)**	(59,118)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income		
Change in fair value	**50,073**	(67,745)
Income tax effect	**603**	–
	50,676	(67,745)
Gains on property revaluation	**–**	44,553
Income tax effect	**–**	(9,786)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**50,676**	(32,978)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**49,588**	(92,096)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**162,326**	17,483
Attributable to:		
Ordinary equity holders of the Company	**161,358**	16,783
Non-controlling interests	**968**	700
	162,326	17,483

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	**2019 HK$'000**	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**12,177**	13,468
Right-of-use assets	16(b)	**34,072**	–
Goodwill	17	**4,579**	4,579
Debt investments at amortised cost	19	**810,835**	1,119,879
Equity investments designated at fair value through other comprehensive income	20	**349,977**	748,690
Rental deposits	23	**1,214**	1,296
Deferred tax assets	31	**7,994**	8,539
Total non-current assets		**1,220,848**	1,896,451
CURRENT ASSETS			
Inventories	21	**69,734**	63,343
Debt investments at amortised cost	19	**225,744**	–
Equity investments designated at fair value through other comprehensive income	20	**448,750**	–
Trade receivables	22	**166,411**	171,890
Prepayments, deposits and other receivables	23	**61,696**	76,645
Contract assets	24	**64,786**	49,026
Due from related companies	25	**2,156**	22,633
Pledged deposits	26	**17,086**	6,742
Cash and cash equivalents	26	**734,736**	1,061,175
Total current assets		**1,791,099**	1,451,454
CURRENT LIABILITIES			
Trade payables	27	**149,675**	134,554
Contract liabilities	28	**42,828**	72,740
Other payables and accruals	28	**214,386**	183,712
Interest-bearing bank borrowings	29	**16,456**	474,051
Lease liabilities	16(c)	**11,055**	–
Tax payable		**15,056**	11,127
Provision	30	**–**	1,585
Total current liabilities		**449,456**	877,769
NET CURRENT ASSETS		**1,341,643**	573,685
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,562,491**	2,470,136

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	16(c)	**29,944**	–
Deferred tax liabilities	31	**71**	12
Provision	30	**–**	838
Total non-current liabilities		**30,015**	850
Net assets		**2,532,476**	2,469,286
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Issued capital	32	**152,834**	152,876
Reserves	34	**2,362,292**	2,295,378
		2,515,126	2,448,254
Non-controlling interests		**17,350**	21,032
Total equity		**2,532,476**	2,469,286

Charles Yeung, GBS, JP
Director

Yeung Chun Fan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

		Attributable to ordinary equity holders of the Company												
	Notes	Issued capital HK$'000 (note 32)	Share premium account HK$'000	Treasury shares HK$'000 (note 34(iv))	Contributed surplus HK$'000 (note 34(i))	Share option reserve HK$'000 (note 34(ii))	Asset revaluation reserve HK$'000 (note 34(iii))	Fair value reserve of financial assets at fair value through other comprehensive income HK$'000	Exchange fluctuation reserve HK$'000	Other reserves HK$'000 (note 34(v))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2018		152,876	734,139	(172)	377,567	-	-	(52,253)	4,409	9,018	1,222,670	2,448,254	21,032	2,469,286
Effect of adoption of HKFRS 16	2.2(a)	-	-	-	-	-	-	-	-	-	(3,203)	(3,203)	(1,519)	(4,722)
At 1 January 2019		152,876	734,139	(172)	377,567	-	-	(52,253)	4,409	9,018	1,219,467	2,445,051	19,513	2,464,564
Profit for the year		-	-	-	-	-	-	-	-	-	110,383	110,383	2,355	112,738
Other comprehensive income for the year:														
Change in fair value of equity investments at fair value through other comprehensive income		-	-	-	-	-	-	51,871	-	-	-	51,871	(1,195)	50,676
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(896)	-	-	(896)	(192)	(1,088)
Total comprehensive income for the year		-	-	-	-	-	-	51,871	(896)	-	110,383	161,358	968	162,326
Contribution from non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	449	449
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	(3,580)	(3,580)
Shares repurchased	34(iv)	-	-	(194)	-	-	-	-	-	-	-	(194)	-	(194)
Cancellation of shares repurchased	34(iv)	(42)	(324)	366	-	-	-	-	-	-	-	-	-	-
Final 2018 dividend	12	-	-	-	-	-	-	-	-	-	(51,352)	(51,352)	-	(51,352)
Interim 2019 dividend	12	-	-	-	-	-	-	-	-	-	(39,737)	(39,737)	-	(39,737)
Transfer within reserves		-	-	-	-	-	-	-	-	957	(957)	-	-	-
At 31 December 2019		152,834	733,815*	-*	377,567*	-*	-*	(382)*	3,513*	9,975*	1,237,804*	2,515,126	17,350	2,532,476

* These reserve accounts comprise the consolidated reserves of HK$2,362,292,000 (2018: HK$2,295,378,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

		Attributable to ordinary equity holders of the Company												
	Notes	Issued capital HK$'000 (note 32)	Share premium account HK$'000	Treasury shares HK$'000 (note 34(iv))	Contributed surplus HK$'000 (note 34(i))	Share option reserve HK$'000 (note 34(ii))	Asset revaluation reserve HK$'000 (note 34(iii))	Fair value reserve of financial assets at fair value through other comprehensive income HK$'000	Exchange fluctuation reserve HK$'000	Other reserves HK$'000 (note 34(v))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018		153,609	739,640	–	192,478	69	25,806	15,492	62,078	4,015	1,332,247	2,525,434	12,251	2,537,685
Profit for the year		–	–	–	–	–	–	–	–	–	107,430	107,430	2,149	109,579
Other comprehensive income for the year:														
Change in fair value of equity investments at fair value through other comprehensive income		–	–	–	–	–	–	(67,745)	–	–	–	(67,745)	–	(67,745)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(36,935)	–	–	(36,935)	(1,449)	(38,384)
Release of reserve upon disposal of subsidiaries	37	–	–	–	–	–	–	–	(20,734)	–	–	(20,734)	–	(20,734)
Gain on property revaluation, net of tax		–	–	–	–	–	34,767	–	–	–	–	34,767	–	34,767
Total comprehensive income for the year		–	–	–	–	–	34,767	(67,745)	(57,669)	–	107,430	16,783	700	17,483
Disposal of subsidiaries		–	–	–	185,089	–	(60,573)	–	–	4,121	(128,637)	–	11,375	11,375
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(3,294)	(3,294)
Shares repurchased	34(iv)	–	–	(6,406)	–	–	–	–	–	–	–	(6,406)	–	(6,406)
Cancellation of shares repurchased	34(iv)	(733)	(5,501)	6,234	–	–	–	–	–	–	–	–	–	–
Transfer of share option reserve upon lapse of share options	33	–	–	–	–	(69)	–	–	–	–	69	–	–	–
Final 2017 dividend		–	–	–	–	–	–	–	–	–	(49,155)	(49,155)	–	(49,155)
Interim 2018 dividend	12	–	–	–	–	–	–	–	–	–	(38,402)	(38,402)	–	(38,402)
Transfer within reserves		–	–	–	–	–	–	–	–	882	(882)	–	–	–
At 31 December 2018		152,876	734,139*	(172)*	377,567*	–*	–*	(52,253)*	4,409*	9,018*	1,222,670*	2,448,254	21,032	2,469,286

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		**124,456**	91,315
From a discontinued operation		**–**	22,200
Adjustments for:			
Finance costs		**5,481**	13,006
Bank interest income		**(12,422)**	(8,599)
Depreciation of items of property, plant and equipment	14	**1,960**	31,190
Amortisation of prepaid land lease payments		**–**	153
Depreciation of right-of-use assets	16(b)	**12,010**	–
Impairment of items of property, plant and equipment	14	**268**	696
Gain on modification of a tenancy agreement		**(74)**	–
Impairment of right-of-use assets	16(b)	**1,667**	–
(Gain)/loss on disposal of items of property, plant and equipment, net		**(35)**	4,224
Loss/(gain) on disposal of subsidiaries	37	**35**	(145,171)
Income received on early redemption of debt investments at amortised cost		**(2,728)**	(9,272)
Provision for inventories, net		**3,830**	42,425
Changes in fair value of investment properties	15	**–**	1,746
Impairment of debt investment at amortised cost		**4,508**	–
Reversal of impairment of trade receivables, net		**(6,934)**	(3,518)
(Reversal)/impairment of contract assets, net		**(3,137)**	4,083
(Reversal)/impairment of financial assets included in prepayment, deposits and other receivables, net		**(2,096)**	1,036
Reversal of impairment of due from an associate		**–**	(131)
Impairment/(reversal) of impairment of due from related companies		**30**	(719)
Effect of foreign exchange rate changes, net		**6,514**	23,254
		133,333	67,918
(Increase)/decrease in inventories		**(10,218)**	50,795
Increase in contract assets		**(12,622)**	(37,080)
Decrease/(increase) in trade receivables		**12,304**	(16,530)
Decrease in prepayments, deposits and other receivables		**16,069**	93,753
Decrease in debt investments at amortised cost		**2,479**	2,640
Decrease in amounts due from related companies		**20,447**	732
Decrease in an amount due from an associate		**–**	1,307
Increase/(decrease) in trade payables		**15,121**	(6,120)
(Decrease)/increase in contract liabilities		**(29,912)**	105,865
Increase/(decrease) in other payables and accruals		**30,749**	(220,422)
Decrease in an amount due to an associate		**–**	(21)
(Decrease)/increase in provisions		**(1,026)**	2,423
Cash generated from operations		**176,724**	45,260
Interest paid		**(5,481)**	(13,006)
Hong Kong profits tax paid		**(1,813)**	(5,057)
Overseas taxes paid		**(3,912)**	(10,159)
Net cash flows from operating activities		**165,518**	17,038

