SiS International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 00529)

Annual Report 2019

Contents

Corporate Information

DIRECTORS

Executive Directors:

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

Independent Non-executive Directors:

Lee Hiok Chuan
Ong Wui Leng
Ma Shiu Sun, Michael

COMPANY SECRETARY

Chiu Lai Chun, Rhoda

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

PRINCIPAL PLACE OF BUSINESS

803
Nine Queen's Road Central
Hong Kong
Telephone: (852) 2138 3938
Fax: (852) 2138 3928

STOCK CODE

00529

INVESTOR RELATIONS

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

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditor

LEGAL ADVISORS

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

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

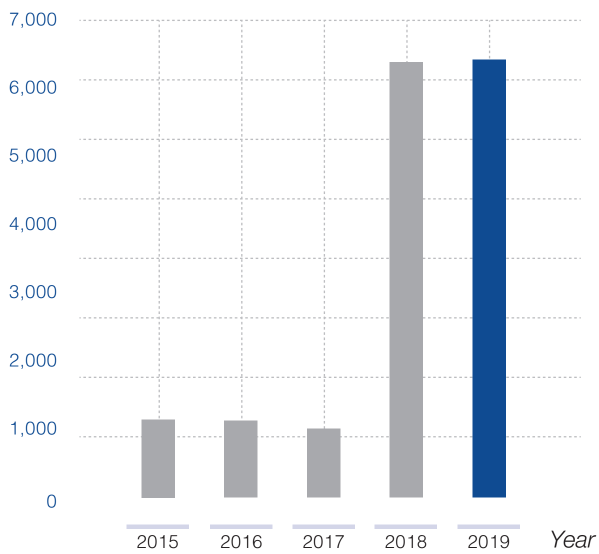
MUFG Fund Services (Bermuda) Limited
4th Floor, North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

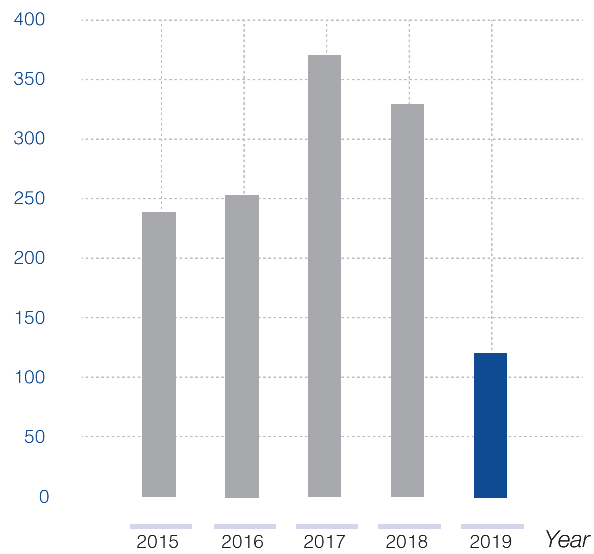
Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Financial Highlights

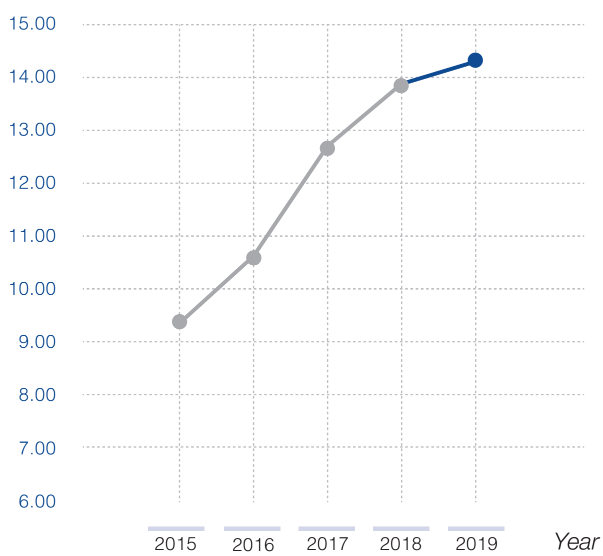
Revenue
HKD'M



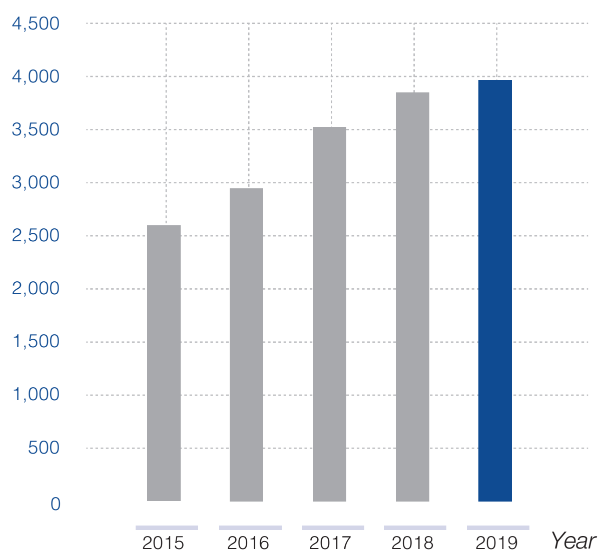
Net Profit
HKD'M



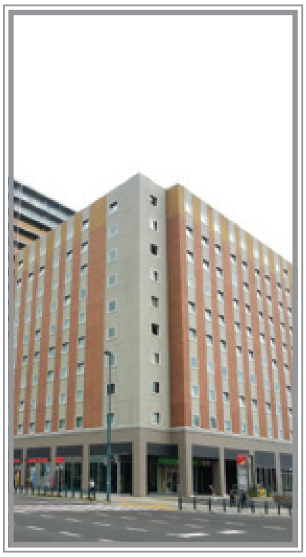
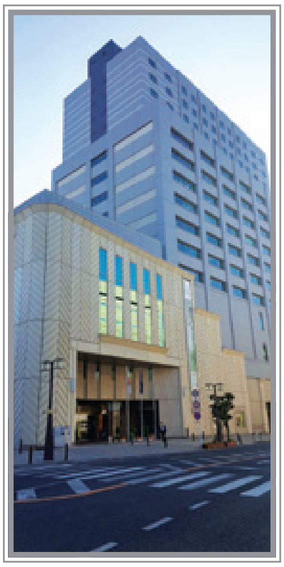
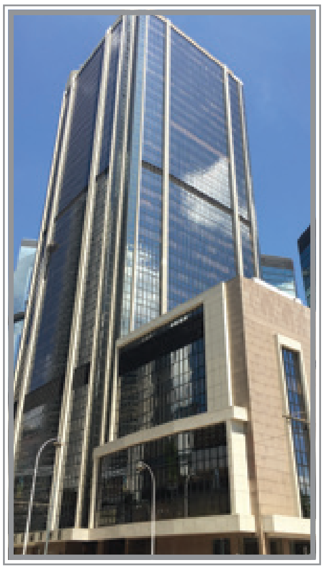
Net Asset Value Per Share
HKD



Shareholders' Equity
HKD'M



History & Milestones

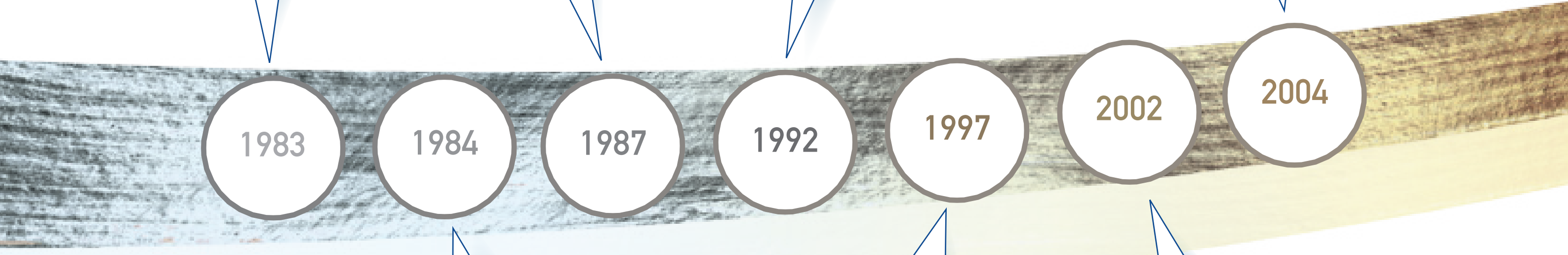
1983
- Founded in Singapore
- Became distributor for Dyson floppy disk in 1983 and 3Com network in 1984 and started building a reseller base

1987
- One of the first to distribute original software from Symantec, WordPerfect, Aldus Pagemaker, Harvard Graphics, Central Point Software

1992
- SiS listed successfully on the main board of the Hong Kong Stock Exchange (529.HK) in less than 10 years after it was founded in 1983

Thailand

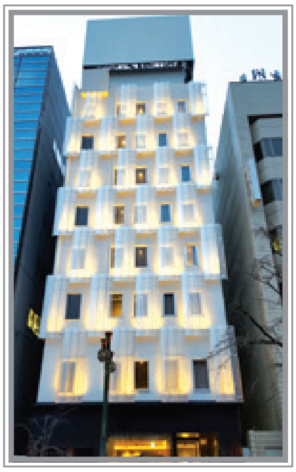
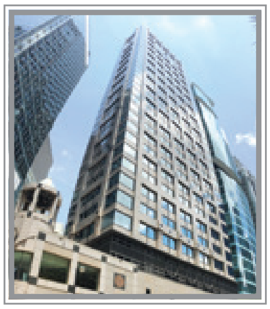
2004
- SiS Thailand successfully listed on Thailand Stock Exchange (SIS.TH) in less than 5 years after it was invested by SiS Group in 2000



1984
- Introduced AST peripherals and Tallgrass' tape drives to new IBM and Apple resellers

1997
- Sold a 80% stake in SiS Distribution Ltd. to CHS Electronics

2002
- One of the first to introduce smartphones in Asia


2011
- Acquired a stake in Information Technology Consultants Limited ("ITCL"), a provider of payment gateway services and one of the leading providers of ATMs in Bangladesh
- Acquired Synergy Technologies (Asia) Ltd to form SiS mobile business
- Sold IT distribution business in Hong Kong, Singapore, Malaysia to conglomerate Jardine Matheson Group

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

2015
- SiS Mobile Holdings Limited successfully listed on the main board of Hong Kong Stock Exchange (1362.HK)
- Set up SiS Hospitality Holdings Limited to hold all properties in Japan

2016
- ITCL successfully listed on The Dhaka Stock Exchange and the Chittagong Stock Exchange in Bangladesh

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

2017
- Acquired additional interest in SiS Thailand thus it became a subsidiary of SiS Group

2018
- Acquired a hotel property in Sapporo

2019
- Acquired a hotel property in Okinawa and a hostel in Kyoto.
- Rinku Gate Tower was renamed to SiS Rinku Tower
- Grand opening of a 258 rooms hotel in SiS Rinku Tower

* based on encyclopedia Wikipedia on 23 November 2012.

Message from the Chairman and CEO

Dear Shareholders

I'm pleased to share the 2019 Annual Report of the Group with our shareholders for the year ended 31 December 2019. Revenue for the year ended 31 December 2019 increased HK$37 million to HK$6,416 million. Net profit for the year reduced 63% to HK$121 million mainly due to reduction in valuation of properties and securities investments.

Total assets of the Group increased 11% to HK$9,329 million. Net assets value per share increased from HK$13.9 to HK$14.3.

BUSINESS REVIEW

Real Estate Investments Business

Total rental income from real estate investment business increased 6% to HK$279.4 million during the year and generated a segment profit (excluding change in fair value of property) of HK$145.5 million as compared to HK$130.4 million last year.

We are proud that on 13 December 2019, we renamed Rinku Gate Tower Building — Japan's third tallest iconic skyscraper in Osaka to SiS Rinku Tower. This is a significant date and miles stone for the Group. A new 258 rooms — Oriental Suites Airport Osaka Rinku hotel was also opened at the same building. During the year, the Group enlarged the number of hotel and hospitality properties in Japan from eighteen (18) to twenty (20). The carrying value of the enlarged portfolio now stood at HK$3,211 million.

Whilst many of these properties continue to contribute stable incomes, we registered a net fair valuation loss of HK$23.8 million for investment properties in Japan as compared to the same period last year. (2018: gain of HK$61.9 million).

The Group's investment properties in Hong Kong, Singapore and Thailand amounted to total market value of HK$1,793 million as at 31 December 2019. The fair value gain of HK$10.7 million recorded was lower than that of the same period last year (2018: gain of HK$158.9 million).

Distribution Business

During the year, total revenue from distribution business increased by HK$20 million as compared to the same period last year. Revenue from distribution in Thailand decreased 2% due to the slowdown in new smartphone demand and intense competition in entry level smartphones in Thailand. The demand for Smartphones in Hong Kong continued its downward trend amid weakening demand for both entry level and higher end handsets and the political unrest. Revenue from I.T. Distribution business increased by 17% with higher demand for storage, networking and security products.

Investment in IT, Securities and other Businesses

Our associate company, Information Technology Consultants Limited ("ITCL") recorded a 25% growth and contributed HK$6.4 million to the Group. This notable growth was driven by the increasing Transaction processing, services and maintenance in the banking and financial sector in Bangladesh. ITCL is on track to provide automation technologies for electronic payment services to the market.

Message from the Chairman and CEO

Carrying value of the Group's securities investment portfolio amounted to HK$282 million of which 72% are listed in securities. The fair value loss from securities investment (stated as financial assets at fair value through profit or loss) from several of the listed securities amounted to HK$31 million as compared with a fair value gain of HK$7.0 million during the same period last year.

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

PROSPECT

The outlook for the year remains extremely challenging. The COVID-19 outbreak which accelerated at the end of January 2020 has caused tremendous disruptions to global supply chains and impacted businesses. The outbreak that is now spreading fast across western countries has also led a global slowdown. Like SARS and many other past dreadful diseases, the epidemic caused by the COVID-19 will end as countries all over the world take aggressive measures to bring it to a halt.

The fundamentals of the Group remain strong. Every challenge presents new opportunity. Despite the challenging and unstable global economic outlook for the year 2020, the Group is cautiously moving ahead with confidence. With an experienced and effective management team and solid balance sheet, we will tackle and weather through the tough & turbulent period and emerged stronger. We will continue to build on our core strengths and build a dynamic key team as we focus on our four pillars of Businesses — Real Estate, Distribution, Investments and Asset Management.

APPRECIATION

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

Lim Kia Hong
Chairman and CEO

Hong Kong, 27 March 2020

Management Discussion and Analysis

Liquidity and Financial Resources

As at 31 December 2019, the Group had total assets of HK$9,329,183,000 which were financed by total equity of HK$3,973,220,000 and total liabilities of HK5,355,963,000. The Group had a current ratio of approximately 0.93 compared to that of approximately 0.87 at 31 December 2018.

As at year end 2019 the Group had HK$1,122,850,000 (2018: HK$1,032,086,000) bank deposits balances and cash of which HK$454,759,000 (2018: HK$445,331,000) was pledged to banks to secure bank borrowings. The Group's working capital requirements were mainly financed by internal resources, bank borrowings and bonds. As at 31 December 2019, the Group had short term borrowings of HK$2,472,273,000 (2018: HK$2,257,272,000) and long term borrowings and bonds of HK$1,511,292,000 (2018: HK$1,110,220,000). The borrowings were mainly denominated in Japanese Yen, Thai Baht and Hong Kong Dollar, and were charged by banks at floating interest rates.

At the end of December 2019, the Group had a net cash deficit (total bank borrowings and bonds, less bank balances and cash and pledged deposits) of HK$2,860,715,000 (2018: HK$2,335,406,000).

Gearing ratio, as defined by total bank borrowings and bonds to total equity as at 31 December 2019 was 100% (2018: 87%).