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received		**12,422**	8,599
Purchases of items of property, plant and equipment		**(1,892)**	(23,815)
Purchases of debt investments at amortised cost		**–**	(244,529)
Purchase of investment properties		**–**	(34)
Proceeds from early redemption of debt investments at amortised cost		**73,148**	431,432
Proceeds from disposal of items of property, plant and equipment		**902**	5,018
Disposal of subsidiaries	37	**(110)**	545,087
Acquisition of a subsidiary	36	**–**	(4,534)
Increase in pledged deposits		**(10,344)**	(6,742)
Net cash flows from investing activities		**74,126**	710,482
CASH FLOWS FROM FINANCING ACTIVITIES			
Share repurchase		**(194)**	(6,406)
New bank loans		**10,556**	474,051
Repayment of bank loans		**(468,076)**	(991,847)
Principal portion of lease payments		**(12,368)**	–
Capital contribution by non-controlling shareholders		**449**	–
Dividends paid		**(91,089)**	(87,557)
Dividends paid to non-controlling shareholders		**(3,580)**	(3,294)
Net cash flows used in financing activities		**(564,302)**	(615,053)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(324,658)**	112,467
Cash and cash equivalents at beginning of year		**1,061,175**	971,131
Effect of foreign exchange rate changes, net		**(1,781)**	(22,423)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**734,736**	1,061,175
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**203,185**	960,166
Non-pledged time deposits with original maturity of three months or less when acquired		**531,551**	101,009
Cash and cash equivalents as stated in the consolidated statement of financial position		**734,736**	1,061,175

1. CORPORATE AND GROUP INFORMATION

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

During the year, the Group was involved in the retailing and export of casual wear, financial investments and interior decoration and renovation.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Glorious Sun Enterprises (BVI) Limited	British Virgin Islands/ Hong Kong	US$200	100	–	Investment holding and financial investments
Pacific Potential Trading Company Limited	Hong Kong	HK$200,000 Ordinary	–	100	Provision of agency services and trading of apparel
Rand Design Limited#	Hong Kong	HK$1 Ordinary	–	100	Garment design and trading of apparel
Shijiazhuang Changhong Building Decoration Engineering Company Limited ("Shijiazhuang Changhong") (石家莊常宏建築裝飾工程有限公司)*#@	Mainland China/ Hong Kong	RMB36,085,000	–	65	Provision of interior decoration and renovation services
PPT International (HK) Company Limited	Hong Kong	HK$100,000	–	100	Trading of apparel
Smart Empire Asset Management Limited ("Smart Empire")	Hong Kong	HK$5,000,000	–	100	Asset management

* Registered as Sino-foreign equity joint ventures under PRC law

\# Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

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

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

2.1 BASIS OF PREPARATION

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

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9	*Prepayments Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendments, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Groups financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

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

(a) *(continued)*

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for the following elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact of transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and were separately disclosed in the consolidated statement of financial position. The right-of-use assets were measured based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets in separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with similar remaining term for a similar class of underlying asset in a similar economic environment)
- Relying on its assessment of whether leases are onerous applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* immediately before the date of initial application as an alternative to performing an impairment review. The right-of-use assets are adjusted at the date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application
- Excluding initial direct costs from the measurement of the right-of-use assets at the date of initial application

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

(a) *(continued)*

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) HK$'000
Assets	
Increase in right-of-use assets	45,100
Decrease in prepayments, deposits and other receivables	(1,005)
Increase in deferred tax assets	766
Increase in total assets	44,861
Liabilities	
Increase in lease liabilities	50,980
Decrease in provision	(1,397)
Increase in total liabilities	49,583
Decrease in retained profits	(3,203)
Decrease in non-controlling interests	(1,519)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$'000
Operating lease commitments as at 31 December 2018	60,009
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(5,225)
	54,784
Weighted average incremental borrowing rate as at 1 January 2019	4.79%
Lease liabilities as at 1 January 2019	50,980

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

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates upon adoption of the amendments on 1 January 2019 and concluded that the equity method is applied in accordance with HKAS 28. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

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

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

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

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

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

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

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

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

Business combinations and goodwill

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Business combinations and goodwill *(continued)*

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

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

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

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

Fair value measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Fair value measurement *(continued)*

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Related parties

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

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

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

or

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment and depreciation

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

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

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

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

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

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

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leases (applicable from 1 January 2019) *(continued)*

Group as a lessee *(continued)*

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Properties	1.5 years–15 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are separately disclosed in the consolidated statement of financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leases (applicable from 1 January 2019) *(continued)*

Group as a lessee *(continued)*

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Leases (applicable before 1 January 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets

Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investments and other financial assets *(continued)*

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

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

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

Derecognition of financial assets

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets

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

General approach

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

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

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

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

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets *(continued)*

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

These financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Subsequent measurement

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

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

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Offsetting of financial instruments

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

Treasury shares

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Income tax *(continued)*

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition

Revenue from contracts with customers

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

(a) Sale of goods

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

(b) Interior decoration and renovation services

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

Revenue from other sources

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

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

Other income

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

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

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

The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model, further details of which are given in note 33 to the financial statements.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Share-based payments *(continued)*

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

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

Other employee benefits

Pension schemes

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

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

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

Termination benefits

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Borrowing costs

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

Dividends

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

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

Foreign currencies

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies *(continued)*

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

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

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

Discontinued operation

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

Revenue from contracts with customers

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

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

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

Write-down of inventories to net realisable value

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

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

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

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

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

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

The measurement of impairment losses under HKFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, such as risks of default and losses given default, changes in which can result in different levels of allowances. The Group's expected credit loss calculations on debt investments at amortised cost, financial assets included in prepayments, deposit and other receivables and due from related companies are based on assumptions about risks of default and losses given default. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculations, based on credit risks of the debtors or comparable companies in the market, existing market conditions as well as forward-looking estimates (such as gross domestic product) at the end of each reporting period. The Group reviews its models in the context of actual loss experience regularly and adjusts when necessary. The information about the ECLs on the Group's financial assets included in prepayments, deposits and other receivables, and the key assumptions and inputs used for impairment calculations are given in notes 23 to the financial statements.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is included in note 22 and note 24 to the financial statements, respectively.

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

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

By business

	Year ended 31 December 2019				
	Export operations HK$'000	Financial investments HK$'000	Interior decoration and renovation HK$'000	Retail, wholesale, franchise and others HK$'000	Total from continuing operations HK$'000
Segment revenue (note 5)					
Revenue from external parties	335,934	118,505	705,194	52,655	1,212,288
Other income and gains	7,130	2,000	953	5,353	15,436
Total	343,064	120,505	706,147	58,008	1,227,724
Segment results	12,897	107,272	11,173	336	131,678
Interest income					12,422
Unallocated revenue					1,825
Corporate and other unallocated expenses					(18,118)
Finance costs (other than interest on lease liabilities)					(3,351)
Profit before tax from continuing operations					124,456
Income tax expenses					(11,718)
Profit for the year from continuing operations					112,738
Other segment information:					
Depreciation	51	25	6,156	4,636	10,868
Corporate and other unallocated depreciation	–	–	–	–	3,102
Impairment loss/(reversal of impairment loss) of financial and contract assets, net	253	4,604	(12,815)	269	(7,689)
Corporate and other unallocated impairment loss of financial assets, net	–	–	–	–	60
Impairment of items of properties, plant and equipment	–	–	–	268	268
Impairment of right-of-use assets	–	–	–	1,667	1,667
Provision for inventories	–	–	221	3,609	3,830
Other non-cash expenses	–	–	35	–	35
Capital expenditure*	13	–	1,848	6,512	8,373

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

By business *(continued)*

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

* Capital expenditure consists of additions to right-of-use assets and property, plant and equipment.

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

By region

	Mainland China HK$'000	Hong Kong HK$'000	Australia and New Zealand HK$'000	United States of America and Canada HK$'000	Others HK$'000	Total from continuing operations HK$'000
Year ended 31 December 2019						
Revenue from external parties from continuing operations	**685,028**	**145,116**	**98,737**	**222,267**	**61,140**	**1,212,288**
Non-current assets	**36,349**	**14,479**	**–**	**–**	**–**	**50,828**
Year ended 31 December 2018						
Revenue from external parties from continuing operations	517,339	155,065	309,255	234,112	55,230	1,271,001
Non-current assets	11,521	6,526	–	–	–	18,047

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

Information about major customers from continuing operations

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

	2019 HK$'000	2018 HK$'000
Customer A	**N/A***	258,109
Customer B	**495,917**	202,731
Customer C	**139,866**	N/A

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

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue from continuing operations is as follows:

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers		
Export operations	**335,934**	560,761
Interior decoration and renovation	**705,194**	503,151
Retail, wholesale, franchise and others	**52,655**	80,588
	1,093,783	1,144,500
Revenue from other sources		
Interest income from debt investments at amortised cost	**67,786**	76,107
Distribution from equity investments at fair value through other comprehensive income	**50,719**	50,394
	118,505	126,501
	1,212,288	1,271,001

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segments	**Export operations HK$'000**	**Interior decoration and renovation HK$'000**	**Retail, wholesale, franchise and others HK$'000**	**Total HK$'000**
Geographical markets				
Mainland China	**–**	**684,946**	**82**	**685,028**
Hong Kong	**1,050**	**–**	**25,561**	**26,611**
Australia and New Zealand	**98,737**	**–**	**–**	**98,737**
United States of America and Canada	**222,267**	**–**	**–**	**222,267**
Others	**13,880**	**20,248**	**27,012**	**61,140**
Total revenue from contracts with customers	**335,934**	**705,194**	**52,655**	**1,093,783**

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

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information *(continued)*

For the year ended 31 December 2019

Segments	**Export operations HK$'000**	**Interior decoration and renovation HK$'000**	**Retail, wholesale, franchise and others HK$'000**	**Total HK$'000**
Timing of revenue recognition				
Goods transferred at a point in time	**335,934**	**393,738**	**52,655**	**782,327**
Services transferred over time	**–**	**311,456**	**–**	**311,456**
Total revenue from contracts with customers	**335,934**	**705,194**	**52,655**	**1,093,783**

Since there has been no intersegment sales between the reportable segments for the year ended 31 December 2019, a reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information would not provide additional useful information.

For the year ended 31 December 2018

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

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

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information *(continued)*

For the year ended 31 December 2018

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

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

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

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

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information *(continued)*

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

	2019 **HK$'000**	2018 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Interior decoration and renovation service	**72,740**	145,690
Sales of goods	**–**	84,917
	72,740	230,607

(ii) Performance obligations

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

Retail sales

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

Sales of goods other than retail sales

The performance obligation is satisfied when the control of the goods is transferred, generally upon delivery of goods, and payment is generally due within 85 days from delivery.

Interior decoration and renovation services

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

The amount of transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December is as follows:

	2019 **HK$'000**	2018 HK$'000
Amount expected to be recognised as revenue:		
Within one year	**32,684**	77,038

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

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

	2019 HK$'000	2018 HK$'000
Other income		
Bank interest income	**12,422**	3,858
Services fee income	**357**	6,383
Other sales income	**3,481**	2,872
Commission and management fee income	**–**	771
Claims received	**232**	2,054
Royalty income	**3,890**	5,104
Others	**9,192**	14,233
	29,574	35,275
Gains		
Net gains on disposal of items of property, plant and equipment	**35**	19
Gain on modification of a tenancy agreement	**74**	–
	109	19
	29,683	35,294

6. FINANCE COSTS

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

	2019 HK$'000	2018 HK$'000
Interest on bank loans	**3,351**	10,782
Interest on lease liabilities	**2,130**	–
	5,481	10,782

7. PROFIT BEFORE TAX

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

	Notes	**2019 HK$'000**	2018 HK$'000
Employee benefit expenses (including directors' remuneration (note 8)):			
Wages and salaries		**116,218**	142,733
Pension scheme contributions		**4,686**	3,928
Total employee benefit expenses		**120,904**	146,661
Cost of inventories sold		**985,982**	1,021,984
Depreciation of property, plant and equipment		**1,960**	2,946
Depreciation of right-of-use assets	16(b)	**12,010**	–
Minimum lease payments under operating leases		**–**	21,159
Lease payments not included in the measurement of lease liabilities		**2,245**	–
Auditor's remuneration		**1,830**	3,000
Foreign exchange differences, net#		**6,622**	12,705
Impairment of items of property, plant and equipment, net#		**268**	875
Impairment of right-of-use assets#	16(b)	**1,667**	–
Provision/(write-back of provision) for inventories*		**3,830**	(351)
Impairment of financial and contract assets, net:			
Impairment of debt investments at amortised cost	19	**4,508**	–
Impairment/(reversal of impairment) of trade receivables	22	**(6,934)**	1,072
Impairment/(reversal of impairment) of financial assets included in prepayments, deposits and other receivables	23	**(2,096)**	818
Impairment/(reversal of impairment) of contract assets	24	**(3,137)**	4,083
Reversal of impairment of due from an associate		**–**	(131)
Impairment/(reversal of impairment) of due from related companies		**30**	(719)

* Provision for inventories of approximately HK$3,830,000 (2018: write-back of provision of HK$351,000) for the year is included in "Cost of sales" on the face of the consolidated statement of profit or loss.

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

8. DIRECTORS' REMUNERATION

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

	2019 **HK$'000**	2018 HK$'000
Fees	**865**	660
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	**3,952**	8,009
Discretionary bonuses	**1,497**	2,851
Pension scheme contributions	**168**	312
	5,617	11,172
	6,482	11,832

(a) Independent non-executive directors

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

	2019 **HK$'000**	2018 HK$'000
Mr. Lau Hon Chuen, Ambrose, GBS, JP	**218**	210
Dr. Chung Shui Ming, Timpson, GBS, JP	**218**	210
Mr. Wong Man Kong, Peter, BBS, JP	**30**	120
Dr. Lam Lee G., BBS	**145**	120
Dr. Chan Chung Bun, Bunny, GBS, JP	**127**	–
Mr. Ng Wing Ka, Jimmy, BBS, JP	**127**	–
	865	660

(i) Mr. Wong Man Kong, Peter passed away on 11 March 2019 and ceased to be an independent non-executive director on the same day.

(ii) Dr. Lam Lee G. resigned as an independent non-executive director on 31 August 2019.

(iii) Dr. Chan Chung Bun, Bunny and Mr. Ng Wing Ka, Jimmy were appointed as independent non-executive directors of the Company on 8 June 2019.

(iv) There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

8. DIRECTORS' REMUNERATION *(CONTINUED)*

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2019					
Executive directors:					
Dr. Charles Yeung, GBS, JP	**–**	**–**	**–**	**–**	**–**
Mr. Yeung Chun Fan	**–**	**591**	**200**	**31**	**822**
Mr. Pau Sze Kee, Jackson	**–**	**1,347**	**750**	**67**	**2,164**
Mr. Hui Chung Shing, Herman, SBS, MH, JP	**–**	**600**	**347**	**30**	**977**
Ms. Cheung Wai Yee	**–**	**625**	**68**	**31**	**724**
Mr. Chan Wing Kan, Archie	**–**	**600**	**100**	**–**	**700**
Ms. Yeung Yin Chi, Jennifer	**–**	**189**	**32**	**9**	**230**
	–	**3,952**	**1,497**	**168**	**5,617**
2018					
Executive directors:					
Dr. Charles Yeung, GBS, JP	–	–	–	–	–
Mr. Yeung Chun Fan	–	1,182	705	59	1,946
Mr. Pau Sze Kee, Jackson	–	2,799	1,147	112	4,058
Mr. Hui Chung Shing, Herman, SBS, MH, JP	–	1,200	447	60	1,707
Ms. Cheung Wai Yee	–	1,250	320	63	1,633
Mr. Chan Wing Kan, Archie	–	1,200	200	–	1,400
Ms. Yeung Yin Chi, Jennifer	–	378	32	18	428
	–	8,009	2,851	312	11,172

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2018: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2018: three) director, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2018: two) non-director, highest paid employees are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries, allowances and benefits in kind	**7,665**	4,676
Discretionary bonuses	**467**	1,407
Pension scheme contributions	**54**	192
	8,186	6,275

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

	Number of employees **2019**	2018
HK$1,000,001 – HK$1,500,000	**3**	–
HK$2,500,001 – HK$3,000,000	**–**	1
HK$3,500,001 – HK$4,000,000	**–**	1
HK$4,000,001 – HK$4,500,000	**1**	–
	4	2

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for a subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regimes effective from the year of assessment 2018/2019. The first HK$2,000,000 (2018: Nil) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Under the income tax law of the People's Republic of China (the "PRC"), companies with operations in Mainland China are subject to corporate income tax ("CIT") at a rate of 25% on the taxable income. During the year ended 31 December 2019, Shijiazhuang Changhong, a subsidiary of the Company, was entitled to a preferential tax rate of 15%, as it is recognised as a high technology enterprise.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

10. INCOME TAX *(CONTINUED)*

	2019 HK$'000	2018 HK$'000
Current – Hong Kong		
Charge for the year	**7,291**	4,541
Overprovision in prior years	**(233)**	(34)
Current – Elsewhere		
Charge for the year	**4,139**	5,372
(Overprovision)/underprovision in prior years	**(1,440)**	3
Deferred	**1,961**	(1,713)
Total tax charge for the year from continuing operations	**11,718**	8,169
Total tax credit for the year from a discontinued operation	**–**	(4,233)
	11,718	3,936

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

	2019 HK$'000	2018 HK$'000
Profit before tax from continuing operations	**124,456**	91,315
Profit before tax from a discontinued operation	**–**	22,200
	124,456	113,515
Tax calculated at domestic tax rates applicable to profits and losses in the respective jurisdictions	**20,632**	7,806
Lower tax rate at 8.25% for assessable profit up to HK$2 million in Hong Kong	**(165)**	–
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**332**	–
Adjustments in respect of current tax of previous periods	**(1,673)**	(7,965)
Income not subject to tax	**(13,447)**	(34,007)
Expenses not deductible for tax	**6,028**	7,885
Tax losses utilised from previous periods	**(319)**	(7,608)
Tax losses not recognised	**330**	38,399
Others	**–**	(574)
Tax charge at the Group's effective rate	**11,718**	3,936

For the year ended 31 December 2019, the weighted average applicable tax rate was 16.6% (2018: 7.4%). The change in the weighted average applicable tax rate was caused by a change in profitability of the Group's subsidiaries in the respective jurisdictions.

11. DISCONTINUED OPERATION

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

The results of the discontinued operation for the period are presented below:

	Period from 1 January 2018 up to the date of completion HK$'000
Revenue	1,161,390
Other income and gains	52,216
Expenses and costs	(1,336,577)
Loss before tax from the discontinued operation	(122,971)
Income tax credit	4,233
Loss for the period	(118,738)
Gain on disposal of the discontinued operation*	145,171
Profit for the period from the discontinued operation	26,433
Attributable to:	
Ordinary equity holders of the Company	27,239
Non-controlling interests	(806)
	26,433

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

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

11. DISCONTINUED OPERATION *(CONTINUED)*

The net cash flows of the discontinued operation up to the date of disposal are as follows:

	Period from 1 January 2018 up to the date of completion HK$'000
Operating activities	(39,874)
Investing activities	(13,540)
Financing activities	(30,724)
Net cash outflows	(84,138)

	Period from 1 January 2018 up to the date of completion HK cents
Basic and diluted earnings per share from the discontinued operation	1.77

11. DISCONTINUED OPERATION *(CONTINUED)*

The calculation of basic and diluted earnings per share from the discontinued operation is based on:

	Period from 1 January 2018 up to the date of completion
Profit attributable to ordinary equity holders of the Company from the discontinued operation (HK$'000)	27,239
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation ('000) (note 13)	1,534,450

12. DIVIDENDS

	2019 **HK$'000**	2018 HK$'000
Interim – HK2.60 cents (2018: HK2.50 cents) per ordinary share	**39,737**	38,402
Proposed final – HK3.40 cents (2018: HK3.36 cents) per ordinary share	**51,963**	51,366
Adjustment on 2018 final dividend	**–**	(14)
	91,700	89,754

The final dividend for the year ended 31 December 2019 proposed subsequent to the reporting period has not been recognised as a liability at the end of the reporting period and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK$110,383,000 (2018: HK$107,430,000) and the weighted average number of ordinary shares of 1,528,126,000 (2018: 1,534,450,000) in issue during the year.

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

The Group has no potentially dilutive ordinary shares in issue during the year ended 31 December 2019.