Charges on Group Assets

At the balance sheet date, the Group's had pledged deposits of HK$454,759,000 (2018: HK$445,331,000), investment properties with carrying value of HK$4,705,311,000 (2018: HK$4,361,882,000) and property, plant and equipment with carrying value of HK$344,743,000 (2018: HK$362,652,000) were pledged to banks to secure general banking facilities granted to the Group and for purchase of investment properties and working capital. Certain shares of subsidiaries have been pledged to the banks as at 31 December 2018 and 2019 to secure several banking facilities available to the Group.

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

The number of staff of the Group as at 31 December 2019 was 700 (2018: 652) and the salaries and other benefits paid and payable to employees, excluding Directors' emoluments and share option expenses, amounted to HK$179,333,000 (2018: HK$153,042,000) for the year ended 31 December 2019. In addition to the contributory provident fund and medical insurance, the Company adopts share option scheme and may grant shares to eligible employees of the Group. The Directors believe that the Company's share option schemes could create more incentives and benefits for the employees and therefore increase employees' productivity and contribution to the Group. During the year ended 31 December 2019, no share options have been exercised. The Group's remuneration policy is to relate performance with compensation. The Group's salary and discretionary bonus system is reviewed annually. There are no significant changes in staff remuneration policies from last year.

Management Discussion and Analysis

Environmental, Social and Corporate Responsibility

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

Relationship with Key Stakeholders

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

Currency Risk Management

Certain purchase of goods of the Group are dominated in United States dollar. Certain bank balances are dominated in United States Dollar, Australian Dollar, Singapore Dollar, Japanese Yen and Renminbi, while certain bank borrowings are dominated in United States Dollar and Japanese Yen. These currencies are other functional currencies of the relevant group entities. The Group currently does not have comprehensive currency hedging policy. However, the management monitors the currency fluctuation exposure and has entered into foreign currency forward contracts. At 31 December 2019 the Group had outstanding forward contracts of notional amount HK$226,239,000 (2018: 94,364,000) which were measured at fair value at the reporting date.

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE PRACTICES

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

BOARD OF DIRECTORS, CHAIRMAN AND CHIEF EXECUTIVE

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

The Board currently comprised of four Executive Directors, namely Messrs. Lim Kia Hong (Chairman and Chief Executive Officer), Lim Kiah Meng, Lim Hwee Hai, and Madam Lim Hwee Noi, and three Independent Non-Executive Directors (the "INED"), namely, Mr. Lee Hiok Chuan, Ms. Ong Wui Leng and Mr. Ma Shiu Sun, Michael. Messrs. Lim Kia Hong and Lim Kiah Meng, and Madam Lim Hwee Noi are brother and sister. Mr. Lim Hwee Hai is spouse of Madam Lim Hwee Noi. Biographical details of each Director and relationship between board members are set out on page 25 and 26 of the annual report.

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

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

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

The positions of the Chairman and Chief Executive Officer are held by the same individual, Mr. Lim Kia Hong who is responsible for the charting of corporate strategies and direction of the Group. As Chairman of the Board, Mr. Lim provides leadership and plays a pivotal role fostering constructive dialogue between the Board, shareholders and management. As the Vice Chairman of the Board, Mr. Lim Kiah Meng plays a key role in developing operating policies and business development and ensures the effectiveness and efficiency of the business operations of the Group. According to the Bye-Laws of the Company, the position of chairman and vice-chairman shall be elected after next Annual General Meeting to be held on 5 June 2020. The deviation from the Code A.2.1 is considered acceptable.

DIRECTORS NOMINATION POLICY

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

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

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

- the candidate's character and honesty;
- whether the qualification, skills, experience, industry knowledge of the candidate meet the business needs or are in line with the long term development of the Company;
- effect on the board's composition and diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and the compliance with the board diversity policy of the Company;
- commitment of the candidate to devote sufficient time to effectively discharge his/her duties. In this regard, the number and nature of offices held by the candidate in public companies or organizations, and other executive appointments or significant commitments will be considered;
- the requirement of appointing independence non-executive directors to the board under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the independence of a candidate pursuant to Rule 3.13 of the Listing Rules;
- any potential/actual conflicts of interest that may arise if the candidate is selected;
- for the appointment or re-appointment of independent non-executive directors, the independence of the candidate and his/her immediate family from the Company; and
- in the case of a proposed re-appointment of an independent non-executive director, the number of years he/she has already served.

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

Corporate Governance Report

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

- the Board shall call a meeting and invite nominations of candidates from the Nomination Committee of the Company for consideration by the Board prior to its meeting;
- the Board may use any process it deems appropriate to assess the suitability of and the potential contribution to the Board by the candidates based on (but not limited to) the criteria set out above, which may include personal interviews, background checks, presentations or written submissions by the candidates and third party references;
- the Board shall hold a physical meeting to consider the matter and avoid the making of decisions by written resolutions unless it is impractical that a physical meeting be held;
- the Board shall provide to the Shareholders for its consideration with all the information required, including information set out in Rule 13.51(2) of the Listing Rules in relation to the candidates.

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

BOARD DIVERSITY

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

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

Corporate Governance Report

BOARD COMMITTEES

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

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

Notes:

C — Chairman of the relevant Committee

M — Member of the relevant Committee

AUDIT COMMITTEE

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

The main duties of the Audit Committee include:

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

The Audit Committee has met four times during the year ended 31 December 2019 and has reviewed the managements accounts, half-year, and annual financial results of the Group and its subsidiaries. Certain recommendations have been made to the internal control of the Company and its subsidiaries. Audit Committee had met the external auditors without the present of Executive Directors on reviewing the half year and annual financial results.

Corporate Governance Report

NOMINATION COMMITTEE

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

The duties of the Nomination Committee shall be:

- review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

- assess the independency of independent non-executive directors; and

- make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive.

A meeting was held during the year ended 2019 to review and discuss the composition of the Board of the Company, and to assess the independency of independent non-executive directors. The Nomination Committee considered that the experience, expertise, leadership and qualification of the existing Directors are sufficient to maintain corporate governance of the Company and manage the operations of the Group.

REMUNERATION COMMITTEE

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

The Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, and reviewing and approving the compensation payable to Executive Directors and senior management. A meeting was held during the year ended 31 December 2019, and the members had reviewed the remuneration policy and determined remuneration of Directors.

Corporate Governance Report

Pursuant to Code Provision B.1.5 of the Code, details of the annual remuneration of the directors and senior management by band for the year ended 31 December 2019 are as follows:

Remuneration band	Number of individuals
HK$1 to HK$1,000,000	3
HK$1,000,0001 to HK$3,000,000	1
HK$3,000,0001 to HK$5,000,000	2
HK$5,000,0001 to HK$7,000,000	1

Details of the remuneration of each director for the year ended 31 December 2019 are set out in note 12 to the consolidated financial statements.

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

DIRECTORS' SECURITIES TRANSACTION

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

Corporate Governance Report

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' REMUNERATION

During the year ended 31 December 2019, the Group had engaged external auditors, Deloitte Touche Tohmatsu, to provide the following services.

	Service fee HK$'000
Audit services	2,638
Tax advisory	14
Other services	890
	3,542

ATTENDANCE OF MEETINGS

The following table shows the attendance of each Director at general meeting, meetings of the Board and the above committees during the year 2019:

	General Meeting	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
Number of meeting during the year	(1)	(13)	(4)	(1)	(1)
Executive Directors					
Lim Kia Hong	1	13	N/A	1	1
Lim Kiah Meng	1	13	N/A	1	1
Lim Hwee Hai	1	13	N/A	N/A	N/A
Lim Hwee Noi	1	13	N/A	N/A	N/A
Independent Non-Executive Directors					
Lee Hiok Chuan	1	13	4	1	1
Ong Wui Leng	1	13	4	1	1
Ma Shiu Sun, Michael	1	13	4	1	1

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

The Company is responsible for arranging and funding suitable training for its directors. During the year 2019, the Company had organised a seminar regarding the latest developments in listing rules and other applicable regulatory requirement for the directors, to ensure compliance and enhance their awareness of good corporate governance practices. In addition, individual directors also participated in other courses relating to the roles, functions and duties of a listed company director or further enhancement of their professional development by way of attending training courses or reading relevant materials. The Company Secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials. The Company has devised a training record to assist the Directors to record the training they have undertaken.

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

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

Corporate Governance Report

COMPANY SECRETARY

Ms. Chiu Lai Chun, Rhoda has been appointed as company secretary of the Company since 2004. She is a Certified Public Accountant in Hong Kong. She has fulfilled the 15 hours of relevant professional training requirements under the Rule 3.29 of the Listing Rules for the year ended 31 December 2019.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

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

The shareholders' meeting in 2019 was the annual general meeting held on 31 May 2019 at Victoria Room III, 3/F, Regal Hongkong Hotel, 88 Yee Wo Street, Causeway Bay, Hong Kong to receive and consider the audited financial statements for the year ended 31 December 2018; to re-elect directors; and approve the general mandates for the issue and repurchase of the Company's share.

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

SHAREHOLDERS' RIGHTS

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

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

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

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

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

Environmental, Social and Governance Report

ENVIRONMENTAL

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

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

A1. Emissions

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

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

During 2019, there are two more hospitality buildings in Japan running by the Group, causing increase in CO_2 emission.

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

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

CO_2 Emission (Tonnes)	**2019**	2018
Energy indirect emission	**4,547,015**	4,532,526
Other indirect emission	**51**	48
	4,547,066	4,532,574

Indirect emission is mainly from paper usage in offices and senior management's air travel. It amounted to 51 tonnes CO_2 for the year ended 31 December 2019 (2018: 48 tonnes CO_2). Management is more active in seeking potential investment property and new distributorship, resulting some air travel during the year.

Non-hazardous waste produced (paper waste, printer cartridges, toner bottle) was 4,738 kg for 2019 (2018: 3,015kg).

Environmental, Social and Governance Report

A2. Use of Resources

Electricity consumption and water consumption were mainly attributable to its hospitality business. For 2019, total Energies consumption was 8,500 million kWh (2018: 8,476 million kWh), whereas the water usage was 166,022 cubic metre (2018: 166,311 cubic metre).

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

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

A3. The Environment and Natural Resources

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

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

SOCIAL

B1. Employment and Labour Practices

Employment, Remuneration and Benefits, Recruitment and promotion

The Group is always complying with the labour regulations and associated guidelines. Our full-time staffs are entitled to paternity and compassionate leaves, healthcare and mandatory provident fund in respective jurisdiction. We apply equal opportunity and non-discrimination in recruitment, promotion and all other aspects of our employment practices. We encourage a healthy work-life balance among staffs. As at 31 December 2019, the Group had a total of 163 (2018: 158) permanent staffs. 71% (2018: 69%) are located in Hong Kong and the remaining are located in Singapore and Japan. To attract, motivate and retain experience staffs, we reviewed their pay packages annually with prevailing market conditions to ensure they are competitive under volatile and severe market. To create incentives for directors and senior staffs to work with commitment toward enhancing the value of the Group and its shareholders, the Company adopted share option scheme and grant share options to eligible staffs of the Group since 1992.

As at 31 December 2019

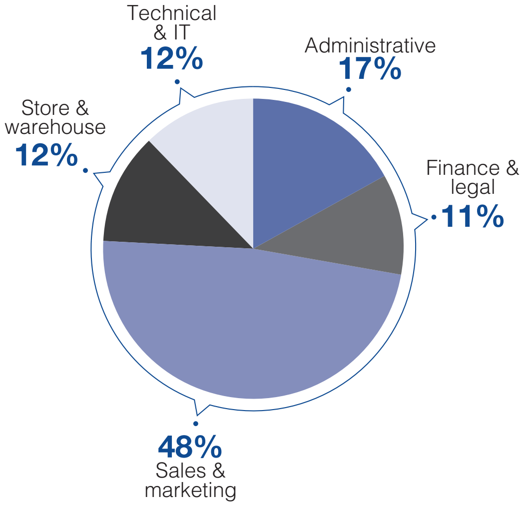
Workforce by gender:

	Hong Kong	Singapore	Japan	Total
Male	52%	50%	29%	46%
Female	48%	50%	71%	54%

Workforce by age group:

	Hong Kong	Singapore	Japan	Total
Below 30	19	0	18	37
Age 31–50	69	2	17	88
Over 50	26	6	6	38
Number of staffs	114	8	41	163

Workforce by function:



Diversity and Equal Opportunities

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

Environmental, Social and Governance Report

B2. Health and Safety

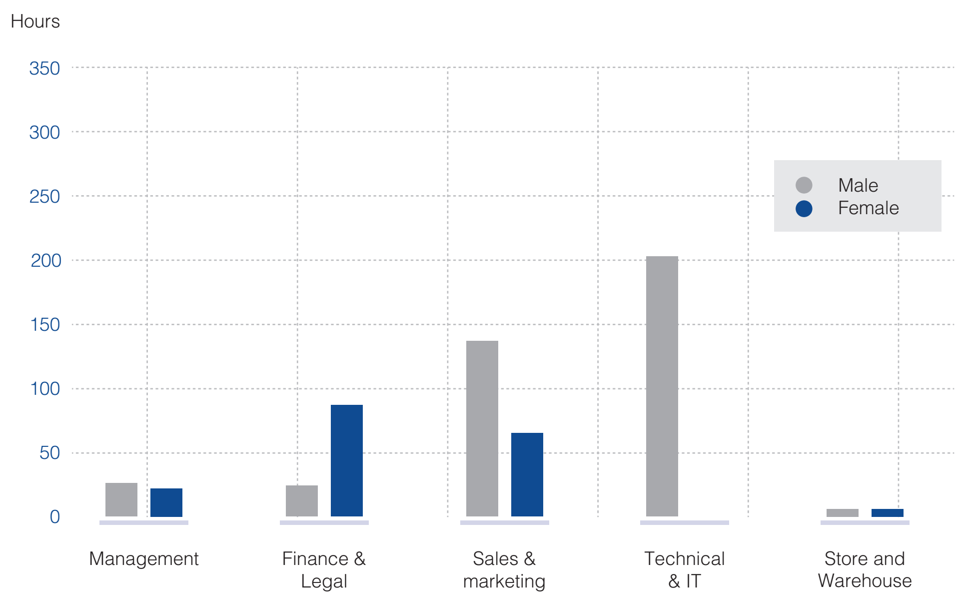
The Group provided a safe and healthy environment in the work places for all staffs. The staff turnover rate was low and there was no reported lost days caused by injury.

In early 2020, in order to ensure the safety of our staffs in response to the coronavirus (COVID-19), we are vigilantly monitoring the COVID-19 situation around the clock and have precautions in place to ensure a healthy and safe working environment. Wearing masks, using cleaning gel, temperature measurement, encourage wash hand frequently, etc. No more business trip to mainland China and Macau since Chinese New Year. 14-days quarantine when required.

B3. Development and Training

As a distributor of renowned brands information technology products, mobile phones and related products, our sales force and technical staffs processes broad knowledge of networking, storage, and mobility products in order to provide the best services to our resellers. We worked closely with suppliers to keep our sales teams updating to the latest technology and features of new products. The Group understands training and development is one of the keys to success. We offer both internal and external training to our key staffs. Total training hours offered in 2019 was 576 hours (2018: 445 hours) for 74% (2018: 65%) staffs, average 5 hours (2018: 4 hours) per trained staff. Those training were focusing on product knowledge, customer services, food and beverage, accounting and regulatory compliance update.

Year 2019 Training hours by gender and function:



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

B4. Labour Standards

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

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

B5. Supply chain management

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

Currently we procured over 35 internationally renowned brands from our suppliers. Over 80% (2018: 73%) of the top 5 supply was supplied domestically, the remaining was mainly supplies from USA, the PRC and others.

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

B6. Product responsibility

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

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

- Inventory management team performs a series of inspection upon the receipt of the products in our warehouse regarding, among others, their appearance, packaging, specification and brand logo, etc. on a sampling basis; and

- If any defects are identified, the relevant product will be returned to the supplier for replacement.

Environmental, Social and Governance Report

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

The Group is committed to abide by the laws and regulations in relation to intellectual property protection. During the year, we have not received any cases of infringement of intellectual property rights. We are also not aware of any suspected cases of infringement of intellectual property rights of the products that we were distributed in 2019.