The calculation of basic earnings per share is based on:

	2019	2018
	HK$'000	HK$'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation		
From continuing operations	**110,383**	80,191
From a discontinued operation	**–**	27,239
	110,383	107,430

	Number of shares	
	2019	2018
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,528,126**	1,534,450

14. PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2019							
At 31 December 2018 and 1 January 2019:							
Cost		14,495	16,559	14,119	21,255	6,136	72,564
Accumulated depreciation and impairment		(8,012)	(16,515)	(10,706)	(18,523)	(5,340)	(59,096)
Net carrying amount		6,483	44	3,413	2,732	796	13,468
At 1 January 2019, net of accumulated depreciation and impairment		6,483	44	3,413	2,732	796	13,468
Additions		–	382	72	904	534	1,892
Disposals/write-off		–	–	–	(288)	(579)	(867)
Depreciation		(512)	(68)	(578)	(654)	(148)	(1,960)
Impairment	7	–	(268)	–	–	–	(268)
Exchange realignment		(51)	1	(25)	(15)	2	(88)
At 31 December 2019, net of accumulated depreciation and impairment		5,920	91	2,882	2,679	605	12,177
At 31 December 2019:							
Cost		14,350	6,963	14,032	13,318	1,359	50,022
Accumulated depreciation and impairment		(8,430)	(6,872)	(11,150)	(10,639)	(754)	(37,845)
Net carrying amount		5,920	91	2,882	2,679	605	12,177

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

	Notes	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2018							
At 1 January 2018:							
Cost		301,506	149,469	65,331	113,031	20,480	649,817
Accumulated depreciation and impairment		(90,102)	(113,821)	(58,449)	(92,970)	(17,048)	(372,390)
Net carrying amount		211,404	35,648	6,882	20,061	3,432	277,427
At 1 January 2018, net of accumulated depreciation and impairment		211,404	35,648	6,882	20,061	3,432	277,427
Additions		–	20,111	316	3,172	216	23,815
Disposals/write-off		(101)	(4,332)	(2,393)	(1,901)	(515)	(9,242)
Disposal of subsidiaries	37	(144,699)	(29,511)	(206)	(13,309)	(1,439)	(189,164)
Acquisition of a subsidiary	36	–	–	–	55	–	55
Depreciation		(5,266)	(19,832)	(909)	(4,370)	(813)	(31,190)
Impairment		–	(696)	–	–	–	(696)
Surplus on revaluation		44,553	–	–	–	–	44,553
Transferred to investment properties	15	(86,809)	–	–	–	–	(86,809)
Exchange realignment		(12,599)	(1,344)	(277)	(976)	(85)	(15,281)
At 31 December 2018, net of accumulated depreciation and impairment		6,483	44	3,413	2,732	796	13,468
At 31 December 2018:							
Cost		14,495	16,559	14,119	21,255	6,136	72,564
Accumulated depreciation and impairment		(8,012)	(16,515)	(10,706)	(18,523)	(5,340)	(59,096)
Net carrying amount		6,483	44	3,413	2,732	796	13,468

For the year ended 31 December 2019, the Directors considered that certain items of property, plant and equipment of the Group were subject to impairment losses because certain retail stores have been underperforming in recent years. The Directors performed impairment assessments on those items of property, plant and equipment. As a result of the impairment assessment, an impairment loss of HK$268,000 (2018: HK$696,000) was recognised in respect of the leasehold improvements of certain retail stores which continued to underperform during the year.

15. INVESTMENT PROPERTIES

	Notes	2019 HK$'000	2018 HK$'000
Carrying amount at 1 January		–	254,323
Transfer from owner-occupied properties	14	–	86,809
Additions		–	34
Net loss from a fair value adjustment		–	(1,746)
Disposal of subsidiaries	37	–	(323,782)
Exchange realignment		–	(15,638)
Carrying amount at 31 December		–	–

As at 1 January 2018, the Group's investment properties consisted of 33 commercial and 1 industrial properties in Mainland China. The directors of the Company had determined that the investment properties consisted of two classes, i.e., commercial and industrial, based on the nature, characteristics and risks of each property. During the year ended 31 December 2018, the investment properties were disposed of upon disposal of the discontinued operation. Details are included in notes 11 and 37 to the financial statements.

During the year ended 31 December 2019 and 2018, there were no transfers of fair value measurements between Level 1 and Level 2, and no transfer into or out of level 3.

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

	Commercial properties HK$'000	Industrial property HK$'000	Total HK'000
Carrying amount at 1 January 2018	228,215	26,108	254,323
Additions	34	–	34
Transfer from owner-occupied properties	44,719	42,090	86,809
Net gain/(loss) from a fair value adjustment recognised in profit or loss	(1,911)	165	(1,746)
Disposal of subsidiaries (note 37)	(257,040)	(66,742)	(323,782)
Exchange realignment	(14,017)	(1,621)	(15,638)
Carrying amount at 31 December 2018, 1 January 2019 and 31 December 2019	–	–	–

16. LEASES

The Group as lessee

The Group has lease contracts for various items of properties used in its operation. Leases of properties generally have lease terms between 2 to 15 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Prepaid land lease payments (before 1 January 2019)

	HK$'000
Carrying amount at 1 January 2018	5,106
Recognised loss during the year	(153)
Exchange realignment	(309)
	4,644
Disposal of subsidiaries (note 37)	(4,644)
Carrying amount at 31 December 2018	–

(b) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the year are as follows:

	Properties HK$'000
As at 1 January 2019	**45,100**
Additions	**6,481**
Disposal as a result of lease modification	**(3,259)**
Depreciation charge	**(12,010)**
Impairment	**(1,667)**
Exchange realignment	**(573)**
As at 31 December 2019	**34,072**

16. LEASES *(CONTINUED)*

(c) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	HK$'000
Carrying amount at 1 January 2019	**50,980**
New leases	**6,433**
Accretion of interest recognised during the year	**2,130**
Disposal as a result of lease modification	**(3,378)**
Payments	**(14,498)**
Exchange realignment	**(668)**
Carrying amount at 31 December 2019	**40,999**
Analysed into:	
Current portion	**11,055**
Non-current portion	**29,944**

The maturity analysis of lease liabilities is set out in note 43 to the financial statements.

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 HK$'000
Interest on lease liabilities	**2,130**
Depreciation charge of right-of-use assets	**12,010**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019	**2,245**
Gain on modification of a tenancy agreement	**74**
Variable lease payments not included in the measurement of lease liabilities	**39**
Total amount recognised in profit or loss	**16,498**

16. LEASES *(CONTINUED)*

(e) Variable lease payments

The Group leased a number of the retail stores and units in shopping malls which contain variable lease payment terms that are based on the Group's turnover generated from the retail stores and the units in the shopping malls. There are also minimum annual base rental arrangements for these leases. The amounts of the fixed and variable lease payments recognised in profit or loss for the current year for these leases are HK$16,704,000 and HK$39,000, respectively.

2019

	Fixed payments HK$'000	**Variable payments HK$'000**	**Total HK$'000**
Fixed rent	**9,130**	**–**	**9,130**
Variable rent with minimum payment	**7,574**	**39**	**7,613**
	16,704	**39**	**16,743**

17. GOODWILL

	2019 HK$'000	2018 HK$'000
At beginning of year:		
Cost	**4,579**	–
Accumulated impairment	**–**	–
Net carrying amount	**4,579**	–
Cost at beginning of year, net of accumulated impairment	**4,579**	–
Acquisition of a subsidiary (note 36)	**–**	4,579
Net carrying amount at end of year	**4,579**	4,579
At end of year:		
Cost	**4,579**	4,579
Accumulated impairment	**–**	–
Net carrying amount	**4,579**	4,579

17. GOODWILL *(CONTINUED)*

Impairment testing of goodwill

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

In 2019, the recoverable amount of the financial investments operation cash-generating unit had been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections was 18.7% (2018: 18.9%) and cash flows beyond the five-year period were extrapolated using a growth rate of 2% (2018: 2%).

Assumptions were used in the value in use calculation of the financial investments operation cash-generating unit for 31 December 2019 and 31 December 2018. The following describes each key assumption on which management had based its cash flow projections to undertake impairment testing of goodwill:

Terminal growth rate – The terminal growth rate used reflects the terminal growth relating to the financial investments operation in Hong Kong.

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

The values assigned to the key assumptions on terminal growth rate were consistent with external information sources.

18. INVESTMENTS IN ASSOCIATES

	Note	**2019** **HK$'000**	2018 HK$'000
Share of net assets		**–**	–
Loans to an associate	(b)	**–**	56,375
		–	56,375
Provision for impairment of loans to an associate		**–**	(56,375)
		–	–

18. INVESTMENTS IN ASSOCIATES *(CONTINUED)*

Notes:

(a) Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation or registration/ business	Percentage of ownership interest attributable to the Group 2019	2018	Principal activity
Quiksilver Glorious Sun JV Limited ("Quiksilver GS")*	Ordinary shares of HK$10,000	Hong Kong	–	50	Retail of apparel

* The company's name was changed to Glorious Sun Apparel Limited on 10 December 2019.

The Group's shareholdings in the associate were held through Glorious Sun Overseas Limited, a wholly-owned subsidiary of the Company. The Group has disposed of the associate during the year ended 31 December 2019 to Hong Kong AI One Limited, a company held by Mr. Charles Yeung and Mr. Yeung Chun Fan, directors and substantial shareholders of the Company, for a cash consideration of HK$2. Loss on disposal of HK$35,000 was recognised in the profit or loss as a result of the disposal.

(b) The loans to an associate were unsecured, interest-free and had no fixed terms of repayment. In the opinion of the Directors, these loans were considered as part of the Group's investments in an associate.

(c) The Group has discontinued the recognition of its share of losses from certain of its associates because the share of losses of these associates exceeded the Group's interests therein and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses for the current year and cumulatively were HK$52,000 (2018: HK$7,714,000) and HK$100,051,000 (2018: HK$99,999,000), respectively.

19. DEBT INVESTMENTS AT AMORTISED COST

	2019 HK$'000	2018 HK$'000
Financial assets measured at amortised cost		
Listed debt investments	**1,041,087**	1,119,879
Impairment allowance	**(4,508)**	–
	1,036,579	1,119,879
Less: current portion	**(225,744)**	–
Non-current portion	**810,835**	1,119,879

As at 31 December 2019, the effective interest rates of the debt investments ranged from 5.11% to 8.43% (2018: 5.11% to 8.43%) per annum and these investments will mature in years from 2020 to 2023.

As at 31 December 2019, the Group had one debt investment with carrying amount of HK$225,744,000 which will mature in May 2020. Accordingly, the listed debt investments were re-classified to current assets as at 31 December 2019.

The Group applies the general approach and measures impairment allowance for listed debt investments at an amount equal to 12-month expected credit losses as there were no significant increase in credit risk since initial recognition. The listed debt investments are categorised in Stage 1 as at 31 December 2019 as they have no history of default and was not overdue. They were of investment grades on the credit rating of Moody's and being listed on a recognised stock exchange. Expected credit loss allowance of HK$4,508,000 was recognised for the listed debt investments during the year ended 31 December 2019.

The fair value of listed debt investments at amortised cost as at 31 December 2019 was HK$1,036,834,000 (2018: HK$1,071,975,000) which was determined by reference to published prices in an active market.

20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Notes	2019 HK$'000	2018 HK$'000
Non-current:			
Unlisted equity investment, at fair value			
Hebei Jialian Industrial Group Co., Ltd.	(i)	**7,182**	11,236
Listed perpetual security, at fair value			
Shui On Development (Holding) Limited	(ii), (iv)	**342,795**	737,454
		349,977	748,690
Current:			
Listed perpetual security, at fair value			
Shui On Development (Holding) Limited	(ii), (iii)	**448,750**	–
		798,727	748,690

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

(i) During the year ended 31 December 2019, the gross loss in respect of the Group's unlisted equity investment in Hebei Jialian Industrial Group Co., Ltd (河北省嘉聯實業集團有限公司*), was recognised in other comprehensive income amounting to HK$4,018,000 (2018: Nil).

(ii) During the year ended 31 December 2019, the gross gain in respect of the Group's listed perpetual security in Shui On Development (Holding) Limited, was recognised in other comprehensive income amounting to HK$54,091,000 (2018: gross loss of HK$67,745,000). During the year ended 31 December 2019, the Group received distribution in the amounts of HK$50,719,000 (2018: HK$50,394,000).

(iii) A portion of the Group's listed perpetual security in Shui On Development (Holding) Limited has been reclassified to current upon the Directors have decided to dispose of this portion of the investment within 12 months after the end of the reporting period. Further details of the transaction are included in note 44(i) to the financial statements.

(iv) The market value of the Group's listed perpetual security in Shui On Development (Holding) Limited at the date of approval of these financial statements was approximately HK$294,864,000.

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

21. INVENTORIES

	2019 **HK$'000**	2018 HK$'000
Raw materials	**4,553**	3,163
Work in progress	**34,716**	38,810
Finished goods	**30,465**	21,370
	69,734	63,343

22. TRADE RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Trade receivables	**169,471**	181,820
Impairment allowance	**(3,060)**	(9,930)
	166,411	171,890

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 15 to 85 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

22. TRADE RECEIVABLES *(CONTINUED)*

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

	2019 **HK$'000**	2018 HK$'000
Less than 4 months	**120,913**	122,002
4 to 6 months	**19,672**	17,664
Over 6 months	**25,826**	32,224
	166,411	171,890

Included in the trade receivables balance are receivables from related parties amounting to HK$2,252,000 (2018: HK$36,919,000). The amount is unsecured, non-interest bearing and has a repayment term of 30 days, which is the terms similar to those offered to other major customers of the group.

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

	2019 **HK$'000**	2018 HK$'000
At beginning of year	**9,930**	22,267
Reversal of impairment losses, net (note 7)	**(6,934)**	(3,518)
Disposal of subsidiaries	**–**	(8,819)
Exchange realignment	**64**	–
At end of year	**3,060**	9,930

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and credit rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

22. TRADE RECEIVABLES *(CONTINUED)*

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

As at 31 December 2019

		Past due			
	Current	**Less than 4 months**	**4 to 6 months**	**Over 6 months**	**Total**
Expected credit loss rate	**1.5%**	**1.5%**	**2.8%**	**2.5%**	**1.8%**
Gross carrying amount (HK$'000)	**107,541**	**11,376**	**17,001**	**33,553**	**169,471**
Expected credit loss (HK$'000)	**1,581**	**168**	**482**	**829**	**3,060**

As at 31 December 2018

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

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Prepayments	**16,102**	18,361
Deposits and other receivables	**48,715**	63,572
	64,817	81,933
Impairment allowance	**(1,907)**	(3,992)
Total	**62,910**	77,941
Portion classified as non-current portion	**(1,214)**	(1,296)
Current portion	**61,696**	76,645

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

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

	2019 **HK$'000**	2018 HK$'000
At beginning of year	**3,992**	10,532
Impairment losses/(reversal of impairment losses), net (note 7)	**(2,096)**	1,036
Disposal of subsidiaries	**–**	(7,576)
Exchange realignment	**11**	–
At end of year	**1,907**	3,992

Deposits and other receivables mainly represent deposits with suppliers. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. As at 31 December 2019, the probability of default applied ranged from 0.1% to 7.9% (2018: 0.5% to 27.32%) and the loss given default was estimated to be 62.3% (2018: 37.7%). In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2019 and 2018, the loss allowance was assessed to be minimal.

24. CONTRACT ASSETS

	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Contract assets arising from interior decoration and renovation services	**67,943**	55,321	25,291
Impairment allowance	**(3,157)**	(6,295)	(2,212)
	64,786	49,026	23,079

Contract assets are initially recognised for revenue earned from the provision of interior decoration and renovation services as the receipt of consideration is conditional on successful completion of the decoration and renovation. Included in contract assets for interior decoration and renovation services are retention receivables. Upon completion of decoration or renovation and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2019 and 2018 was the result of the increase in the ongoing interior decoration and renovation services at the end of each of the years.

During the year ended 31 December 2019, HK$3,157,000 (2018: HK$6,295,000) was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms with customers are set out in note 22 to the financial statements.

24. CONTRACT ASSETS *(CONTINUED)*

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

	2019 **HK$'000**	2018 HK$'000
Within one year	**58,237**	42,412
After one year	**6,549**	6,614
Total contract assets	**64,786**	49,026

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

	2019 **HK$'000**	2018 HK$'000
At beginning of year	**6,295**	2,212
Impairment losses/(reversal of impairment losses), net (note 7)	**(3,137)**	4,083
Exchange realignment	**(1)**	–
At end of year	**3,157**	6,295

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer base. The provision rates of contract assets are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns (i.e., by customer type and credit rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

	2019	2018
Expected credit loss rate	**4.6%**	11.4%
Gross carrying amount (HK$'000)	**67,943**	55,321
Expected credit losses (HK$'000)	**3,157**	6,295

25. DUE FROM RELATED COMPANIES

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

Name	**Balance at 31 December 2019 HK$'000**	Maximum amount outstanding during the year HK$'000	Balance at 31 December 2018 and 1 January 2019 HK$'000	Maximum amount outstanding during the prior year HK$'000	Balance at 1 January 2018 HK$'000
G.S. Property Management Limited	**–**	404	404	720	720
Golden Sunshine Enterprises Limited	**15**	187	186	186	149
Gloryear Management Limited	**5**	1,457	1,457	6,528	1,877
Rank Profit Industries Limited	**3**	302	302	886	670
Gennon Enterprises Limited	**–**	2	2	2	2
Gennon International Trading (H.K.) Limited	**–**	1	1	1	1
The Glorious Sun Holdings Limited	**–**	102	102	631	583
Glory Star Investments Limited	**677**	678	678	7,694	5,547
Jeanswest Corporation Pty. Ltd.	**–**	–	–	16,472	16,472
Jeanswest Corporation (New Zealand) Limited	**–**	–	–	1,397	1,397
Gantin Limited	**1,570**	19,585	19,585	19,585	–
	2,270		22,717		27,418
Impairment allowance	**(114)**		(84)		–
	2,156		22,633		27,418

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

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

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Note	2019 HK$'000	2018 HK$'000
Cash and bank balances		**203,185**	960,166
Time deposits		**548,637**	107,751
		751,822	1,067,917
Less: Pledged time deposits for short term bank loan	29(a)	**(17,086)**	(6,742)
		734,736	1,061,175

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$112,614,000 (2018: HK$70,692,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

27. TRADE PAYABLES

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

	2019 HK$'000	2018 HK$'000
Less than 4 months	**148,185**	133,940
4 to 6 months	**423**	107
Over 6 months	**1,067**	507
	149,675	134,554

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

28. OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES

	Notes	**2019 HK$'000**	2018 HK$'000
Accruals		**164,075**	137,465
Other payables	(a)	**40,250**	39,436
Amounts due to related companies	(b)	**10,061**	6,811
		214,386	183,712
Contract liabilities	(c)	**42,828**	72,740

Notes:

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

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

(c) Details of contract liabilities are as follows:

	31 December 2019 HK$'000	31 December 2018 HK$'000	1 January 2018 HK$'000
Interior decoration and renovation services	**42,828**	72,740	145,690
Sale of goods	**–**	–	84,917
	42,828	72,740	230,607

Contract liabilities include short-term advances received to deliver apparel products and furniture and render interior decoration and renovation services. The decrease in contract liabilities in 2019 and 2018 was mainly due to the completion of interior decoration and renovation service at the end of the years.

29. INTEREST-BEARING BANK BORROWINGS

	2019			2018		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank loans – unsecured	**–**		**–**	3.15 – 3.35	On demand or 2019	467,309
Bank loans – secured	**3.80 – 5.22**	**On demand or 2020**	**16,456**	5.50	On demand or 2019	6,742
			16,456			474,051

	2019 HK$'000	2018 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**16,456**	474,051

Notes:

(a) As at 31 December 2019, certain of the Group's bank loans were secured by the pledge of certain of the Group's time deposit amounting to RMB10,000,000 (equivalent to HK$11,111,000) and HK$5,975,000 (2018: RMB6,000,000 (equivalent to HK$6,742,000) and certain of the Group's debt investments at amortised cost amounting to US$2,987,000 (equivalent to approximately HK$23,299,000)).