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

B7. Anti-corruption

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

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

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

B8. Community

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

In 2019, no donation was made to charitable organization because of uncertainty of the business environment.

Directors' Profiles

EXECUTIVE DIRECTORS

LIM Kia Hong, aged 63, brother of Mr. Lim Kiah Meng and Madam Lim Hwee Noi, and brother-in-law of Mr. Lim Hwee Hai, is one of the co-founders of the Group. Mr. Lim graduated from University of Washington, US with a Bachelor's Degree in Business Administration. Together with a team of committed management and staff, Mr. Lim is credited with the success of transforming the Group from a small privately-owned family business in Singapore to one of most dynamic business groups involving in distribution, ventures, investments and real estate businesses, Mr. Lim is involved in all phases of SiS Group's developments, he is responsible for the corporate planning, development and public relations of the Group.

Mr. Lim is also the chairman and non-executive director of SiS Mobile Holdings Limited ("SiS Mobile"), a company whose shares are listed on Stock Exchange of Hong Kong on 15 January 2015. Since 2004, he has also been a non-executive director of SiS Distribution (Thailand) Public Co., Ltd. ("SiS Thai"), a company whose shares are listed on the Stock Exchange of Thailand. Mr. Lim is also a director of Information Technology Consultants Limited ("ITCL"), a company whose shares are listed on The Dhaka Stock Exchange and The Chittagong Stock Exchange on 10 January 2016. He is also a director of Gold Sceptre Limited which holds approximately 51% shareholdings in the Company as at 31 December 2019.

LIM Kiah Meng, aged 66, brother of Mr. Lim Kia Hong and Madam Lim Hwee Noi, and brother-in-law of Mr. Lim Hwee Hai, joined the Group in 1986. He has thirty years' experience in the I.T. industry, and is responsible for the Group's operations in Hong Kong, Singapore and Japan. Mr. Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore and a Master's Degree in International Management from the American Graduate School of International Management, US. Prior to joining the Group, Mr. Lim had six years' experience in finance and banking.

Mr. Lim is also an executive director of SiS Mobile, a company whose shares are listed on Stock Exchange of Hong Kong on 15 January 2015. Since 2013, he has also been a non-executive director of SiS Thai, a company whose shares are listed on the Stock Exchange of Thailand. Mr. Lim is also a director of ITCL, a company whose shares are listed on The Dhaka Stock Exchange and The Chittagong Stock Exchange on 10 January 2016. He is also a director of Gold Sceptre Limited which holds approximately 51% shareholdings in the Company as at 31 December 2019.

LIM Hwee Hai, aged 70, the spouse of Madam Lim Hwee Noi, and brother-in-law of Mr. Lim Kia Hong and Mr. Lim Kiah Meng, is one of the co-founders of the Group. Mr. Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore and a Master's Degree in Business Administration from the National University of Singapore. Prior to joining the Group, Mr. Lim had six years' experience in finance and banking. He has over thirty years' experience in the I.T. industry and is responsible for the Group's operations in Thailand and the Asia-Pacific region.

Mr. Lim is also a non-executive director of SiS Mobile, a company whose shares are listed on Stock Exchange of Hong Kong on 15 January 2015. Since 2004, he has been a non-executive director of SiS Thai, a company whose shares are listed on the Stock Exchange of Thailand. Mr. Lim is also a director of ITCL, a company whose shares are listed on The Dhaka Stock Exchange and The Chittagong Stock Exchange on 10 January 2016. During September 2013 to May 2018, Mr. Lim was an independent non-executive director of Valuemax Group Limited, a company whose shares are listed on the Stock Exchange of Singapore. He is also a director of Gold Sceptre Limited which holds approximately 51% shareholdings in the Company as at 31 December 2019.

Directors' Profiles

LIM Hwee Noi, aged 69, the sister of Mr. Lim Kiah Meng and Mr. Lim Kia Hong, and spouse of Mr. Lim Hwee Hai, joined the Group in 1983 and is the Finance Director of the Group. Madam Lim holds a Bachelor's Degree in Commerce from Nanyang University, Singapore. She has been a Chartered Accountant in Singapore for more than thirty years. Madam Lim is also a director of ITCL, a company whose shares are listed on The Dhaka Stock Exchange and The Chittagong Stock Exchange on 10 January 2016. Since December 2017, she has been a non-executive director of SiS Thai, a company whose shares are listed on the Stock Exchange of Thailand. She is also a director of Gold Sceptre Limited which holds approximately 51% shareholdings in the Company as at 31 December 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEE Hiok Chuan, aged 85, joined the Group in 1992 and is an investment consultant in Hong Kong. Mr. Lee has over forty years' experience in finance and banking in Hong Kong.

ONG Wui Leng, aged 59, joined the Group in 2004 and has more than ten years of experience in corporate banking. She also has many years of experience in corporate finance and management. Ms. Ong graduated from the University of London, United Kingdom with a Bachelor of Science (Economics) in Management Studies and completed her Master of Practising Accounting from Monash University, Australia. Since April 2013, Ms. Ong is an independent non-executive director of Hwa Hong Corporation Limited, a company whose shares are listed on the Stock Exchange of Singapore. From 1 January 2017, Ms. Ong is also an independent non-executive director of QAF Limited, a company whose shares are listed on the Stock Exchange of Singapore.

MA Shiu Sun, Michael, aged 51, joined the Group in 2012 and holds a Bachelor of Science (Economics) from London School of Economics, University of London, a Bachelor of Laws from University of Sydney and a Postgraduate Certificate of Laws (P.C.LL) from University of Hong Kong. Mr. Ma has been a practicing lawyer for over ten years and is practicing as a partner and notary public in a Hong Kong law firm in the areas of commercial and corporate matters.

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company acts as an investment trading and investment holding company and provides corporate management services. The principal activities of its subsidiaries and associates are set out in notes 50 and 20 respectively, to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss on page 43.

The directors now recommend the payment of final dividend of HK2.0 cents to the shareholders on the register of members on 3 July 2020, amounting to totally HK$5,559,000.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2019 is set out on pages 6 to 9 of this Annual Report.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years, as extracted from the audited consolidated financial statements, is set out on page 144. The summary does not form part of the audited consolidated financial statements.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent HK$406,855,000 and HK$25,068,000 on acquisition of investment properties and property, plant and equipment respectively.

The Group has revalued all its investment properties at the year end date. The loss from change in fair value amounted to HK$13,115,000, which had been debited to the consolidated statement of profit or loss directly.

Particulars of investment properties and properties held for hotel operation of the Group at 31 December 2019 are set out on pages 145 to 148.

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

SHARE CAPITAL

Details of the share capital of the Company are set out in note 38 to the consolidated financial statements.

Directors' Report

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2019 were as follows:

	2019 HK$'000	2018 HK$'000
Contributed surplus	29,186	29,186
Retained profits	1,033,127	1,062,136
	1,062,313	1,091,322

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

(a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

DIVIDEND POLICY

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

DIRECTORS

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

Executive directors:

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

Independent non-executive directors:

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

DIRECTORS (CONTINUED)

In accordance with the provisions of the Company's Bye-Laws, Ms. Ong Wui Leng and Mr. Ma Shiu Sun, Michael retire from office and, being eligible, offer themselves for re-election.

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

DIRECTORS' SERVICE CONTRACTS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2019.

PERMITTED INDEMNITY PROVISION

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

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

DIRECTORS' INTERESTS IN SHARES

At 31 December 2019, the interests of the directors and their associates, in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited ("HKEX") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Directors' Report

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

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

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

Notes:

(1) 534,000 shares are jointly held by Mr. Lim Kiah Meng and his spouse.

(2) Gold Sceptre Limited holds 140,360,000 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 12,760,000 shares in the issued share capital of the Company. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.50% and 39.50%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.

(3) 4,493,200 shares and 4,751,158 shares are beneficially owned by Mr. Lim Hwee Hai and Madam Lim Hwee Noi respectively. Mr. Lim and Madam Lim are spouse, so they have deemed interest in their spouse's shares under the SFO.

(ii) Share Options

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

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

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

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

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

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

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

Notes:

(1) Shares are jointly held by Mr. Lim Kiah Meng and his spouse.

(2) 146,442,667 shares are registered in the name of SiS International Holdings Ltd. It is owned as to approximately 50.50% by Gold Sceptre Limited.

(3) Gold Sceptre Limited holds 44,915,200 shares and Kelderman Limited, Valley Tiger Limited and Swan River Limited each holds 4,083,200 shares in the issued share capital of SiS Mobile. Mr. Lim Kiah Meng and his spouse and Mr. Lim Kia Hong and his spouse together own 40.50% and 39.50%, respectively of the issued share capital of Summertown Limited which owns the entire issued share capital of each of the above-mentioned companies.

(4) 1,065,984 shares and 1,145,330 shares are beneficially owned by Mr. Lim Hwee Hai and Madam Lim Hwee Noi respectively. Mr. Lim and Madam Lim are spouse, so they have deemed interest in their spouse's shares under the SFO.

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

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

Note:

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

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

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

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

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

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

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

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

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

Date of grant	Vesting period	Exercisable period	Exercise price	Outstanding at 31 December 2019
			HK$	
Directors and their associates:				
Lim Kia Hong				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	400,000
Lim Kiah Meng				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	400,000
Lim Hwee Hai				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	400,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	400,000
Lim Hwee Noi				
25.06.2015	26.06.2015–31.12.2015	01.01.2016–30.06.2023	2.36	200,000
25.06.2015	26.06.2015–31.12.2016	01.01.2017–30.06.2023	2.36	200,000
25.06.2015	26.06.2015–31.12.2017	01.01.2018–30.06.2023	2.36	200,000
				4,200,000

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

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

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

Name of Director	Corporate Interests *(Note)*	Approximate % of issued share capital of ITCL
Lim Kiah Meng	56,391,279	46.05%

Note:

A related corporation which is jointly owned by Mr. Lim Kiah Meng and his spouse hold 10,346,536 ordinary shares in ITCL, while the Company indirectly holds 46,044,743 ordinary shares. As disclosed in (i) above, Mr. Lim Kiah Meng and his family has total interest of 66.49% in the Company, therefore Mr. Lim has deemed corporate interest of 46,044,743 in ITCL under the SFO.

Other than as disclosed above, none of the directors, nor their associates, had any interests or short positions in any shares and underlying shares or debentures of the Company or any of its associated corporations at 31 December 2019.

SHARE OPTIONS

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

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

Directors' Report

SHARE OPTIONS (CONTINUED)

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

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

Date of grant	Vesting period	Exercisable period	Exercise price	Outstanding number of share options at 1 January and 31 December 2019
			HK$	
Directors and their associates:				
Lim Kia Hong				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
Lim Kiah Meng				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
Lim Hwee Hai				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
Lim Hwee Noi				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
Lee Hiok Chuan				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	40,000

SHARE OPTIONS (CONTINUED)

Date of grant	Vesting period	Exercisable period	Exercise price HK$	Outstanding number of share options at 1 January and 31 December 2019
Directors and their associates (continued):				
Ong Wui Leng				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	40,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	40,000
Ma Shiu Sun, Michael				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	50,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	50,000
Total directors and their associates				990,000
Employees and other qualified persons:				
26.06.2015	27.06.2015–31.12.2015	01.01.2016–26.06.2025	4.47	420,000
26.06.2015	27.06.2015–31.12.2016	01.01.2017–26.06.2025	4.47	420,000
26.06.2015	27.06.2015–31.12.2017	01.01.2018–26.06.2025	4.47	420,000
Total employees and other qualified persons				1,260,000
Total number of share options				2,250,000

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

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

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

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, other than the interests disclosed above in respect of Directors and chief executives, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows and the following shareholders had notified the Company of relevant interests and long positions in the issued share capital of the Company.

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

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

Notes:

(1) Mr. Yeo Seng Chong and Madam Lim Mee Hwa are spouse so they have deemed interest in their spouse's shares under the SFO.

(2) Mr. Yeo Seng Chong and Madam Lim Mee Hwa each have 50% direct interest in a corporation which holds the shares of the Company as an investment manager.

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

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's five largest customers was less than 30%. The five largest suppliers of the Group comprised approximately 46% by value of the Group's total purchases during the year, with the largest supplier accounted for 15%.

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

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

The Company has established the Remuneration Committee in September 2005.

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

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

CHARITABLE DONATIONS

During the year, the Group did not make any charitable and other donations.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE AND MODEL CODE

The Company has complied with the Code of Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2019, except for the Code A.2.1, A.4.1 and A.4.2 as disclosed in the Corporate Governance Report of the Company.

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

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATION

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2019.

AUDITORS

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

On behalf of the Board
SiS International Holdings Limited

LIM Kiah Meng
DIRECTOR

Hong Kong, 27 March 2020

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF SiS INTERNATIONAL HOLDINGS LIMITED
新龍國際集團有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of SiS International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 43 to 143, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant judgements and estimates associated with determining the fair values. The investment properties are located in Hong Kong, Japan, Singapore and Thailand and carried at HK$5,004,030,000 as at 31 December 2019 and represents approximately 54% of total assets in the consolidated financial statements of the Group as at 31 December 2019. Net loss from changes in fair value of the investment properties of HK$13,115,000 was recognised in the consolidated statement of profit or loss for the year then ended. As disclosed in note 16 to the consolidated financial statement, the Group's investment properties are held at fair value based on the valuations performed by independent qualified professional valuers (the "Valuers"). The valuations of investment properties are dependent on certain key inputs that require significant judgments and estimates, including unit sale rate and capitalisation rate.	Our procedures in relation to valuation of the investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuers and obtaining an understanding of their scope of work and their terms of engagement; • Assessing the reasonableness of the valuation techniques used by the management and the Valuers based on the relevant accounting requirements and industry norms; • Evaluating the reasonableness of the key inputs, including unit sale rate and capitalisation rate adopted by the management and the Valuers, on a sampling basis, by comparing the key inputs to relevant market data based on our knowledge of the property markets; and • Assessing the accuracy of the rental income provided by the management to the Valuers by agreeing the rental income to the respective underlying tenancy agreements, on a sample basis.