(b) Except for a bank borrowing of approximately HK$10,556,000 (2018: HK$6,742,000) as at 31 December 2019, which was denominated in RMB, all of the Group's bank borrowings were denominated in HKD.

(c) All bank loans of the Group bear interest at floating interest rates.

30. PROVISION

	Onerous contracts 2019 HK$'000	2018 HK$'000
At beginning of year	**2,423**	–
Effect of initial adoption of HKFRS 16 (note 2.2(a))	**(1,397)**	–
At beginning of year (restated)	**1,026**	–
Additional provision	**–**	2,423
Amounts utilised during the year	**(1,026)**	–
At end of year	**–**	2,423
Portion classified as current liabilities	**–**	(1,585)
Non-current portion	**–**	838

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

31. DEFERRED TAX

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

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation		Revaluation of properties		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**12**	20,564	**–**	23,251	**12**	43,815
Deferred tax charged/(credited) to the statement of profit or loss during the year	**59**	(1,205)	**–**	2,087	**59**	882
Deferred tax charged to other comprehensive income during the year	**–**	–	**–**	9,786	**–**	9,786
Disposal of subsidiaries (note 37)	**–**	(18,134)	**–**	(33,593)	**–**	(51,727)
Exchange realignment	**–**	(1,213)	**–**	(1,531)	**–**	(2,744)
Gross deferred tax liabilities at 31 December	**71**	12	**–**	–	**71**	12

Deferred tax assets

	Fair value loss on equity investment at FVOCI		Right-of-use assets		Impairment of financial and contract assets		Provisions		Losses available for offsetting taxable profits		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1 January	**–**	–	**–**	–	**4,722**	3,372	**2,920**	1,962	**897**	1,770	**8,539**	7,104
Effect of initial adoption of HKFRS 16 (note 2.2(a))	**–**	–	**766**	–	**–**	–	**–**	–	**–**	–	**766**	–
At 1 January (restated)	**–**	–	**766**	–	**4,722**	3,372	**2,920**	1,962	**897**	1,770	**9,305**	7,104
Deferred tax credited/(charged) to the statement of profit or loss during the year	**–**	–	**11**	–	**(2,761)**	1,350	**1,167**	1,084	**(319)**	(873)	**(1,902)**	1,561
Deferred tax charged to other comprehensive income	**603**	–	**–**	–	**–**	–	**–**	–	**–**	–	**603**	–
Disposal of subsidiaries (note 37)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Exchange realignment	**(14)**	–	**(18)**	–	**48**	–	**(28)**	(126)	**–**	–	**(12)**	(126)
Gross deferred tax assets at 31 December	**589**	–	**759**	–	**2,009**	4,722	**4,059**	2,920	**578**	897	**7,994**	8,539

31. DEFERRED TAX *(CONTINUED)*

The Group has tax losses arising in Hong Kong of HK$5,394,000 (2018: HK$14,906,000), subject to agreement by the Hong Kong Inland Revenue Department (the "IRD"), that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

At 31 December 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of certain of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in these subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$26,560,000 at 31 December 2019 (2018: HK$27,863,000).

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

32. SHARE CAPITAL

Shares

	Number of ordinary shares 2019 '000	2018 '000	2019 HK$'000	2018 HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**6,000,000**	6,000,000	**600,000**	600,000
Issued and fully paid:				
Ordinary shares of HK$0.10 each	**1,528,336**	1,528,760	**152,834**	152,876

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

	Number of shares in issue of HK$0.1 each '000	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2018	1,536,084	153,609	739,640	893,249
Cancellation of shares repurchased (note 34(iv))	(7,324)	(733)	(5,501)	(6,234)
At 31 December 2018 and 1 January 2019	**1,528,760**	**152,876**	**734,139**	**887,015**
Cancellation of shares repurchased (note 34(iv))	**(424)**	**(42)**	**(324)**	**(366)**
At 31 December 2019	**1,528,336**	**152,834**	**733,815**	**886,649**

33. SHARE OPTION SCHEME

On 2 June 2015, the shareholders of the Company approved the termination (to the effect that the Company can no longer grant any further options) of the share option scheme adopted by the Company on 1 September 2005 (the "Old Scheme") and the adoption of a new share option scheme (the "New Scheme"). All share options granted and outstanding prior to the termination of the Old Scheme were lapsed in 2018.

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

(a) Old Scheme

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

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

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

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

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

There were no share options granted or exercised under the Old Scheme for the years ended 31 December 2019 and 2018.

33. SHARE OPTION SCHEME *(CONTINUED)*

(b) New Scheme

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

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

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

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

No share options were granted under the New Scheme for the years ended 31 December 2019 and 2018. 103,871,400 shares are issuable under the New Scheme, representing approximately 6.80% of the total number of issued shares of the Company at the reporting date.

During the year ended 31 December 2018, the Group transferred lapsed share option reserve of HK$69,000 to retained profits.

At the end of the reporting period, the Company did not have any share options outstanding under the Schemes (2018: Nil).

At the date of approval of these financial statements, the Company did not have any share options outstanding under the Schemes.

34. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(i) Contributed surplus

The Group's contributed surplus represents the excess of the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares in 1996.

(ii) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

(iii) Asset revaluation reserve

The asset revaluation arose from changes in use from owner-occupied properties to investment properties carried at fair value.

(iv) Treasury shares

During the year ended 31 December 2019, the Company repurchased its own ordinary shares of 224,000 (2018: 7,524,000) on the Stock Exchange at an aggregate consideration of HK$194,000 (2018: HK$6,406,000). During the year, 424,000 (2018: 7,324,000) repurchased ordinary shares were cancelled by the Company. Upon the cancellation of the 424,000 (2018: 7,324,000) shares repurchased, the issued share capital of the Company was reduced by the par value of HK$42,000 (2018: HK$733,000) and the premium paid on the repurchase of these cancelled shares of HK$324,000 (2018: HK$5,501,000), including transaction costs, was deducted from share premium of the Company. As at 31 December 2019, all ordinary shares repurchased had been cancelled by the Company.

(v) Other reserves

Other reserves comprise:

(1) pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries in Mainland China has been transferred to other reserves, which are restricted as to use; and

(2) the difference between the amounts of consideration and the carrying amounts of non-controlling interests acquired.

35. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

Shijiazhuang Changhong and its subsidiaries

	2019	2018
Percentage of equity interest held by non-controlling interests	**35.0%**	35.0%

	2019 **HK$'000**	2018 HK$'000
Profit for the year allocated to non-controlling interests	**2,340**	2,981
Dividends payable/paid to non-controlling interests	**3,580**	3,294
Accumulated balances of non-controlling interests at the reporting date	**17,216**	20,913

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	2019 **HK$'000**	2018 HK$'000
Revenue	**744,885**	508,666
Total expenses	**(736,614)**	(503,881)
Profit for the year	**6,783**	8,627
Total comprehensive income for the year	**4,960**	4,707
Current assets	**363,667**	287,978
Non-current assets	**47,972**	26,423
Current liabilities	**(333,486)**	(255,777)
Non-current liabilities	**(25,340)**	–
Net cash flows from/(used in) operating activities	**77,037**	(34,528)
Net cash flows used in investing activities	**(26,489)**	(1,723)
Net cash flows from/(used in) financing activities	**(13,690)**	25,281
Net increase/(decrease) in cash and cash equivalents	**36,858**	(10,970)

36. BUSINESS COMBINATION

On 20 February 2018, the Group acquired a 100% interest in Smart Empire from a third party. Smart Empire is engaged in the financial investments business. The acquisition was made as part of the Group's strategy to expand its financial investments business. The purchase consideration for the acquisition was in the form of cash, with HK$5,000,000 paid at the acquisition date.

The fair values of the identifiable assets and liabilities of Smart Empire as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000
Property, plant and equipment	14	55
Prepayments and other receivables		151
Cash and cash equivalents		466
Amounts due to related parties		(121)
Accruals and other payables		(130)
Total identifiable net assets at fair value		421
Goodwill on acquisition	17	4,579
Satisfied by cash		5,000

The Group incurred transaction costs of HK$80,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

36. BUSINESS COMBINATION *(CONTINUED)*

Included in the goodwill of HK$4.6 million recognised above is the licensed corporation status of Smart Empire to carry out Type 9 (Asset Management) regulated activity as defined in Schedule 5 to the Securities and Futures Ordinance, which is not recognised separately. The licensed corporation status is not separable and therefore it does not meet the criteria for recognition as an intangible asset under HKAS 38 *Intangible Assets*. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(5,000)
Cash and bank balances acquired	466
Net outflow of cash and cash equivalents included in cash flows from investing activities	(4,534)
Transaction costs of the acquisition included in cash flows from operating activities	80
	(4,454)

Since the acquisition, Smart Empire did not contribute any revenue to the Group and contributed a loss of HK$3,971,000 to the consolidated profit for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year ended 31 December 2018 would have been HK$1,271,043,000 and HK$109,436,000, respectively.

37. DISPOSAL OF SUBSIDIARIES

	2019 **HK$'000**	2018 HK$'000
Net assets disposed of:		
Property, plant and equipment	**–**	189,164
Prepaid land lease payment	**–**	4,644
Investment properties	**–**	323,782
Deposit paid	**–**	2,615
Inventories	**–**	196,075
Trade receivables	**–**	167,453
Prepayments, deposits and other receivables	**–**	150,138
Due from related parties	**–**	3,969
Cash and bank balances	**110**	247,996
Trade payables	**–**	(309,610)
Other payables and accruals	**(75)**	(168,019)
Contract liabilities	**–**	(57,967)
Tax payables	**–**	(41,242)
Deferred tax liabilities	**–**	(51,727)
Non-controlling interests	**–**	11,375
	35	668,646
Release of exchange fluctuation reserve upon disposal	**–**	(20,734)
Professional fees and expenses	**–**	6,917
Gain/(loss) on disposals	**(35)**	145,171
	–	800,000
Satisfied by:		
Cash	**–***	800,000

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal of the subsidiaries is as follows:

	2019 **HK$'000**	2018 HK$'000
Cash consideration	**–***	800,000
Cash and cash equivalents disposed of	**(110)**	(247,996)
Professional fees and expenses	**–**	(6,917)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	**(110)**	545,087

* The cash consideration was HK$2.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$6,481,000 and HK$6,433,000, respectively, in respect of lease arrangements for properties (2018: Nil).

(b) Changes in liabilities arising from financing activities

2019

	Interest-bearing bank borrowings HK$'000	Leases liabilities HK$'000
At 31 December 2018	**474,051**	**–**
Effect of adoption of HKFRS 16 (note 2.2(a))	**–**	**50,980**
At 1 January 2019	**474,051**	**50,980**
New bank borrowings made during the year	**10,556**	**–**
New leases	**–**	**6,433**
Repayment during the year	**(468,076)**	**(14,498)**
Interest expenses	**–**	**2,130**
Disposal	**–**	**(3,378)**
Exchange realignment	**(75)**	**(668)**
At 31 December 2019	**16,456**	**40,999**

2018

	Interest-bearing bank borrowings HK$'000
At 1 January 2018	991,847
New bank borrowings made during the year	474,051
Repayment during the year	(991,847)
At 31 December 2018	474,051

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

(c) Total cash outflow for leases

	2019
	HK$'000
Within operating activities	**4,414**
Within financing activities	**12,368**
	16,782

39. COMMITMENTS

(a) At the end of the reporting period, the Group did not have any significant capital commitment.

(b) Operating lease commitment as at 31 December 2018

The Group leased certain of its retail stores and office properties under operating lease arrangements, with leases negotiated for terms ranging from three to fifteen years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018
	HK$'000
Within one year	18,761
In the second to fifth years, inclusive	41,248
	60,009

In respect of the above non-cancellable operating lease commitments, the following provision for onerous contracts has been recognised:

	2018
	HK$'000
Onerous contracts (note 30)	
Within one year	1,585
In the second to fifth years, inclusive	838
	2,423

40. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	**2019 HK$'000**	2018 HK$'000
Sales of accessories and apparel to companies controlled by certain directors of the Company	(i)	**77,286**	287,100
Service fee income related to sales of accessories and apparel to companies controlled by certain directors of the Company	(ii)	**117**	1,253
Rental payments paid to companies controlled by certain directors of the Company	(iii)	**3,414**	11,852
Management fees paid to companies controlled by certain directors of the Company	(iv)	**637**	978
Design and management fees paid to companies controlled by certain directors of the Company	(v)	**–**	5,048
Interior decoration and renovation service income received from companies controlled by certain directors of the Company	(vi)	**5,569**	1,134
Service fees paid to companies controlled by certain directors of the Company	(vii)	**2,700**	–

Notes:

(i) The sales of accessories and apparel were made according to the prices mutually agreed by the parties on the individual orders placed and were either at market rates or at rates no less favourable to the Group than such rates offered to any other independent third party.

(ii) The service fee income related to sales of accessories and apparel was made according to the prices mutually agreed by the parties on the individual orders placed and were either at market rates or at rates no less favourable to the Group than such rates offered to any other independent third party.

(iii) The rental payments were charged according to the rental agreements which were based on the prevailing open market rentals.

(iv) The management fees were charged according to the management service agreements signed between the parties and by reference to the cost of services provided.

(v) The design and management fees were charged according to the prices mutually agreed by the parties on the individual orders placed and were either at market rates or at rates no less favourable to the Group than such rates offered to any other independent third party.

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

(vii) The service fees were charged according to the costs mutually agreed by the parties on a fair and equitable basis.

40. RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Other transactions with related parties:

Disposal of subsidiaries

As set out in notes 11 and 37, on 3 August 2018, Glorious Sun Enterprises (BVI) Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a company owned by Mr. Charles Yeung and Mr. Yeung Chun Fan, directors and substantial shareholders of the Company, for the disposal of the entire interest in the GSP Group for a cash consideration of HK$800,000,000. The transaction was completed on 23 November 2018.

The cash proceeds for the disposal of the GSP Group have been fully received by the Group during the year ended 31 December 2018 and the Group recognised a gain on disposal in profit or loss amounting to HK$145,171,000 upon the completion of the disposal.

As set out in note 37, on 18 June 2019, one of the Group's subsidiaries, Glorious Sun Overseas Limited was disposed of to Hong Kong AI One Limited, a company held by Mr. Charles Yeung and Mr. Yeung Chun Fan, directors and substantial shareholders of the Company, for a cash consideration of HK$2. Loss on disposal in profit or loss of HK$35,000 was recognised as a result of the disposal.

(c) Outstanding balances with related parties:

The Group had outstanding receivables from and payable to related companies of HK$2,156,000 (2018: HK$22,633,000) and HK$10,061,000 (2018: HK$6,811,000), respectively, as at the end of the reporting period. The balances with related companies are unsecured, interest-free and have no fixed terms of repayment.

(d) Compensation of key management personnel of the Group:

	2019 **HK$'000**	2018 HK$'000
Short term employee benefits	**5,449**	17,896
Post-employment benefits	**168**	519
Total compensation paid to key management personnel	**5,617**	18,415

Further details of directors' emoluments are included in note 8 to the financial statements.

The related party transactions in respect of items (a)(i), (a)(ii), (a)(iii), (a)(iv), (a)(v), (a)(vi), (a)(vii) and (b) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2019

Financial assets

	Debt investments at amortised cost HK$'000	Financial assets at amortised cost HK$'000	Equity investments through other comprehensive income HK$'000	Total HK$'000
Debt investments at amortised cost	**1,036,579**	**–**	**–**	**1,036,579**
Equity investments designated at fair value through other comprehensive income	**–**	**–**	**798,727**	**798,727**
Trade receivables	**–**	**166,411**	**–**	**166,411**
Financial assets included in prepayments, deposits and other receivables	**–**	**46,808**	**–**	**46,808**
Due from related companies	**–**	**2,156**	**–**	**2,156**
Pledged deposits	**–**	**17,086**	**–**	**17,086**
Cash and cash equivalents	**–**	**734,736**	**–**	**734,736**
	1,036,579	**967,197**	**798,727**	**2,802,503**

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	**149,675**
Financial liabilities included in other payables and accruals	**171,908**
Interest-bearing bank borrowings	**16,456**
Lease liabilities	**40,999**
	379,038

41. FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

2018

Financial assets

	Debt investments at amortised costs HK$'000	Financial assets at amortised cost HK$'000	Equity investments through other comprehen-sive income HK$'000	Total HK$'000
Debt investments at amortised cost	1,119,879	–	–	1,119,879
Equity investments designated at fair value through other comprehensive income	–	–	748,690	748,690
Trade receivables	–	171,890	–	171,890
Financial assets included in prepayments, deposits and other receivables	–	58,285	–	58,285
Due from related companies	–	22,633	–	22,633
Pledged deposits	–	6,742	–	6,742
Cash and cash equivalents	–	1,061,175	–	1,061,175
	1,119,879	1,320,725	748,690	3,189,294

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	134,554
Financial liabilities included in other payables and accruals	155,054
Interest-bearing bank borrowings	474,051
	763,659

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Debt investments at amortised cost	**1,036,579**	1,119,879	**1,036,834**	1,071,975

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, the current portion of financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from related companies, amounts due from/to an associate and the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2019 and 2018 was assessed to be insignificant. The fair values of the interest-bearing bank borrowings approximate to their carrying amounts as at 31 December 2019 and 2018.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the Directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(CONTINUED)*

Below is a summary of the significant unobservable input to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2019 and 2018:

	Valuation technique	Significant unobservable input	Multiple	Sensitivity of fair value to the input
Unlisted equity investment	Market approach	Average P/B	2019: 1.2 2018: 1.7	0.1 (2018: 0.1) increase/ decrease in multiple would result in decrease/increase in fair value by HK$543,000 (2018: HK$643,000)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Equity investments designated at fair value through other comprehensive income				
Listed equity investment	**791,545**	**–**	**–**	**791,545**
Unlisted equity investment	**–**	**–**	**7,182**	**7,182**
	791,545	**–**	**7,182**	**798,727**

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(CONTINUED)*

Fair value hierarchy *(continued)*

Assets measured at fair value: *(continued)*

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Equity investments designated at fair value through other comprehensive income				
Listed equity investment	737,454	–	–	737,454
Unlisted equity investment	–	–	11,236	11,236
	737,454	–	11,236	748,690

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 for both financial assets and financial liabilities, and no transfer into or out of Level 3 for financial assets (2018: Nil).

The movements in fair value measurements within Level 3 during the year are as follows:

	2019 HK$'000	2018 HK$'000
Equity investment designated at fair value through other comprehensive income		
At 1 January	**11,236**	11,976
Total losses recognised in other comprehensive income	**(4,018)**	–
Exchange realignment	**(36)**	(740)
At 31 December	**7,182**	11,236

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(CONTINUED)*

Fair value hierarchy *(continued)*

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 31 December 2019 and 31 December 2018.

Assets for which fair values are disclosed:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Debt investments at amortised cost	**1,036,834**	**–**	**–**	**1,036,834**

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Debt investments at amortised cost	1,071,975	–	–	1,071,975

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprised financial assets at amortised cost, financial assets at fair value through other comprehensive income, bank borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents and interest-bearing bank borrowings with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

For floating-rate borrowings, assuming the amount of liability outstanding as at the end of the reporting period was outstanding for the whole year, a 50-basis point increase/decrease in interest rates at 31 December 2019 and 2018 would have decreased/increased the Group's profit before tax by HK$30,000 and HK$2,337,000, respectively. The sensitivity to the interest rate used is considered reasonable, with all other variables held constant.

Cash at banks earns interest at floating rates based on daily bank deposit rates. A 50-basis point increase/decrease in interest rates at 31 December 2019 and 2018 would have increased/decreased the Group's profit before tax by HK$1,015,000 and HK$4,799,000, respectively. The sensitivity to the interest rate used is considered reasonable, with all other variables held constant.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales and purchases by operating units in currencies other than the units' functional currencies, mostly in United States dollars ("USD") and RMB. In addition, the Group has currency exposures from its debt investments at amortised cost and equity investments designated at fair value through other comprehensive income, mostly in USD and RMB.