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Assessment of allowance on inventories	
We identified the assessment of allowance on inventories as a key audit matter due to the use of judgements in identifying obsolete and slow moving inventories and determining the net realisable value ("NRV") which are based on the ageing, conditions and marketability of the inventories. NRV represents the estimated selling price for inventories less all estimated costs necessary to make the sale. The Group carried out the inventory review at the end of the reporting period and made the necessary allowance on obsolete and slow moving items so as to write off or write down inventories to their NRVs. As disclosed in the consolidated statement of financial position and note 24, the carrying amount of inventories is HK$824,832,000, net of allowance on obsolete and slow moving inventories of HK$8,022,000 as at 31 December 2019.	Our procedures in relation to assessing the allowance on inventories included: • Obtaining an understanding of how allowance on obsolete and slow moving inventories is estimated by the management; • Testing the accuracy of the ageing of the inventories listed in the system generated report to the goods received notes on a sample basis; • Discussing with the management on the basis of determining the NRV and evaluate and assess the condition and marketability of the inventories, on a sample basis; and • Assessing the sufficiency of allowance on obsolete and slow moving inventories made by management where the estimated NRV is lower than the cost with reference to the latest selling price, on a sample basis.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
27 March 2020

Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**6,415,933**	6,379,157
Cost of sales		**(5,863,267)**	(5,861,184)
Gross profit		**552,666**	517,973
Other income	7	**56,141**	48,591
Other gains and losses	8	**(21,456)**	5,387
Distribution costs		**(184,736)**	(165,936)
Administrative expenses		**(158,306)**	(159,001)
(Loss) gain from changes in fair value of investment properties	16	**(13,115)**	220,819
Listing expenses	13	**(6,029)**	(33,155)
Share of results of associates		**4,622**	13,666
Finance costs	9	**(72,010)**	(57,988)
Profit before taxation		**157,777**	390,356
Income tax expense	10	**(36,565)**	(60,880)
Profit for the year	11	**121,212**	329,476
Profit for the year attributable to:			
Owners of the Company		**78,781**	282,999
Non-controlling interests		**42,431**	46,477
		121,212	329,476
		HK Cents	HK Cents
Earnings per share	15		
Basic		**28.3**	101.8
Diluted		**28.3**	101.8

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 HK$'000	2018 HK$'000
Profit for the year	121,212	329,476
Other comprehensive income (expense):		
Item that will not be reclassified to profit or loss		
Changes in fair value of equity instruments at fair value through other comprehensive income	182	(770)
Item that may be reclassified to profit or loss		
Exchange realignment arising on translation of foreign operations		
— Subsidiaries	39,484	12,311
— Associates	(579)	(476)
	38,905	11,835
Other comprehensive income for the year	39,087	11,065
Total comprehensive income for the year attributable to:		
Owners of the Company	105,511	290,693
Non-controlling interests	54,788	49,848
	160,299	340,541

Consolidated Statement of Financial Position

AT 31 DECEMBER 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Investment properties	16	**5,004,030**	4,598,274
Property, plant and equipment	17	**514,369**	527,685
Right-of-use assets	18	**63,648**	—
Goodwill	19	**126,406**	126,406
Interests in associates	20	**108,202**	106,156
Equity instruments at fair value through profit or loss	21	**176,189**	212,291
Equity instruments at fair value through other comprehensive income	22	**91,495**	90,754
Deferred tax assets	36	**78,567**	67,105
Other financial assets	28	**13,078**	3,582
Other assets		**2,500**	2,500
		6,178,484	5,734,753
Current assets			
Inventories	24	**824,832**	640,165
Trade and other receivables, deposits and prepayments	25	**1,188,188**	943,645
Amount due from an associate	26	**355**	—
Tax recoverable		**112**	2,185
Equity instruments at fair value through profit or loss	21	**14,362**	13,428
Investment in preference shares	23	**—**	2,870
Pledged deposits	27	**454,759**	445,331
Bank balances and cash	27	**668,091**	586,755
		3,150,699	2,634,379
Current liabilities			
Trade payables, other payables and accruals	29	**810,057**	727,880
Contract liabilities	30	**22,871**	12,310
Lease liabilities	31	**18,348**	—
Advance lease payment		**2,734**	—
Amount due to an associate	26	**1,382**	—
Amount due to related companies	26	**—**	6,616
Derivative financial instruments	32	**975**	582
Obligations under finance leases	33	**—**	4,398
Tax payable		**23,696**	17,960
Bank borrowings	34	**2,472,273**	2,257,272
Rental deposits	37	**34,613**	6,426
		3,386,949	3,033,444
Net current liabilities		**(236,250)**	(399,065)
Total assets less current liabilities		**5,942,234**	5,335,688

Consolidated Statement of Financial Position

AT 31 DECEMBER 2019

	Notes	**2019 HK$'000**	2018 HK$'000
Non-current liabilities			
Bank borrowings	34	**1,233,510**	835,576
Bonds	35	**277,782**	274,644
Lease liabilities	31	**90,185**	—
Obligations under finance leases	33	**—**	25,356
Advance lease payments		**50,911**	—
Deferred tax liabilities	36	**203,738**	200,687
Rental deposits	37	**90,904**	131,934
Retirement benefits obligations	47	**21,984**	12,327
		1,969,014	1,480,524
Net assets		**3,973,220**	3,855,164
Capital and reserves			
Share capital	38	**27,797**	27,797
Share premium		**73,400**	73,400
Other reserves (deficits)		**7,584**	(19,146)
Retained profits		**3,501,431**	3,441,825
Equity attributable to owners of the Company		**3,610,212**	3,523,876
Non-controlling interests		**363,008**	331,288
Total equity		**3,973,220**	3,855,164

The consolidated financial statements on pages 43 to 143 were approved and authorised for issue by the Board of Directors on 27 March 2020 and are signed on its behalf by:

LIM KIA HONG
DIRECTOR

LIM KIAH MENG
DIRECTOR

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to the owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Investments reserve HK$'000	Translation reserve HK$'000	Property revaluation reserve HK$'000	Contributed surplus HK$'000 *(Note 1)*	Share options reserve HK$'000	Other reserve HK$'000 *(Note 2)*	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018	27,797	73,400	822	(17,592)	933	2,860	3,695	(17,558)	3,169,945	3,244,302	294,669	3,538,971
Profit for the year	–	–	–	–	–	–	–	–	282,999	282,999	46,477	329,476
Other comprehensive income for the year	–	–	438	7,256	–	–	–	–	–	7,694	3,371	11,065
Total comprehensive income for the year	–	–	438	7,256	–	–	–	–	282,999	290,693	49,848	340,541
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	4,687	4,687
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(17,916)	(17,916)
Dividend recognised as distribution *(note 14)*	–	–	–	–	–	–	–	–	(11,119)	(11,119)	–	(11,119)
At 1 January 2019	**27,797**	**73,400**	**1,260**	**(10,336)**	**933**	**2,860**	**3,695**	**(17,558)**	**3,441,825**	**3,523,876**	**331,288**	**3,855,164**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**78,781**	**78,781**	**42,431**	**121,212**
Other comprehensive income for the year	**–**	**–**	**561**	**26,169**	**–**	**–**	**–**	**–**	**–**	**26,730**	**12,357**	**39,087**
Total comprehensive income for the year	**–**	**–**	**561**	**26,169**	**–**	**–**	**–**	**–**	**78,781**	**105,511**	**54,788**	**160,299**
Redemption of preference shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,136)**	**(1,136)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(21,649)**	**(21,649)**
Transfer upon lapse of share options of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**283**	**283**	**(283)**	**–**
Dividend recognised as distribution *(note 14)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(19,458)**	**(19,458)**	**–**	**(19,458)**
At 31 December 2019	**27,797**	**73,400**	**1,821**	**15,833**	**933**	**2,860**	**3,695**	**(17,558)**	**3,501,431**	**3,610,212**	**363,008**	**3,973,220**

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

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

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 HK$'000	2018 HK$'000
Operating activities		
Profit before taxation	157,777	390,356
Adjustments for:		
Allowance for credit losses	4,072	352
Allowance for (reversal of) obsolete and slow moving inventories	4,595	(913)
Reversal of provision for litigation and other related expenses	(30,000)	—
Dividend income from equity instruments at FVTPL	(2,052)	(2,239)
Dividend income from equity instruments at FVTOCI	(831)	(1,731)
Depreciation of property, plant and equipment	24,962	23,537
Depreciation of right-of-use assets	11,421	—
Impairment loss on property, plant and equipment	15,539	—
Finance costs	72,010	57,988
Loss from changes in fair value of derivative financial instruments	339	46
Loss (gain) from changes in fair value of investment properties	13,115	(220,819)
Interest income	(12,322)	(10,196)
Loss (gain) on disposal of property, plant and equipment	1,829	(38)
Share of results of associates	(4,622)	(13,666)
Provision for retirement benefits obligations	8,685	2,100
Loss (gain) from changes in fair value of equity instruments at FVTPL	31,181	(7,041)
Operating cash flows before movements in working capital	295,698	217,736
Increase in inventories	(141,559)	(91,218)
Decrease in amount due from (to) an associate	1,004	16,282
Increase in trade and other receivables, deposits and prepayments	(196,141)	(22,101)
Increase in equity instruments at FVTPL	—	(423)
Increase in rental deposits and advance lease payment	37,812	3,436
Increase in trade payables, other payables and accruals	66,932	28,778
Increase in contract liabilities	10,561	6,974
Cash from operation	74,307	159,464
Tax paid	(35,990)	(26,167)
Net cash from operating activities	38,317	133,297

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 HK$'000	2018 HK$'000
Investing activities			
Acquisition of investment properties		(406,855)	(240,361)
Dividend received from an associate		4,448	—
Dividend received from equity instruments at FVTPL		2,052	2,239
Dividend received from equity instruments at FVTOCI		831	1,731
Interest received		1,399	10,196
Repayment to non-controlling interests		(1,136)	—
Repayment received from loan receivables		254	—
Deposit paid for renovation of investment properties		—	(709)
Withdrawal of pledged deposits		1,495	21,006
Acquisition of subsidiaries	39	—	(182,300)
Purchase of property, plant and equipment		(25,068)	(11,548)
Proceeds from disposal of investment properties		33,800	—
Proceeds from disposal of property, plant and equipment		350	253
Refund of rental deposits paid		523	—
Disposal of (purchase of) investment in preference shares		2,870	(2,870)
Proceeds from disposal of equity instruments at FVTPL		5,071	—
Purchase of equity instruments at FVTPL		(1,067)	(38,562)
Purchase of equity instruments at FVTOCI		(380)	(23,307)
Purchase of other assets		—	(1,200)
Net cash used in investing activities		(381,413)	(465,432)
Financing activities			
Dividends paid to ordinary shareholders		(19,458)	(11,119)
Dividends paid to non-controlling interests		(21,649)	(17,916)
Repayment of lease liabilities		(20,008)	—
Interest paid		(67,700)	(61,868)
New bank loans raised		3,549,078	1,888,519
Repayment of bank loans		(2,990,429)	(1,519,972)
Repayment of finance lease obligations		—	(4,269)
Contribution from non-controlling interest		—	4,687
(Advance from) repayment to related companies		(6,752)	6,915
Net cash from financing activities		423,082	284,977
Net increase (decrease) in cash and cash equivalents		79,986	(47,158)
Cash and cash equivalents at 1 January		586,755	652,152
Effect of foreign exchange rate changes		1,350	(18,239)
Cash and cash equivalents at 31 December, represented by bank balances and cash		668,091	586,755

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENT

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

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

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

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK$236,250,000 as at 31 December 2019. The directors of the Company believe that the existing loan facilities will continue to be made available to the Group and will not be withdrawn by the banks within the next twelve months from the end of the reporting period. In the opinion of the directors of the Company, the Group has a number of sources of funds available to enable its obligation and commitments to be settled on a timely manner. In addition, the Group will be able to withdraw the unutilised bank facilities or obtain additional financing from financial institutions by taking into account the carrying amount of the Group's assets which have not been pledged. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

2.1 HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Company has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

For leases that were classified as operating leases, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition as at 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

For leases that were classified as finance leases before the date of initial application measured under HKAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application shall be the carrying amount of the lease asset and lease liability immediately. For these leases, the Group accounts for the right-of-use asset and the lease liability applying HKFRS 16 from the date of initial application.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

2.1 HKFRS 16 *Leases* (continued)

As a lessee (continued)

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied by the relevant group entities are 3.00%, 2.50% and 2.85% in Hong Kong, Thailand and Japan respectively.

	Notes	**At 1 January 2019** HK$'000
Operating lease commitments disclosed as at 31 December 2018		49,725
Lease liabilities discounted at relevant incremental borrowing rates		33,642
Extension options reasonably certain to be exercised		50,991
Practical expedient — leases with lease term ending within 12 months from the date of initial application		(673)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	(b)	83,960
Add: Obligations under finance leases recognised at 31 December 2018	(a)	29,754
Lease liabilities as at 1 January 2019		113,714
Analysed as		
Current		16,651
Non-current		97,063
		113,714

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

2.1 HKFRS 16 *Leases* (continued)

As a lessee (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 31 December 2018** HK$'000	**Adjustments** HK$'000	**Carrying amounts under HKFRS 16 at 1 January 2019** HK$'000 (d)
Non-current Assets				
Right-of-use assets	(b)	—	64,954	64,954
Investment properties	(b)	4,598,274	19,006	4,617,280
Current Liabilities				
Lease liabilities	(a), (b)	—	16,651	16,651
Obligations under finance leases	(a)	4,398	(4,398)	—
Non-current Liabilities				
Lease liabilities	(a), (b)	—	97,063	97,063
Obligations under finance leases	(a)	25,356	(25,356)	—

Notes:

(a) *In relation to assets previously under finance leases, the Group reclassified the obligations under finance leases of HK$4,398,000 and HK$25,356,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.*

(b) *The carrying amount of right-of-use assets as at 1 January 2019 relates to operating leases of land and buildings recognised upon application of HKFRS 16. The Group recognised lease liabilities of HK$83,960,000, right-of-use assets of HK$64,954,000 for payment of a properties interest included in both leasehold land and buildings and investment properties of HK$19,006,000 for a leasehold land for an investment properties at 1 January 2019.*

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

2.1 HKFRS 16 *Leases* (continued)

As a lessee (continued)

Notes: (continued)

(c) *Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and should be adjusted to reflect the discounting effect at transition. As the discounting effect is not significant, no adjustment was made to the refundable rental deposits paid at the date of initial application, 1 January 2019.*

(d) *For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.*

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$20,686,000 was adjusted from refundable rental deposits received to advance lease payments. The weighted average discounts rates applied range from 1.445% to 2.407%.

The following tables summarise the impacts of applying HKFRS 16 as a lessor on the Group's consolidated statement of financial position as at 31 December 2019. Line items that were not affected by the changes have not been included. The impact to the consolidated statement of profit or loss and other comprehensive income and cash flows for the year ended 31 December 2019 has not been presented as the amount is not significant.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

New and Amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 HKFRS 16 *Leases* (continued)

Impact on the consolidated statement of financial position

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 16 as a lessor HK$'000
Current Liabilities			
Advance lease payment	2,734	(2,734)	—
Non-current Liabilities			
Advance lease payment	50,911	(33,117)	17,794
Rental deposits	90,904	35,851	126,755

New and amendments to HKFRSs in issue but not yet effective

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

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

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

Amendments to HKFRS 3 *Definition of a Business*

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;
- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The Group will apply the amendments prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

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

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group for annual period beginning on or after 1 January 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16 (since 1 January 2019)) and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Asset*.

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

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

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

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

Basis of consolidation

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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

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

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

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

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

Acquisition of a subsidiary not constituting a business

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

Goodwill

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

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

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill (continued)

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

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

The Group assess whether there is an objective evidence that the interests in associates may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (continued)

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

When the Group ceases to have significant influence over an associate, or obtains control over an associate through acquisition of additional interests, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

Revenue from contracts with customers

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

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

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

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

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

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

Principal versus agent

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principal versus agent (continued)

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

Incremental costs of obtaining a contract

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

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

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

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

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.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (continued)

Allocation of consideration to components of a contract (continued)

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within “investment properties”.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

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, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (continued)

Lease liabilities (continued)

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 January 2019)

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

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

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

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

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Property, plant and equipment

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

Ownership interest in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (before application of HKFRS 16) in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including investment properties for development held for such purposes).

Effective 1 January 2019, investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Group under operating leases.

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Effective 1 January 2019, a leased property which is recognised as a right-of-use asset upon application of HKFRS 16 is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Financial instruments

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit- impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

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

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

(iii) Financial assets at FVTPL

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, amount due from an associate, deposit paid, investment in preference shares, other financial assets, pledged deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade and lease receivables. The ECL on trade and lease receivables are assessed collectively using a provision matrix with appropriate groupings.

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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

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

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

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

(iii) Credit-impaired financial assets

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

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (prior to 1 January 2019).

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, rental deposits, amounts due to related companies and an associate, bonds and bank borrowings) are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity (continued)

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Impairment losses on property, plant and equipment, right-of-use assets and other assets, other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and other assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets and other assets, are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In addition, the Group assess whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses on property, plant and equipment, right-of-use assets and other assets, other than goodwill (continued)

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

Inventories

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

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

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

Borrowing costs

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

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

Share-based payments arrangement

Equity-settled share-based payment transactions

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

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve).

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

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

Retirement benefit costs

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefit costs (continued)

Defined benefit plans

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

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

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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

Provisions

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Deferred taxation for investment properties

For the purposes of measuring deferred tax liabilities or assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted.

The directors of the Company have reviewed the Group's investment properties located in Japan and concluded that these properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale except for the investment properties which the land under freehold. Such properties are presumed to be recovered entirely through sale.

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Key sources of estimation uncertainly

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

Net realisable value of inventories

The cost of inventories is written down to net realisable value ("NRV") when the cost of inventories is not recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. When the net realisable value of an item of inventory is less than the carrying amount, the excess is written off immediately in the consolidated statement of profit or loss. The management's review and estimation of the NRV is primarily based on the ageing, conditions and marketability of the inventories. The Group carried out the inventory review at the end of the reporting period and made the necessary allowance on obsolete and slow moving items so as to write off or write down inventories to their NRVs. The carrying amount of inventories is HK$824,832,000 (2018: HK$640,165,000), net of allowance for obsolete and slow moving inventories of HK$8,022,000 (2018: HK$3,427,000) as at 31 December 2019.

Fair value measurement of investment properties

As described in notes 3 and 16, investment properties are stated at fair values based on the valuation performed by independent professional valuers. The valuers have determined the fair values using a method of valuation which involves the making of certain assumptions and the use of estimates. In relying on the valuation reports of the professional valuers, the directors of the Company have exercised its judgment and is satisfied that the method of valuation is reflective of the current market conditions. The carrying amount of the investments properties at 31 December 2019 is HK$5,004,030,000 (2018: HK$4,598,274,000).

Fair value measurement of financial instruments

Certain of the Group's unquoted equity instruments amounting to HK$77,507,000 as at 31 December 2019 are stated at fair values with fair values being determined based on valuation techniques which involves unobservable inputs.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2019		
	Distribution of mobile and IT products HK$'000	Hotels operations HK$'000	Total HK$'000
Types of goods or service			
Distribution of mobile and IT products			
Mobile products	956,611	–	956,611
IT products	5,154,937	–	5,154,937
	6,111,548	–	6,111,548
Commission income	24,978	–	24,978
Hotel Operations			
Room revenue	–	24,415	24,415
Food and beverage	–	4,765	4,765
	–	29,180	29,180
Sub-total	6,136,526	29,180	6,165,706
Leasing of investment properties			250,227
Total			6,415,933
Geographical market			
Hong Kong	999,554	–	999,554
Thailand	5,136,972	–	5,136,972
Japan	–	29,180	29,180
Total before leasing of investment properties	6,136,526	29,180	6,165,706
Timing of revenue recognition			
At a point in time	6,136,526	4,765	6,141,291
Over time	–	24,415	24,415
Total before leasing of investment properties	6,136,526	29,180	6,165,706

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

5. REVENUE (CONTINUED)

(i) Disaggregation of revenue from contracts with customers (continued)

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

5. REVENUE (CONTINUED)

(ii) Performance obligations for contracts with customers

Revenue from distribution of mobile and IT products

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

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

Revenue from hotel operations

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

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

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

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

As at 31 December 2018 and 2019, contracts with customers with unsatisfied performance obligations for the distribution of mobile and IT products and hotel operations have original expected duration of one year or less. As permitted under HKFRS 15, the aggregate amount of transaction price allocated to these unsatisfied performance obligations is not disclosed.

(iv) Leases

	For the year ended 31 December 2019 HK$'000
For operating leases:	
Lease payments	248,310
Variable lease payments	1,917
	250,227

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

6. SEGMENT INFORMATION

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

Segment revenue and results

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

	For the year ended 31 December 2019					
	Distribution of mobile and IT products		Property investment and hotel operations			
	Hong Kong	Thailand	Japan	Other regions	Securities investment	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue						
External sales	**999,554**	**5,136,972**	**235,142**	**44,265**	**–**	**6,415,933**
Segment profit (loss)	**20,588**	**147,521**	**78,589**	**53,834**	**(28,298)**	**272,234**
Share of results of associates						**4,622**
Listing expenses						**(6,029)**
Finance costs						**(72,010)**
Other unallocated income						**12,313**
Unallocated corporate expenses						**(53,353)**
Profit before taxation						**157,777**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

6. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

	For the year ended 31 December 2018					
	Distribution of mobile and IT products		Property investment and hotel operations			
	Hong Kong HK$'000	Thailand HK$'000	Japan HK$'000	Other regions HK$'000	Securities investment HK$'000	Consolidated HK$'000
Segment revenue						
External sales	854,924	5,261,628	221,369	41,236	—	6,379,157
Segment (loss) profit	(8,030)	140,654	157,345	193,832	11,011	494,812
Share of results of associates						13,666
Listing expenses						(33,155)
Finance costs						(57,988)
Other unallocated income						19,818
Unallocated corporate expenses						(46,797)
Profit before taxation						390,356

Segment profit represents the profit earned by each segment without allocation of central administration costs and corporate expenses, listing expenses, share of results of associates, finance costs and other unallocated income.

Segment assets

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

	For the year ended 31 December 2019					
	Distribution of mobile and IT products		**Property investment and hotel operations**			
	Hong Kong HK$'000	**Thailand** HK$'000	**Japan** HK$'000	**Other regions** HK$'000	**Securities investment** HK$'000	**Consolidated** HK$'000
Segment assets	**346,060**	**1,946,584**	**3,427,702**	**2,095,115**	**284,546**	**8,100,007**
Interests in associates						**108,202**
Unallocated corporate assets						**1,120,974**
Consolidated total assets						**9,329,183**

6. SEGMENT INFORMATION (CONTINUED)

Segment assets (continued)

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

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

Other segment information

Segment results and segment assets presented above includes the following:

	For the year ended 31 December 2019						
	Distribution of mobile and IT products		**Property investment and hotel operations**				
	Hong Kong HK$'000	**Thailand** HK$'000	**Japan** HK$'000	**Other regions** HK$'000	**Securities investment** HK$'000	**Unallocated** HK$'000	**Consolidated** HK$'000
Capital additions	**14,107**	**16,145**	**407,075**	**–**	**–**	**3**	**437,330**
Allowance for obsolete and slow moving inventories	**3,893**	**702**	**–**	**–**	**–**	**–**	**4,595**
Allowance for credit losses	**1,063**	**3,009**	**–**	**–**	**–**	**–**	**4,072**
Impairment loss on property, plant and equipment	**–**	**–**	**15,539**	**–**	**–**	**–**	**15,539**
Depreciation of property, plant and equipment	**2,152**	**10,802**	**4,455**	**7,266**	**–**	**287**	**24,962**
Depreciation of right-of-use assets	**2,052**	**9,369**	**–**	**–**	**–**	**–**	**11,421**
(Gain) loss from changes in fair value of investment properties	**–**	**(233)**	**23,795**	**(10,447)**	**–**	**–**	**13,115**
(Gain) loss from changes in fair value of equity instruments at FVTPL	**–**	**–**	**(475)**	**579**	**31,077**	**–**	**31,181**
Loss from changes in fair value of derivative financial instruments	**–**	**–**	**–**	**–**	**339**	**–**	**339**
Loss (gain) on disposal of property, plant and equipment	**2,021**	**(178)**	**–**	**(14)**	**–**	**–**	**1,829**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

6. SEGMENT INFORMATION (CONTINUED)

Other segment information (continued)

	For the year ended 31 December 2018						
	Distribution of mobile and IT products		Property investment and hotel operations				
	Hong Kong HK$'000	Thailand HK$'000	Japan HK$'000	Other regions HK$'000	Securities investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
Capital additions	318	15,368	235,399	824	–	–	251,909
Capital additions through acquisition of subsidiaries in Hong Kong	–	–	–	182,000	–	–	182,000
Reversal of allowance for obsolete and slow moving inventories	(913)	–	–	–	–	–	(913)
Allowance for credit losses	215	137	–	–	–	–	352
Depreciation	1,372	9,920	4,719	7,233	–	293	23,537
Gain from changes in fair value of investment properties	–	–	(61,951)	(158,868)	–	–	(220,819)
Loss (gain) from changes in fair value of equity instruments at FVTPL	–	–	524	11,583	(19,148)	–	(7,041)
Loss from changes in fair value of derivative financial instruments	–	–	–	–	46	–	46
Gain on disposal of property, plant and equipment	–	(38)	–	–	–	–	(38)

Geographical information

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

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

	Revenue		Non-current assets	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Hong Kong	**1,042,363**	894,586	**2,056,818**	2,077,270
Japan	**235,141**	221,369	**3,373,316**	2,963,098
Singapore	**1,457**	1,574	**51,267**	51,547
Thailand	**5,136,972**	5,261,628	**100,646**	34,044
	6,415,933	6,379,157	**5,582,047**	5,125,959

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

6. SEGMENT INFORMATION (CONTINUED)

Major customer information

During the year ended 31 December 2018 and 2019, no customer contributed over 10% of the total revenue of the Group.

7. OTHER INCOME

	2019 **HK$'000**	2018 HK$'000
Interest from banks	**12,322**	10,196
Maintenance income	**9,954**	12,269
Service income	**—**	2,133
Utility income *(Note)*	**8,501**	9,111
Dividend income	**2,883**	3,970
Property consultant income	**—**	2,127
Compensation from insurance	**5,925**	—
Others	**16,556**	8,785
	56,141	48,591

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

8. OTHER GAINS AND LOSSES

	2019 **HK$'000**	2018 HK$'000
Allowance for credit losses	**(4,072)**	(352)
Impairment loss on property, plant and equipment	**(15,539)**	—
(Loss) gain on disposal of property, plant and equipment	**(1,829)**	38
Exchange gain (loss), net	**1,504**	(1,294)
(Loss) gain from changes in fair value of equity instruments at FVTPL	**(31,181)**	7,041
Reversal of provision for litigation and other related expenses	**30,000**	—
Loss from changes in fair value of derivative financial instruments	**(339)**	(46)
	(21,456)	5,387

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

9. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on bank borrowings and bonds	68,634	57,036
Interest on lease liabilities/finance leases	1,649	952
Interest on rental deposits	1,727	—
	72,010	57,988

10. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Current tax:		
Hong Kong	690	18
Overseas:		
Corporate tax	39,228	27,105
Withholding tax on declared dividend income	1,559	2,533
	41,477	29,656
Under (over) provision in prior years		
Hong Kong	2,272	(30)
Overseas	(33)	416
	43,716	30,042
Deferred taxation *(note 36)*	(7,151)	30,838
	36,565	60,880

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

Accordingly, the Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million for the qualified entity.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

10. INCOME TAX EXPENSE (CONTINUED)

Corporate Tax in Japan is calculated at 23.2% (2018: 23.4%) on the estimated assessable profit for the year. Pursuant to relevant laws and regulations in Japan, withholding tax is imposed at 20.42% and 5% on dividends declared to local investors and foreign investors, respectively, in respect of profit earned by Japanese subsidiaries.

Corporate Tax in Thailand is calculated at 20% (2018: 20%) on the estimated assessable profit for the year.

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

	2019 **HK$'000**	2018 HK$'000
Profit before taxation	**157,777**	390,356
Tax at the domestic income tax rate of 16.5% *(note 1)*	**26,033**	64,409
Tax effect of share of results of associates	**(763)**	(2,255)
Tax effect of expenses not deductible for tax purposes	**8,025**	16,022
Tax effect of income not taxable for tax purposes	**(10,176)**	(33,941)
Tax effect of tax benefit of subsidiaries *(note 2)*	**(16,264)**	(12,355)
Tax effect of tax losses/deductible temporary differences not recognised	**5,741**	2,714
Under provision in prior years	**2,239**	386
Utilisation of tax losses/deductible temporary differences previously not recognised	**(2,315)**	(942)
Effect of different tax rates of subsidiaries	**12,846**	9,457
Deferred tax on undistributed earnings of subsidiaries	**9,619**	14,725
Concessionary rate at 8.25%	**(165)**	—
Withholding tax on declared dividend income	**1,559**	2,533
Others	**186**	127
Income tax expense	**36,565**	60,880

Notes:

1. *Hong Kong Profits Tax rate is used as the domestic tax rate as Hong Kong is the place where the operations of the Group are substantially based.*

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

11. PROFIT FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging:		
Auditor's remuneration	6,740	7,176
Cost of inventories recognised as an expense (including allowance for obsolete and slow moving inventories of HK$4,595,000 (2018: reversal of allowance for obsolete and slow moving inventories of HK$913,000))	5,752,953	5,753,481
Depreciation of property, plant and equipment	24,962	23,537
Depreciation of right-of-use assets	11,421	—
Staff costs *(note)*	202,271	173,477
Share of tax of associates (included in share of results of associates)	270	3,185
Operating lease rentals in respect of rented premises	1,848	13,615
and after crediting:		
Gross rental income from investment properties	250,227	232,568
Less: direct operating expenses	(110,314)	(107,703)
Net rental income	139,913	124,865
Interest on bank deposits	12,322	10,196
Dividend income from equity instruments at FVTOCI	831	1,731
Dividend income from equity instruments at FVTPL	2,052	2,239

Note: Staff costs include emoluments to directors as set out in note 12. Staff costs include retirement benefit schemes contributions for directors and other staff amounting to HK$12,621,000 (2018: HK$7,232,000).

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FOR THE YEAR ENDED 31 DECEMBER 2019

12. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

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

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus HK$'000	Contributions to benefit retirement scheme HK$'000	2019 Total HK$'000
Executive directors:					
Mr. Lim Kia Hong (Chief executive officer)	**345**	**3,862**	**–**	**48**	**4,255**
Mr. Lim Kiah Meng	**406**	**4,616**	**–**	**37**	**5,059**
Mr. Lim Hwee Hai	**373**	**3,395**	**–**	**40**	**3,808**
Madam Lim Hwee Noi	**214**	**1,926**	**–**	**38**	**2,178**
	1,338	**13,799**	**–**	**163**	**15,300**
Independent non-executive directors:					
Mr. Lee Hiok Chuan	**280**	**–**	**–**	**–**	**280**
Ms. Ong Wui Leng	**280**	**–**	**–**	**–**	**280**
Mr. Ma Shiu Sun Michael	**280**	**–**	**–**	**–**	**280**
	840	**–**	**–**	**–**	**840**
	2,178	**13,799**	**–**	**163**	**16,140**

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonus HK$'000	Contributions to benefit retirement scheme HK$'000	2018 Total HK$'000
Executive directors:					
Mr. Lim Kia Hong (Chief executive officer)	331	4,544	–	40	4,915
Mr. Lim Kiah Meng	399	5,330	100	40	5,869
Mr. Lim Hwee Hai	368	3,994	–	41	4,403
Madam Lim Hwee Noi	220	2,266	–	25	2,511
	1,318	16,134	100	146	17,698
Independent non-executive directors:					
Mr. Lee Hiok Chuan	280	–	–	–	280
Ms. Ong Wui Leng	280	–	–	–	280
Mr. Ma Shiu Sun Michael	280	–	–	–	280
	840	–	–	–	840
	2,158	16,134	100	146	18,538

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

The salaries and other benefits, performance bonus and contribution to retirement benefit scheme paid or payable to executive directors shown above were for the services in connection with the management of the affairs of the Company and the Group for both years.

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

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

Of the five individuals with the highest emoluments in the Group, four (2018: four) were directors whose emoluments are disclosed in note 12 above. The emoluments of the remaining one (2018: one) individual are as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	**2,127**	2,503
Contributions to retirement benefit scheme	**36**	22
	2,163	2,525

13. LISTING EXPENSES

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

14. DIVIDENDS

	2019 HK$'000	2018 HK$'000
Dividend recognised as distribution during the year:		
Final dividend, paid in respect of the year ended 31 December 2018 of 7.0 HK cents per share (2018: 4.0 HK cents per share in respect of the year ended 31 December 2017)	**19,458**	11,119

A final dividend of 2.0 HK cents per share amounting to HK$5,559,000 for the year ended 31 December 2019 have been proposed by the directors of the Company and are subject to approval by the shareholders in the forthcoming annual general meeting.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

15. EARNINGS PER SHARE

The calculation of both the basic and diluted earnings per share is based on the Group's profit attributable to owners of the Company of HK$78,781,000 (2018: HK$282,999,000) and the weighted average number of ordinary shares calculated below.

	2019	2018
Weighted average number of ordinary shares for the purpose of basic earnings per share	**277,966,666**	277,966,666
Effect of dilutive potential ordinary share:		
Share options issued by the Company	**–**	108,069
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**277,966,666**	278,074,735

The computation of diluted earnings per share for the year ended 31 December 2019 did not assume the exercise of all share options of the Company and share options of SiS Mobile as the exercise prices of those options are higher than the average market prices of the Company and SiS Mobile for the year.