As the Hong Kong dollar is pegged to the United States dollar, the Group does not anticipate significant movements in the exchange rate. The Group monitors the foreign exchange rate risk on an ongoing basis.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Foreign currency risk *(continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of unlisted equity investment).

	Increase/ (decrease) in RMB rate %	**Increase/ (decrease) in profit before tax HK$'000**	**Increase/ (decrease) in equity* HK$'000**
2019			
If the Hong Kong dollar weakens against the RMB	**1.0**	**154**	**72**
If the Hong Kong dollar strengthens against the RMB	**(1.0)**	**(154)**	**(72)**
2018			
If the Hong Kong dollar weakens against the RMB	1.0	107	112
If the Hong Kong dollar strengthens against the RMB	(1.0)	(107)	(112)

* Excluding retained profits

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. For listed debt investments, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Credit risk *(continued)*

Maximum exposure and year-end staging *(continued)*

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	HK$'000
Debt investments at amortised cost					
– BB+ to B–	**1,036,579**	**–**	**–**	**–**	**1,036,579**
Contract assets*	**–**	**–**	**–**	**64,786**	**64,786**
Trade receivables*	**–**	**–**	**–**	**166,411**	**166,411**
Financial assets included in prepayments, deposits and other receivables					
– Normal**	**46,808**	**–**	**–**	**–**	**46,808**
Due from related companies	**2,156**	**–**	**–**	**–**	**2,156**
Pledged deposits					
– Not yet past due	**17,086**	**–**	**–**	**–**	**17,086**
Cash and cash equivalents					
– Not yet past due	**734,736**	**–**	**–**	**–**	**734,736**
	1,837,365	**–**	**–**	**231,197**	**2,068,562**

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	HK$'000
Debt investments at amortised cost					
– BB+ to B–	1,119,879	–	–	–	1,119,879
Contract assets*	–	–	–	49,026	49,026
Trade receivables*	–	–	–	171,890	171,890
Financial assets included in prepayments, deposits and other receivables					
– Normal**	58,285	–	–	–	58,285
Due from related companies	22,633	–	–	–	22,633
Pledged deposits					
– Not yet past due	6,742	–	–	–	6,742
Cash and cash equivalents					
– Not yet past due	1,061,175	–	–	–	1,061,175
	2,268,714	–	–	220,916	2,489,630

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Credit risk *(continued)*

Maximum exposure and year-end staging *(continued)*

* For trade receivables which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

The closing loss allowances for debt investments at amortised cost, trade receivables, contract assets, financial assets included in prepayments, deposits and other receivables, due from an associate and due from related companies as at 31 December are reconciled to the opening loss allowances as follows:

	Debt investments at amortised cost HK$'000	Trade receivables HK$'000	Contract assets HK$'000	Financial assets include in prepayments, deposits and other receivables HK$'000	Due from an associate HK$'000	Due from related companies HK$'000
At 1 January 2018	–	22,267	2,212	10,532	133	803
Impairment loss/(reversal of impairment loss), net	–	(3,518)	4,083	1,036	(131)	(719)
Disposal of subsidiaries	–	(8,819)	–	(7,576)	(2)	–
At 31 December 2018 and 1 January 2019	**-**	**9,930**	**6,295**	**3,992**	**-**	**84**
Impairment loss/(reversal of impairment loss), net	**4,508**	**(6,934)**	**(3,137)**	**(2,096)**	**-**	**30**
Exchange realignment	**-**	**64**	**(1)**	**11**	**-**	**-**
At 31 December 2019	**4,508**	**3,060**	**3,157**	**1,907**	**-**	**114**

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, lease liabilities and interest-bearing borrowings. The Group's policy is to match the maturity of borrowings with expected cash inflows from the relevant assets acquired to ensure proper funding.

The maturity profile of the Group's financial liabilities as at end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2019			
	On demand or within 1 year HK$'000	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Trade payables	**149,675**	**–**	**–**	**149,675**
Financial liabilities included in other payables and accruals	**171,908**	**–**	**–**	**171,908**
Lease liabilities	**11,055**	**21,026**	**8,918**	**40,999**
Interest-bearing bank borrowings	**16,456**	**–**	**–**	**16,456**
	349,094	**21,026**	**8,918**	**379,038**

	2018			
	On demand or within 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade payables	134,554	–	–	134,554
Financial liabilities included in other payables and accruals	155,054	–	–	155,054
Interest-bearing bank borrowings	474,275	–	–	474,275
	763,883	–	–	763,883

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to equity price risk arising from its listed equity investments at fair value through other comprehensive income (note 20) as at 31 December 2019 and 2018. The Group's listed equity investment was listed on the Singapore Exchange and was valued at quoted market prices as at 31 December 2019 and 2018.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, raise and repay debts or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

The Group monitors capital using a gearing ratio, which is total bank borrowings divided by the total shareholders' equity plus total borrowings. Total borrowings include interest-bearing bank borrowings. Total shareholders' equity comprises all components of equity attributable to ordinary equity holders of the Company. The Group's policy is to maintain the gearing ratio at a reasonable level. The gearing ratios as at the end of the reporting periods were as follows:

	2019 **HK$'000**	2018 HK$'000
Interest-bearing bank borrowings	**16,456**	474,051
Total shareholders' equity	**2,515,126**	2,448,254
Borrowings and total shareholders' equity	**2,531,612**	2,922,305
Gearing ratio	**1%**	16%

44. EVENTS AFTER THE REPORTING PERIOD

Disposals of significant investment held

(i) Disposals of listed perpetual capital security (Shui On Development (Holding) Limited)

In January 2020, the Group disposed of a portion of its equity investments designated at fair value through other comprehensive income with a carrying amount of US$57,600,000 (equivalent to approximately HK$449,280,000) in the secondary market for a total consideration of approximately US$57,490,900 (equivalent to approximately HK$448,429,000).

Details of the disposals are set out in the Company's announcements dated 3 January 2020, 7 January 2020 and 8 January 2020 and circular dated 14 February 2020.

(ii) Disposals of debt investments at amortised cost (Shui On Development (Holding) Limited)

In January 2020, the Group disposed of certain debt investments at amortised cost with a total principal amount of RMB162,350,000 (equivalent to approximately HK$180,390,000) in the secondary market for a total consideration of approximately RMB165,937,000 (equivalent to approximately HK$184,374,000).

Details of the disposals are set out in the Company's announcement dated 24 January 2020.

COVID-19

The outbreak of coronavirus disease 2019 ("COVID-19") has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position. The Group has been closely monitoring the impact from the COVID-19 on the Group's businesses and has commenced to put in place various measures. Based on the information currently available, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group up to the date of this report. However, the actual impacts may differ from these estimates as the situation continues to evolve and further information becomes available.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 **HK$'000**	2018 HK$'000
NON-CURRENT ASSET		
Investment in a subsidiary	**377,717**	377,717
CURRENT ASSETS		
Amount due from a subsidiary	**1,283,165**	335,056
Other receivables	**144**	872
Cash and cash equivalents	**361,590**	707,214
Total current assets	**1,644,899**	1,043,142
CURRENT LIABILITIES		
Other payables	**260**	373
Total current liabilities	**260**	373
NET CURRENT ASSETS	**1,644,639**	1,042,769
Net assets	**2,022,356**	1,420,486
EQUITY		
Issued capital	**152,834**	152,876
Other reserves (note)	**1,869,522**	1,267,610
Total equity	**2,022,356**	1,420,486

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Treasury shares HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2018	739,640	–	377,567	69	134,744	1,252,020
Total comprehensive income for the year	–	–	–	–	108,889	108,889
Shares repurchased	–	(6,406)	–	–	–	(6,406)
Cancellation of shares repurchased	(5,501)	6,234	–	–	–	733
Transfer of share option reserve upon lapse of share options	–	–	–	(69)	–	(69)
Final 2017 dividend	–	–	–	–	(49,155)	(49,155)
Interim 2018 dividend	–	–	–	–	(38,402)	(38,402)
At 31 December 2018 and 1 January 2019	**734,139**	**(172)**	**377,567**	**–**	**156,076**	**1,267,610**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**693,153**	**693,153**
Shares repurchased	**–**	**(194)**	**–**	**–**	**–**	**(194)**
Cancellation of shares repurchased	**(324)**	**366**	**–**	**–**	**–**	**42**
Final 2018 dividend	**–**	**–**	**–**	**–**	**(51,352)**	**(51,352)**
Interim 2019 dividend	**–**	**–**	**–**	**–**	**(39,737)**	**(39,737)**
At 31 December 2019	**733,815**	**–**	**377,567**	**–**	**758,140**	**1,869,522**

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2020.

FINANCIAL SUMMARY

A summary of the results of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)	(Restated)	(Restated)
CONTINUING OPERATIONS					
REVENUE	**1,212,288**	1,271,001	1,193,724	997,176	865,979
Operating profit	**124,456**	91,315	152,005	94,160	95,630
Share of profits and losses of associates	**–**	–	–	5,694	–
Profit before tax	**124,456**	91,315	152,005	99,854	95,630
Income tax expense	**(11,718)**	(8,169)	(19,010)	(19,543)	(17,749)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**112,738**	83,146	132,995	80,311	77,881
DISCONTINUED OPERATIONS					
Profit/(loss) for the year from discontinued operations	**–**	26,433	(41,311)	11,440	15,854
Profit for the year	**112,738**	109,579	91,684	91,751	93,735
Attributable to:					
Ordinary equity holders of the Company	**110,383**	107,430	88,669	88,320	88,152
Non-controlling interests	**2,355**	2,149	3,015	3,431	5,583
	112,738	109,579	91,684	91,751	93,735

FINANCIAL SUMMARY

A summary of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

	As at 31 December				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**3,011,947**	3,347,905	4,706,040	4,107,478	3,696,484
TOTAL LIABILITIES	**(479,471)**	(878,619)	(2,149,057)	(1,642,509)	(1,647,290)
NON-CONTROLLING INTERESTS	**(17,350)**	(21,032)	(12,251)	(10,187)	(9,356)
	2,515,126	2,448,254	2,544,732	2,454,782	2,039,838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