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

16. INVESTMENT PROPERTIES

	2019 **HK$'000**	2018 HK$'000
Completed properties	**4,857,966**	4,472,072
Properties under development	**146,064**	126,202
	5,004,030	4,598,274

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FOR THE YEAR ENDED 31 DECEMBER 2019

16. INVESTMENT PROPERTIES (CONTINUED)

	Completed properties HK$'000	Properties under development HK$'000	Total HK$'000
FAIR VALUE			
At 1 January 2018	4,081,883	—	4,081,883
Exchange adjustments	55,211	—	55,211
Additions	240,361	—	240,361
Transfer to properties under development	(126,202)	126,202	—
Net gain from changes in fair value recognised in profit or loss	220,819	—	220,819
At 31 December 2018	4,472,072	126,202	4,598,274
Adjustment upon application of HKFRS 16	19,006	—	19,006
At 1 January 2019 (restated)	**4,491,078**	**126,202**	**4,617,280**
Exchange adjustments	**25,642**	**1,168**	**26,810**
Additions	**386,892**	**19,963**	**406,855**
Disposal	**(33,800)**	**—**	**(33,800)**
Net loss from changes in fair value recognised in profit or loss	**(11,846)**	**(1,269)**	**(13,115)**
At 31 December 2019	**4,857,966**	**146,064**	**5,004,030**

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

	2019 HK$'000	2018 HK$'000
Hong Kong	**1,738,900**	1,762,600
Japan	**3,210,573**	2,782,446
Singapore	**48,725**	48,044
Thailand	**5,832**	5,184
	5,004,030	4,598,274

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

16. INVESTMENT PROPERTIES (CONTINUED)

The fair values of the investment properties in Hong Kong, Japan and Singapore, which falls under level 3 of the fair value hierarchy, as at 31 December 2019, have been arrived at on the basis of valuations carried out on that date by Cushman & Wakefield Limited, CBRE KK, and Knight Frank Pte. Ltd. respectively, who are independent qualified professional valuers not connected with the Group. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties and where appropriate by capitalisation of the net income with due allowance for outgoings and provisions for reversionary income potential.

The fair values of the investment properties in Thailand which falls under level 3 of the fair value hierarchy, as at 31 December 2019, have been arrived at on the basis of valuation carried out by KTAC Appraisal and Services Co., Ltd, who is an independent qualified professional valuer and not connected with the Group. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties. The fair values of the investment properties, as at 31 December 2018, have been arrived at on the basis of valuation carried out by directors of the Company. The valuations were carried at by reference to market evidence of recent transaction prices for similar properties.

The fair values of the investment properties under development in Japan, which falls under level 3 of the fair value hierarchy, as at 31 December 2019 and 2018 have been arrived at on the basis of valuations carried out on that date by CBRE KK. The valuations were arrived at by income approach with adjustment made to account for the development costs, and indirect costs that will be expended to complete the development.

One of the key inputs used in valuing the investment properties located in Hong Kong, Singapore and Thailand was the unit sale rate.

Class of the properties	Unit Sale Rate
Commercial properties in Hong Kong	HK$6,200 to HK$33,700 per square feet (2018: HK$6,200 to HK$33,700 per square feet).
Residential properties in Hong Kong	HK$15,900 per square feet (2018: HK$15,300 per square feet)
Carparks in Hong Kong	HK$4,500,000 (2018: HK$4,500,000)
Offices in Singapore	SGD1,000 to SGD1,700 per square feet (2018: SGD1,000 to SGD1,600 per square feet)
Warehouse in Thailand	THB17,200 per square feet (2018: THB16,500 per square feet)

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

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16. INVESTMENT PROPERTIES (CONTINUED)

One of the key inputs used in valuing the investment properties located in Japan was the capitalisation rates used, of which the capitalisation rates used for hospitality premises and office premises ranged from 4.1% to 5.7% and 4.7% to 5.2% respectively (2018: 4.3% to 5.9% and 4.8% to 5.2% respectively). An increase in the capitalisation rate used would result in a decrease in fair value of the investment properties, and vice versa.

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

	2019 **HK$'000**	2018 HK$'000
Valuation of the investment property	**877,816**	509,771
Recognised lease liabilities	**44,564**	29,754
Fair value of the investment property	**922,380**	539,525

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17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Hotel properties HK$'000	Land and building in Hong Kong HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST							
At 1 January 2018	86,039	100,609	138,888	18,274	27,161	3,193	374,164
Exchange realignment	1,986	2,529	–	(34)	(84)	(57)	4,340
Acquisition of properties *(note 39)*	–	–	182,000	–	–	–	182,000
Additions	–	–	–	–	10,542	800	11,342
Disposals	–	–	–	(48)	(342)	–	(390)
At 31 December 2018	**88,025**	**103,138**	**320,888**	**18,192**	**37,277**	**3,936**	**571,456**
Exchange realignment	**870**	**1,124**	**–**	**553**	**2,578**	**47**	**5,172**
Additions	**–**	**–**	**–**	**9,310**	**14,798**	**960**	**25,068**
Disposals	**–**	**–**	**–**	**(4,597)**	**(10,871)**	**(1,799)**	**(17,267)**
At 31 December 2019	**88,895**	**104,262**	**320,888**	**23,458**	**43,782**	**3,144**	**584,429**
DEPRECIATION AND IMPAIRMENT							
At 1 January 2018	–	6,144	2,622	6,407	4,153	1,068	20,394
Exchange realignment	–	141	–	(25)	(77)	(24)	15
Provided for the year	–	4,623	6,189	3,382	8,715	628	23,537
Eliminated on disposals	–	–	–	(48)	(127)	–	(175)
At 31 December 2018	**–**	**10,908**	**8,811**	**9,716**	**12,664**	**1,672**	**43,771**
Exchange realignment	**–**	**134**	**–**	**144**	**583**	**15**	**876**
Provided for the year	**–**	**4,340**	**6,133**	**3,781**	**9,882**	**826**	**24,962**
Impairment loss recognised in profit or loss	**–**	**15,539**	**–**	**–**	**–**	**–**	**15,539**
Eliminated on disposals	**–**	**–**	**–**	**(2,471)**	**(10,818)**	**(1,799)**	**(15,088)**
At 31 December 2019	**–**	**30,921**	**14,944**	**11,170**	**12,311**	**714**	**70,060**
CARRYING VALUES							
At 31 December 2019	**88,895**	**73,341**	**305,944**	**12,288**	**31,471**	**2,430**	**514,369**
At 31 December 2018	88,025	92,230	312,077	8,476	24,613	2,264	527,685

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

The impairment loss recognised for the year represented the decrease of future hotel room revenue from the hotel due to keen market competition, which is arrived on at the basis of revaluation carried out by CBRE KK as 31 December 2019.

18. RIGHT-OF-USE ASSETS

	Leased properties HK$'000
As at 1 January 2019	
Carrying amount	64,954
As at 31 December 2019	
Carrying amount	63,648
For the year ended 31 December 2019	
Depreciation charge	(11,421)
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	1,848
Total cash outflow for leases	21,856
Additions to right-of-use assets	5,407

The Group leases various offices and warehouses, for its operations. Lease contracts are entered into for fixed term of 3 to 7 years. The Group has extension options in a number of leases for offices and warehouses. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension options held are exercisable only by the Group and not by the respective lessors. The Group assessed that it is reasonably certain to exercise all the extension option at the date of initial application. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

19. GOODWILL

	HK$'000
COST AND CARRYING VALUES	
Arising on acquisition of subsidiaries	**126,406**
At 31 December 2018 and 2019	**126,406**

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

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

During the year ended 31 December 2018 and 2019, management of the Group determines that there is no impairment as the fair value less cost of sale, based on the market capitalisation approach, is above the carrying amount.

20. INTERESTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Cost of investment in associates		
Listed overseas	**87,224**	87,224
Unlisted overseas	**4,873**	4,873
Share of post-acquisition profits and reserves, net of dividend received	**16,105**	14,059
	108,202	106,156
Fair value of listed associates	**143,136**	184,454

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20. INTERESTS IN ASSOCIATES (CONTINUED)

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

Name of company	Form of business structure	Country of incorporation/ operation	Class of shares held	Proportion of nominal value of issued capital held indirectly by the Company		Proportion of voting rights held indirectly by the Company		Principal activities
				2019	2018	**2019**	2018	
Information Technology Consultants Limited ("ITCL")	Limited company	Bangladesh	Ordinary	**37.6%**	37.6%	**37.6%**	37.6%	Provision of financial services and mobile banking solutions
Wiko Mobile (Thailand) Co. Ltd.	Limited company	Thailand	Ordinary	**28.6%**	28.6%	**28.6%**	28.6%	Distribution of smartphone under brand ("Wiko")

(i) Information Technology Consultants Limited ("ITCL")

	2019 HK$'000	2018 HK$'000
Current assets	**153,514**	129,888
Non-current assets	**103,828**	100,523
Current liabilities	**(82,524)**	(53,231)
Non-current liabilities	**(1,108)**	(10,904)
Revenue	**109,142**	79,711
Profit for the year	**16,951**	13,675
Other Comprehensive expense for the year	**—**	—
Group's share of the total profit for the year	**6,373**	5,141

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20. INTERESTS IN ASSOCIATES (CONTINUED)

(i) Information Technology Consultants Limited ("ITCL") (continued)

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

	2019 HK$'000	2018 HK$'000
Net assets of ITCL	**173,710**	166,276
Proportion of the Group's ownership interest in ITCL	**37.6%**	37.6%
The Group's share of net assets of ITCL	**65,310**	62,515
Goodwill *(Note)*	**30,313**	30,313
Carrying amount of the Group's interest in ITCL	**95,623**	92,828

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

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

	2019 HK$'000	2018 HK$'000
The Group's share of (loss) profit for the year	**(1,751)**	8,525

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

	2019 HK$'000	2018 HK$'000
Unrecognised share of (loss) profit of associates for the year	**(6)**	260
Accumulated unrecognised share of losses of associates	**(525)**	(519)

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21. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Listed securities designated at FVTPL:		
Equity securities listed in Hong Kong	**18,197**	18,266
Equity securities listed overseas	**157,992**	194,025
	176,189	212,291
Listed securities held for trading		
Equity securities listed overseas	**14,362**	13,428
Analysed for reporting purposes as:		
Current assets	**14,362**	13,428
Non-current assets	**176,189**	212,291
	190,551	225,719

22. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 HK$'000	2018 HK$'000
Listed investments:		
Equity securities listed in Hong Kong	**9,900**	9,649
Equity securities listed overseas	**4,088**	4,989
	13,988	14,638
Unlisted investments:		
Equity securities established in Hong Kong	**3,466**	3,305
Equity securities established overseas	**74,041**	72,811
	77,507	76,116
	91,495	90,754

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

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23. INVESTMENT IN PREFERENCE SHARES

The investment represents preference shares investment for a fixed rate of return of 12% with the redemption date on 28 March 2019. The preference shares were fully redeemed during the year.

24. INVENTORIES

	2019 HK$'000	2018 HK$'000
Finished goods	832,854	643,592
Less: allowance on obsolete and slow moving inventories	(8,022)	(3,427)
	824,832	640,165

During the year, net allowance for obsolete and slow moving inventories of HK$4,595,000 has been recognised in the profit or loss. In prior year, a net reversal of allowance for obsolete and slow moving inventories of HK$913,000 has been made in respect to an allowance no longer required on the subsequent sales of certain inventories, which indicated the circumstance that previously caused inventories to be written down below cost no longer exists.

25. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 HK$'000	2018 HK$'000
Trade receivables from sales of goods	985,831	815,319
Lease receivables	1,459	361
Less: allowance for credit losses	(4,657)	(585)
	982,633	815,095
Consumption tax receivable	28,761	6,322
Value added tax receivable	8,974	9,322
Rebate and claims receivable	53,933	36,024
Refundable deposits to suppliers	71,279	13,883
Effective rental receivables	17,426	15,352
Prepayments	8,615	12,035
Deposits and others	16,567	35,612
	1,188,188	943,645

At 31 December 2019 and 1 January 2019, trade receivables from contracts with customers amounted to HK$985,831,000 and HK$815,319,000 respectively.

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

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

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

	2019 **HK$'000**	2018 HK$'000
Within 30 days	**469,723**	410,650
31 to 90 days	**426,720**	355,989
91 to 120 days	**39,709**	33,040
Over 120 days	**46,481**	15,416
	982,633	815,095

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$253,259,000 (2018: HK$163,038,000) which are past due as at the reporting date. Out of the past due balances, HK$19,912,000 (2018: HK$250,000) has been past due 90 days or more and is not considered as in default after considering the creditworthiness and past payment history of these debtors. The Group does not hold any collateral over these balances.

Details of impairment assessment are set out in note 42.

26. AMOUNTS DUE FROM (TO) AN ASSOCIATE/RELATED COMPANIES

As at 31 December 2019, the amounts due from/to an associate are in trade nature which are unsecured, interest free with credit period range from 30 to 90 days.

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

Details of impairment assessment are set out in note 42.

27. PLEDGED DEPOSITS/BANK BALANCES

Pledged deposits and bank balances comprise of short-term bank deposits which carry interest at market rates ranging from 0.001% to 2.75% (2018: 0.001% to 2.57%) per annum.

Pledged deposits that are denominated in foreign currencies, currencies other than the functional currencies of the relevant group entities, amounted to HK$330,759,000 (2018: HK$330,700,000).

Details of impairment assessment are set out in note 42.

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28. OTHER FINANCIAL ASSETS

The other financial assets mainly consists of the balances below:

	2019 HK$'000	2018 HK$'000
Rental deposit paid	3,059	3,582
Other receivables *(Note)*	10,019	–
	13,078	3,582

Note:

The amounts represented outstanding balances from two trade debtors with aggregate carrying amount of HK$10,253,000 which were past due over three months. The terms of the receivables have been modified and fixed interests are charged at 2.75% and 6.6% per annum respectively for the two debtors with the repayment to be made within June 2026 in which HK$234,000 will be repaid within twelve months from the date of the reporting period and has been included within trade and other receivables, deposits and prepayment. The receivables are secured by the properties and land title deed.

Details of impairment assessment are set out in note 42.

29. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2019 HK$'000	2018 HK$'000
Trade payables	525,265	456,699
Accrued marketing expenses	122,342	84,316
Accrued listing fee	717	13,750
Receipt in advance for leasing investment properties	20,509	21,801
Accrued staff costs	49,834	42,040
Provision for litigation and other related expense	–	30,000
Other tax payable	9,352	5,591
Interest payable	6,267	3,684
Other payables and accruals	75,771	69,999
	810,057	727,880

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

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

Trade payables that are denominated in United States Dollar, currency other than the functional currencies of the relevant group entities amounted to HK$43,169,000 (2018: HK$39,333,000).

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

	2019 HK$'000	2018 HK$'000
Within 30 days	**368,688**	271,665
31 to 90 days	**144,271**	167,620
91 to 120 days	**2,856**	8,470
Over 120 days	**9,450**	8,944
	525,265	456,699

30. CONTRACT LIABILITIES

	2019 HK$'000	2018 HK$'000
Distribution of mobile and IT products	**22,871**	12,310

As at 1 January 2018, contract liabilities amounted to HK$5,336,000.

During the year ended 31 December 2019, the Group has recognised revenue of HK$12,310,000 (2018: HK$5,336,000) that was included in the contract liabilities balance at the beginning of the year.

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

31. LEASE LIABILITIES

	31.12.2019 HK$'000
Lease liabilities payable:	
Within one year	**19,240**
Within a period of more than one year but not more than two years	**19,398**
Within a period of more than two years but not more than five years	**46,074**
Within a period of more than five years	**23,821**
	108,533
Less: Amount due for settlement with 12 months shown under current liabilities	**(18,348)**
Amount due for settlement after 12 months shown under non-current liabilities	**90,185**

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32. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 HK$'000	2018 HK$'000
Foreign currency forward contracts	**975**	582

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

2019

Buy	**Sell**	**Maturity**	**Contract rates**
USD29,005,000	**THB875,265,000**	**3 January 2020 to 3 July 2020**	**USD1:THB29.84 to USD1:THB30.81**

2018

Buy	Sell	Maturity	Contract rates
USD12,098,000	THB392,929,000	4 February 2019 to 27 June 2019	USD1:THB32.14 to USD1:THB33.01

33. OBLIGATIONS UNDER FINANCE LEASES

	2018 HK$'000
Analysed for reporting purposes as:	
Current liabilities	4,398
Non-current liabilities	25,356
	29,754

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

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33. OBLIGATIONS UNDER FINANCE LEASES (CONTINUED)

	2018	
	Minimum lease payments HK$'000	Present value minimum lease payments HK$'000
Obligations under finance lease payable:		
Within one year	5,222	4,398
Within a period of more than one year but not more than two years	5,222	4,530
Within a period of more than two years but not more than five years	15,666	14,426
Within a period of more than five years	6,527	6,400
	32,637	29,754
Less: Future finance charges	(2,883)	N/A
	29,754	29,754
Less: Amount due for settlement within 12 months (shown under current liabilities)		(4,398)
Amount due for settlement after 12 months shown under non-current liabilities		25,356

34. BANK BORROWINGS

	2019 **HK$'000**	2018 HK$'000
Bank Loans	**3,168,513**	2,682,818
Trust Receipt	**537,270**	410,030
	3,705,783	3,092,848
Secured	**2,998,156**	2,571,648
Unsecured	**707,627**	521,200
	3,705,783	3,092,848

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34. BANK BORROWINGS (CONTINUED)

The Group's bank borrowings were repayable as follows:

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

	2019 HK$'000	2018 HK$'000
Within one year	**2,396,240**	2,228,704
More than one year but not more than two years	**197,630**	18,810
More than two year but not more than five years	**1,035,880**	743,746
More than five years	**—**	73,020
	3,629,750	3,064,280
Carrying amount of bank borrowings that contains a repayment on demand clause (show under current liabilities):		
— repayable within one year, but not exceeding two years	**3,567**	22,330
— repayable more than one year, but not exceeding two years	**8,545**	630
— repayable more than two year, but not exceeding five years	**63,921**	5,608
	76,033	28,568
	3,705,783	3,092,848
Less: Amount due within one year shown under current liabilities	**(2,472,273)**	(2,257,272)
Amount shown under non-current liabilities	**1,233,510**	835,576

The bank loans bear interest at variable market interest rates, which are based on London Interbank Offer Rate ("LIBOR"), Singapore Interbank Offer Rate ("SIBOR") or JPY LIBOR plus a margin, ranging from 0.4% to 1.95% per annum (2018: LIBOR, SIBOR or JPY LIBOR plus 0.40% to 1.90% per annum).

The bank loans that are denominated in Thai Baht bears floating interest rates at 2.5% per annum (2018: 2.10% to 2.65% per annum).

Trust receipt bears floating interest rates from 1.55% to 2.5% per annum (2018: 2.00% to 2.50%).

Bank loans that are denominated in Japanese Yen and United State Dollar, amounted to JPY12,844,250,000 (equivalent to HK$919,648,300) (2018: JPY12,309,250,000 (equivalent to HK$872,726,000)) and USD13,500,000 (equivalent to HK$105,300,000) (2018: USD12,100,000 (equivalent to HK$94,380,000)) respectively. All other bank loans are denominated in functional currency of the respective group entities.

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35. BONDS

Bonds with aggregate principal amount of JPY3,879,642,000 (equivalent to HK$277,782,000) (2018: JPY3,873,685,000 (equivalent to HK$274,644,000)) will mature on 30 July 2024. The bonds are all denominated and settled in Japanese Yen, bear interest at rates ranging from JPY LIBOR plus 1.00% to 1.90% (2018: JPY LIBOR plus 1.00% to 1.90%) per annum, payable quarterly and non-recourse in nature.

	2019 **HK$'000**	2018 HK$'000
Carrying amount of bond repayable based on contractual repayment dates:		
More than one year but not more than two years	**71,354**	—
More than two years but not more than five years	**206,428**	227,961
More than five years	**—**	46,683
	277,782	274,644

36. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	**Allowances for credit losses/ inventories/ accrual** HK$'000	**Tax losses** HK$'000	**Undistributed earnings of subsidiaries** HK$'000	**Revaluation of properties/ Impairment of property, plant and equipment** HK$'000	**Total** HK$'000
At 1 January 2018	(14,669)	57,305	11,473	(30,524)	(123,095)	(99,510)
(Charge) credit to profit or loss	(88)	144	(1,816)	(14,725)	(14,353)	(30,838)
Exchange realignment	–	(1)	–	(248)	(2,985)	(3,234)
At 31 December 2018	**(14,757)**	**57,448**	**9,657**	**(45,497)**	**(140,433)**	**(133,582)**
(Charge) credit to profit or loss	**(12)**	**8,823**	**(1,165)**	**(9,619)**	**9,124**	**7,151**
Exchange realignment	**–**	**3,804**	**–**	**(2,544)**	**–**	**1,260**
At 31 December 2019	**(14,769)**	**70,075**	**8,492**	**(57,660)**	**(131,309)**	**(125,171)**

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36. DEFERRED TAXATION (CONTINUED)

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

	2019 **HK$'000**	2018 HK$'000
Deferred tax assets	**78,567**	67,105
Deferred tax liabilities	**(203,738)**	(200,687)
	(125,171)	(133,582)

At the end of the reporting period, the Group has deductible temporary differences of HK$403,693,000 (2018: HK$332,764,000) and unutilised tax losses of HK$274,914,000 (2018: HK$262,663,000). A deferred tax asset has been recognised in respect of the tax losses of HK$51,465,000 (2018: HK$58,525,000) and deductible temporary differences of HK$350,377,000 (2018: HK$287,963,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$216,389,000 (2018: HK$204,138,000) and the deductible temporary differences of HK$53,316,000 (2018: HK$44,801,000) due to the unpredictability of future assessable profit streams. All tax losses can be carried forward indefinitely.

37. RENTAL DEPOSITS

The amount recognised represents the rental deposits received under operating leases. Rental deposits were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in note 2.

38. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each		**Nominal value**	
	2019 **HK$'000**	2018 HK$'000	**2019** **HK$'000**	2018 HK$'000
Authorised	**350,000,000**	350,000,000	**35,000**	35,000
Issued and fully paid				
At beginning of year	**277,966,666**	277,966,666	**27,797**	27,797
At end of year	**277,966,666**	277,966,666	**27,797**	27,797

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

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

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

	HK$'000
Properties	182,000
Other receivables	67,557
Other payables and accruals	(116)
Bank borrowings	(67,141)
Net assets of the subsidiaries acquired	182,300

Net cash outflow arising on acquisition:

	HK$'000
Cash consideration paid	182,300

40. CONTINGENT LIABILITIES

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

The hearing before the Competition Tribunal was completed in September 2018. On 17 May 2019, the Competition Tribunal handed down a judgement where the application against SiS International was dismissed. Accordingly, the provision for the litigation and related expenses were reversed during the year.

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41. CAPITAL RISK MANAGEMENT

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

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

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

42. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Equity instruments at FVTPL	**190,551**	225,719
Equity instruments at FVTOCI	**91,495**	90,754
Financial assets at amortised cost	**2,247,107**	1,933,716
	2,529,153	2,250,189
Financial liabilities		
Derivative financial instruments	**975**	582
Financial liabilities at amortised cost	**4,765,426**	4,062,333
	4,766,401	4,062,915

b. Financial risk management objectives and policies

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

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

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42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Market risk

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

(i) Currency risk

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

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

	Assets		Liabilities	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
United States Dollar	**545,913**	605,005	**152,756**	140,407
Australian Dollar	**15,586**	13,915	**—**	—
Singapore Dollar	**61,864**	60,686	**9,540**	9,301
Malaysian Ringgit	**—**	—	**986**	981
Japanese Yen	**6,037**	8,899	**925,609**	878,274
Renminbi	**3,119**	3,141	**—**	—
Thai Baht	**—**	479	**—**	659
Inter-company balances				
Japanese Yen	**1,059,950**	983,034	**—**	—

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

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42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

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

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

	2019		2018	
	Increase (decrease) in foreign exchange rates %	**Increase (decrease) in post-tax profit HK$'000**	Increase (decrease) in foreign exchange rates %	Increase (decrease) in post-tax profit HK$'000
Non-derivative financial instruments				
United States Dollar	**1.5**	**4,871**	1.5	5,764
	(1.5)	**(4,871)**	(1.5)	(5,764)
Australian Dollar	**10.0**	**1,301**	10.0	1,162
	(10.0)	**(1,301)**	(10.0)	(1,162)
Singapore Dollar	**5.0**	**2,184**	5.0	2,145
	(5.0)	**(2,184)**	(5.0)	(2,145)
Malaysian Ringgit	**5.0**	**(41)**	5.0	(41)
	(5.0)	**41**	(5.0)	41
Japanese Yen	**10.0**	**11,722**	10.0	9,491
	(10.0)	**(11,722)**	(10.0)	(9,491)
Renminbi	**10.0**	**260**	10.0	262
	(10.0)	**(260)**	(10.0)	(262)
Thai Baht	**N/A**	**—**	5.0	8
	N/A	**—**	(5.0)	(8)
Derivative financial instruments				
United States Dollar	**1.5**	**3,375**	1.5	1,406
	(1.5)	**(3,485)**	(1.5)	(1,444)

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

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42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Price risk

The Group is exposed to equity price risk through its investment in equity securities measured at FVTPL and FVTOCI. The management closely keeps watch of the price changes and takes appropriate action when necessary.

Sensitivity analysis

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

If the price of the respective listed equity instruments of FVTPL had been 10% (2018: 10%) higher/lower, the Group's post-tax profit for the year ended 31 December 2019 would increase/decrease by HK$19,055,000 (2018: HK$22,572,000) as a result of the changes in fair value of equity instruments at FVTPL.

If the price of the respective listed equity instruments at FVTOCI had been 10% (2018: 10%) higher/lower, the Group's investments reserve would increase/decrease by HK$1,399,000 (2018: HK$1,464,000) as result of the changes in fair value of equity instruments at FVTOCI.

(iii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to loan receivables and lease liabilities (see notes 28 and 31 for details).

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

Sensitivity analysis

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2019 would decrease/increase by HK$11,943,000 (2018: HK$9,387,000). The analysis is prepared assuming the amounts of pledged deposits, bank balances, bank borrowings and bonds outstanding at the end of the reporting period were outstanding for the whole year.

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

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

42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

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

Lease receivables and trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group credit risk is significantly reduced.

In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on the receivables collectively with appropriate groupings and individually for credit impaired balances.

The Group has no significant concentration of credit risk over its trade receivables, with exposure spread over a number of counterparties and customers. The Group's concentration of credit risk by geographical location of customers are mainly in Hong Kong and Thailand which accounted for majority of the trade receivables at 31 December 2019.

Other receivables and deposits

The other receivables mainly represents rebate and claims receivables from suppliers as well as advance to suppliers, the directors of the Company make periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2019 and 2018, the Group assessed the ECL for other receivables and deposits were insignificant and thus no loss allowance was recognised.

Investment in preference shares

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

Pledged deposits and bank balances

The credit risks on pledged bank deposits and bank balances are limited because the counterparties are financial institutions with high credit ratings assigned by international credit-rating agencies. The Group assessed 12m ECL for pledged bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on pledged bank deposits and bank balances is considered to be insignificant.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Other receivables included in other financial assets

The amounts represented outstanding balances from two trade debtors which were past due over three months. The directors of the Company estimated the loss rates of loan receivables after taking into account the fair value of the collateral pledged by the debtors. Based on assessment by the directors of the Company, the loss given default is low in view of the estimated realised amount of ultimate disposal of the collaterals and the directors of the Company considers the ECL is insignificant.

Amount due from an associate

The Group regularly monitors the business performance of the associate. The Group's credit risks in the balance is mitigated through the value of the assets held by the associate and the power to participate the relevant activities of this entity. The directors of the Company believe that there is no significant increase in credit risk and the Group's credit risk is not significant and thus no allowance was recognised.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade and lease receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default	Lifetime ECL — not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL — not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

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

31 December 2019	*Notes*	External credit rating	Internal credit rating	12-month or lifetime ECL	**2019 Gross carrying amount HK$'000**	2018 Gross carrying amount HK$'000
Financial assets at amortised cost						
Trade receivables	25	N/A	Low risk/watch list *(Note)*	Lifetime ECL — not credit impaired	**983,123**	814,734
			Loss	Lifetime ECL — credit-impaired	**2,708**	585
Lease receivables	25	N/A	Low risk *(Note)*	Lifetime ECL — not credit impaired	**1,459**	361
Pledged deposits	27	Above A-	N/A	12-month ECL	**454,759**	445,331
Bank balances	27	Above A-	N/A	12-month ECL	**668,048**	586,755
Other receivables	25	N/A	Low risk	12-month ECL	**128,191**	80,083
Investment in preference shares	23	N/A	Low risk	12-month ECL	**—**	2,870
Amount due from an associate	26	N/A	Low risk	12-month ECL	**355**	—
Deposit paid		N/A	N/A	12-month ECL	**3,059**	3,582
Other financial assets	28	N/A	Doubtful risk	12-month ECL	**10,019**	—

Note:

For trade and lease receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired due to the receivables aged over 1 year, the Group determines the expected credit losses on these items by internal credit rating status with appropriate grouping with reference to historical credit loss experience. Debtors that are large scale and/or with long business relationship with good repayment history are considered as low risk and a minimal default rate is assigned, while debtors which usually settle one to three months after due dates are considered as watch list and a low default rate is assigned.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

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

	Not credit impaired HK$'000	Credit impaired HK$'000	Total HK$'000
As at 1 January 2018	—	233	233
Impairment loss	—	352	352
As at 1 January 2019	**—**	**585**	**585**
Impairment loss	**1,949**	**2,123**	**4,072**
As at 31 December 2019	**1,949**	**2,708**	**4,657**

The following table provides information about the exposure to credit risk for trade and lease receivables, which are assessed based on provision matrix as at 31 December 2019 within lifetime ECL (not credit-impaired).

Internal credit rating

	Loss rates	2019 Trade and lease receivables HK$'000	Loss rates	2018 Trade and lease receivables HK$'000
Low risk	0.3%–0.5%	**730,144**	0.5%–1%	652,057
Watch list	1%–5%	**254,438**	1%–5%	163,038
		984,582		815,095

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average interest rate %	On demand or within 3 months HK$'000	3–12 months HK$'000	1–2 years HK$'000	2–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December HK$'000
2019								
Non-derivative financial liabilities								
Trade and other payables	N/A	532,620	122,342	–	–	–	654,962	654,962
Bank borrowings	1.68	2,455,279	35,039	215,805	1,054,822	–	3,760,945	3,705,783
Bonds	1.33	985	2,954	75,323	296,161	–	375,423	277,782
Amount due to related companies	N/A	1,382	–	–	–	–	1,382	1,382
Rental deposits	1.67	5,538	31,336	12,577	19,808	79,275	148,534	125,517
Sub-total		2,995,804	191,671	303,705	1,370,791	79,275	4,941,246	4,765,426
Lease liabilities	2.70	4,957	15,191	20,493	48,362	44,893	133,896	108,533
		3,000,761	206,862	324,198	1,419,153	124,168	5,075,142	4,873,959
Derivative financial instruments								
Foreign currency forward contracts		975	–	–	–	–	975	975

	Weighted average interest rate %	On demand or within 3 months HK$'000	3–12 months HK$'000	1–2 years HK$'000	2–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 December HK$'000
2018								
Non-derivative financial liabilities								
Trade and other payables	N/A	465,549	84,316	–	–	–	549,865	549,865
Bank borrowings	1.83	2,255,747	24,851	30,376	767,310	73,916	3,152,200	3,092,848
Bonds	1.34	933	2,800	3,733	237,344	47,199	292,009	274,644
Amount due to related companies	N/A	6,616	–	–	–	–	6,616	6,616
Rental deposits	N/A	583	5,845	34,002	28,124	69,806	138,360	138,360
Sub-total		2,729,428	117,812	68,111	1,032,778	190,921	4,139,050	4,062,333
Obligation under finance leases	2.97	1,305	3,917	5,222	15,666	6,527	32,637	29,754
		2,730,733	121,729	73,333	1,048,444	197,448	4,171,687	4,092,087
Derivative financial instruments								
Foreign currency forward contracts		582	–	–	–	–	582	582

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

42. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Bank borrowings with a repayment on demand clause are included in the "on demand or within 3 months" time band in the above maturity analysis. As at 31 December 2019, the aggregate amounts of these bank borrowings amounted to HK$76,033,000 (2018: HK$28,568,000). The directors of the Company believe that these loan facilities will continue to be made available to the Group and will not be withdrawn by the bank within the next twelve months from the end of the reporting period.

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

	On demand or less than 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
2019						
Bank borrowings with a repayment on demand clause	**3,567**	**10,289**	**65,777**	**–**	**79,633**	**76,033**
2018						
Bank borrowings with a repayment on demand clause	22,330	837	6,102	–	29,269	28,568

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

c. Fair value

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

42. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value (continued)

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

Fair value measurements recognised in the consolidated statement of financial position

Financial assets (liabilities)	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31.12.2019 HK$'000	31.12.2018 HK$'000		
1. Listed equity securities classified as equity instruments at FVTPL	**190,551**	225,719	Level 1	Quoted bid prices in active markets.
2. Listed equity securities classified as equity instruments at FVTOCI	**13,988**	14,638	Level 1	Quoted bid prices in active markets.
3. Unquoted equity investments classified as equity instruments at FVTOCI	**–**	25,830	Level 2	Recent share price of the investee issued to independent third parties.
4. Unquoted equity investments classified as equity instruments at FVTOCI	**77,507**	50,286	Level 3	The discounted cash flows method and discount rate of 19.5% (2018: nil) was used to capture the present value of the expected future economic benefit to be derived from the ownership of these investees. *(note 1)* Discount of 25% (2018: 25%) for lack of marketability and by reference to the share price of listed entities in similar industries. *(note 2)*
5. Foreign currency forward contracts classified as derivative financial instruments	**(975)**	(582)	Level 2	Discounted cash flows: Future cash flows are estimated based on quoted forward exchange rates, which is observable at the end of period.

Note 1: A slight increase in the discount rate used in isolation would result in a significant decrease in the fair value measurement of the private equity investments, and vice versa.

Note 2: An increase in the discount for lack of marketability or discount rate would result in a decrease in the fair value measurement of unquoted equity investment, and vice versa.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

42. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value (continued)

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

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTOCI HK$'000
At 1 January 2018	42,516
Gain in other comprehensive income	1,635
Purchase	6,135
At 31 December 2018	**50,286**
Purchases	**234**
Total gains:	
Gain in other comprehensive income	**977**
Transfer into level 3	**26,010**
At 31 December 2019	**77,507**

The Group owns 1.27% per cent equity interest in a private company that is classified as equity instruments at FVTOCI and is measured at fair value at each reporting date. The fair value of the investment as at 31 December 2019 amounts to HK$26,010,000 (2018: HK$25,830,000). The fair value of the investment as at 31 December 2018 was measured using a valuation technique with observable inputs derived from recent share price of the investee issued to independent third parties and hence was classified as Level 2 of the fair value hierarchy. No recent share price has been identified up to 31 December 2019. Therefore, the fair value of the investment as at 31 December 2019 was determined based on significant unobservable input and was classified as Level 3 of the fair value hierarchy.

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cashflows will be classified in the Group's consolidated statement of cash flows from financing activities.

	Amount due to related companies HK$'000 *(note 26)*	Bank borrowings HK$'000 *(note 34)*	Bonds HK$'000 *(note 35)*	Dividend payable HK$'000 *(note 14)*	Lease liabilities/ Obligations under finance leases HK$'000 *(notes 31 and 33)*	Interest payable HK$'000 *(note 29)*	Total HK$'000
At 1 January 2018	–	2,632,674	268,034	–	33,255	7,564	2,941,527
Dividend declared	–	–	–	11,119	–	–	11,119
Dividend accrued to non-controlling interests	–	–	–	17,916	–	–	17,916
Acquisition of properties and other assets and liabilities through acquisition of subsidiaries	–	67,141	–	–	–	–	67,141
Interest accrued	–	53,219	3,817	–	952	–	57,988
Effect of foreign exchange rate changes	(299)	24,486	6,188	–	768	422	31,565
Financing inflows (outflows)	6,915	315,328	(3,395)	(29,035)	(5,221)	(4,302)	280,290
At 31 December 2018	6,616	3,092,848	274,644	–	29,754	3,684	3,407,546
Adjustment upon application of HKFRS 16 *(note 2)*	–	–	–	–	83,960	–	83,960
At 1 January 2019	**6,616**	**3,092,848**	**274,644**	**–**	**113,714**	**3,684**	**3,491,506**
Dividend declared	**–**	**–**	**–**	**19,458**	**–**	**–**	**19,458**
Dividend accrued to non-controlling interests	**–**	**–**	**–**	**21,649**	**–**	**–**	**21,649**
Interest accrued	**–**	**58,138**	**4,229**	**–**	**1,649**	**7,994**	**72,010**
Imputed interest related on rental deposits	**–**	**–**	**–**	**–**	**–**	**(1,727)**	**(1,727)**
Effect of foreign exchange rate changes	**136**	**54,286**	**3,138**	**–**	**9,420**	**–**	**66,980**
Financing inflows (outflows)	**(6,752)**	**500,511**	**(4,229)**	**(41,107)**	**(21,657)**	**(3,684)**	**423,082**
New lease entered	**–**	**–**	**–**	**–**	**5,407**	**–**	**5,407**
At 31 December 2019	**–**	**3,705,783**	**277,782**	**–**	**108,533**	**6,267**	**4,098,365**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

44. OPERATING LEASES

The Group as lessee

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating lease which fall due as follows:

	HK$'000
Within one year	11,741
In the second to fifth year inclusive	6,796
Over five years	31,188
	49,725

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

The Group as lessor

Certain properties held for rental purposes have committed leases for the next 1 month to 19.5 years.

As at 31 December 2019, minimum lease payments receivable on leases are as follows:

	HK$'000
Within one year	**243,228**
In the second year	**197,183**
In the third year	**148,748**
In the fourth year	**117,600**
In the fifth year	**112,270**
After five years	**1,019,947**
	1,838,976

The Group leases out the hotel properties of which the land is under operating leases with fixed rentals payable monthly.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as the lease is denominated in the functional currencies of group entities. The lease contract do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

For the year ended 31 December 2019, the total cash outflow for the land leases is HK$723,000.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

44. OPERATING LEASES (CONTINUED)

As at 31 December 2018, the Group had contracted with lessees for the following future minimum lease payments:

	HK$'000
Within one year	222,452
In the second to fifth year inclusive	509,936
More than five years	961,265
	1,693,653

45. CAPITAL COMMITMENTS

	2019 **HK$'000**	2018 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Investment in unquoted equity instruments	**780**	1,014
Refurbishment of investment properties	**37,759**	177,867

46. SHARE OPTION SCHEME

(a) SiS International Holdings Limited

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

46. SHARE OPTION SCHEME (CONTINUED)

(a) SiS International Holdings Limited (continued)

During the year ended 31 December 2015, share options were granted by the Company on 26 June 2015 to certain directors of the Company and employees of the Group and third parties at an exercise price of HK$4.47 per share and at a cash consideration of HK$100 per grantee.

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

Details of the share options outstanding as at 31 December 2019 are as follows:

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

The movements in the shares options during the two years ended 31 December 2018 and 31 December 2019 are as follows:

Grantee	Outstanding at 1 January 2018, 31 December 2018 and 2019
Directors	990,000
Employees and others	1,260,000
	2,250,000
Exercisable at the end of the year	2,250,000
Weighted average exercise price	4.47

No options were granted, exercised, lapsed or forfeited during the years ended 31 December 2018 and 31 December 2019.

At 31 December 2019, the number of options which remained outstanding under the Scheme was 2,250,000 (2018: 2,250,000) which, if exercised in full, represents 0.8% (2018: 0.8%) of the enlarged capital of the Company.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

46. SHARE OPTION SCHEME (CONTINUED)

(b) SiS Mobile Holdings Limited

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

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

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

Details of the share options outstanding as at 31 December 2019 are as follows:

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

The movements in the shares options during the two years ended 31 December 2018 and 31 December 2019 are as follows:

Grantee	Outstanding at 1 January 2018 and 31 December 2018	Lapsed during the year	**Outstanding at 31 December 2019**
Directors	6,390,000	—	**6,390,000**
Employees and others	1,500,000	(300,000)	**1,200,000**
	7,890,000	(300,000)	**7,590,000**
Exercisable at the end of the year	7,890,000		**7,590,000**

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

No options were granted by the Company during the year ended 31 December 2019.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

47. RETIREMENT BENEFIT SCHEMES

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

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

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

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

The actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2019 and 2018 by independent actuarist, NIDA Consulting Center. The present value of the defined benefit obligations and the related current service cost were measured using the Projected Unit Credit Method.

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

	2019	2018
Discount rate	**1.60%**	2.39%
Expected rate of salary increase	**6% p.a.**	6% p.a.
Employee turnover rate	**0–27%**	0–27%

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

	2019 **HK$'000**	2018 HK$'000
Present value of defined benefit obligation	**21,984**	12,327

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

47. RETIREMENT BENEFIT SCHEMES (CONTINUED)

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

	2019 HK$'000	2018 HK$'000
At the beginning of the year	12,327	10,227
Exchange realignment	972	—
Current services costs	2,729	1,897
Interest on obligation	408	244
Past service costs	4,069	—
Actuarial gain (loss)	1,802	—
Benefits paid during the year	(323)	(41)
At the end of the year	21,984	12,327

On 5 April 2019, The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette in Thailand. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law was effective from 5 May 2019. This change is considered a post-employment benefits plan amendment and the Group has additional long-term employee benefit liabilities of Baht 15,650,000 (HKD4,069,000) as a result. The Group reflects the effect of the change by recognising past service costs as expenses in the income statement of the current year.

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

- If the discount rate is 100 basis points higher or lower, the defined benefit obligation would decrease by HK$1,820,000 or increase by HK$2,158,000 (2018: decrease by HK$1,120,000 or increase by HK$1,314,000).

- If the expected salary growth increases or decreases by 1%, the defined benefit obligation would increase by HK$2,470,000 or decrease by HK$2,132,000 (2018: increase by HK$1,381,000 or decrease by HK$1,200,000).

- If the life employee turnover rate increases or decreases by 1%, the defined benefit obligation would decrease by HK$1,950,000 or increase by HK$806,000 (2018: decrease by HK$1,205,000 or increase by HK$482,000).

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

48. PLEDGE OF ASSETS

At the end of the reporting period,

(a) The Group's investment properties with carrying values of HK$4,705,311,000 (2018: HK$4,361,882,000) and property, plant and equipment of carrying values of HK$344,743,000 (2018: HK$362,652,000) were under legal charge to secure general banking facilities and the obligation under finance leases available to the Group.

(b) Bank deposits of HK$454,759,000 (2018: HK$445,331,000) were pledged to secure bank loans drawn during the year.

(c) Certain shares of subsidiaries have been pledged to the banks as at 31 December 2018 and 2019 to secure several banking facilities available to the Group.

Restrictions on assets

Lease liabilities of HK$108,533,000 are recognised with related right-of-use assets of HK$63,648,000 as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

49. RELATED PARTY TRANSACTIONS

During the years ended 31 December 2019 and 2018, the Group had the following transactions with associates.

Nature of transactions	2019 HK$'000	2018 HK$'000
Sales of goods	24	2,486
Purchase of goods	366,092	800,457
Other services fee income	5,899	6,382
Service expenses	6,869	—

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

50. PRINCIPAL SUBSIDIARIES

General information of subsidiaries

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

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
			2019 %	2018 %	
Direct subsidiaries:					
SiS Distribution Limited	British Virgin Islands	US$45,001	100	100	Investment holding
SiS Hospitality Holdings Limited	Cayman Islands	HK$0.0001	100	100	Investment holding
SiS Investment Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding
SiS Mobile Holdings Limited	Cayman Islands	HK$28,000,000	52.3	52.3	Investment holding
SiS Tech Ventures Corp.	British Virgin Islands	US$1	100	100	Investment holding
Indirect subsidiaries:					
Computer Zone Limited	Hong Kong	HK$2	100	100	Property investment
Charmax Enterprises Limited	Hong Kong	HK$10	100	100	Property investment
Ever Wealthy Limited	Hong Kong	HK$1	100	100	Investment holding
Faith Prosper Limited	British Virgin Islands	US$1	100	100	Investment holding
Gain Best Limited	Hong Kong	HK$1	100	100	Property investment
Gold Kite Limited	Hong Kong	HK$1	100	100	Investment holding
Qool Bangladesh Limited	Bangladesh	TK1,000,000	99	99	Investment holding
Qool Distribution (Thailand) Co., Ltd.	Thailand	THB200,000	63.5	63.5	Trading of mobile and IT products
Qool Labs Pte. Ltd.	Singapore	S$2	100	100	Distribution of IT and communication products
Qool International Limited	Hong Kong	HK$1	52.3	52.3	Distribution of mobile phone and IT products
QR Capital Limited	Hong Kong	HK$1	100	100	Property investment
SiS Asia Pte. Ltd.	Singapore	S$2	100	100	Investment holding, provision of hardware, software and corporate management services
SiS Assets Pte. Ltd	Singapore	S$1	100	100	Investment holding
SiS Capital Limited	Hong Kong	HK$1	100	100	Investment holding
SiS Capital (Bangladesh) Pte. Ltd.	Singapore	S$2	100	100	Investment holding
SiS China Limited	Hong Kong	HK$2	100	100	Property investment

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

50. PRINCIPAL SUBSIDIARIES (CONTINUED)

General information of subsidiaries (continued)

Name of subsidiary	Place of incorporation or registration/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
			2019 %	2018 %	
SiS Distribution (Thailand) Public Company Limited	Thailand	THB350,198,665	63.5	63.5	Distribution of mobile and IT products and provision of services
SiS HK Limited	Hong Kong	HK$400,000	100	100	Investment holding
SiS International Limited	Hong Kong	HK$1	100	100	Distribution of IT products and provision of services
SiS Japan Inn TMK	Japan	JPY150,000	100	100	Property investment
SiS Netrepreneur Ventures Corp.	British Virgin Islands	US$1	100	100	Investment holding
SiS Technologies (Thailand) Pte. Ltd.	Singapore	S$2	100	100	Investment holding
Synergy Technologies (Asia) Limited	Hong Kong	HK$5,000,000	52.3	52.3	Distribution of mobile phone and related products
Tokutei Mokuteki Kaisha SSG 8	Japan	JPY470,000,000	100	100	Property investment
Tokutei Mokuteki Kaisha SSG 13	Japan	JPY200,000	100	100	Property investment
SiSJP9 Tokutei Mokuteki Kaisha	Japan	JPY198,250,000	100	100	Property investment
SiSJP10 Tokutei Mokuteki Kaisha	Japan	JPY302,500,000	100	100	Property investment
Thai Alliance Co., Ltd	Thailand	THB4,800,000	96.6	96.6	Investment holding
Thai Hero Co., Ltd.	Thailand	THB2,600,000	93.2	93.2	Investment holding
Thai Joyful Co., Ltd.	Thailand	THB1,500,000	86.7	86.7	Investment holding
Thai Prosperity Co., Ltd.	Thailand	THB900,000	74.0	74.0	Investment holding
Thai Success Co., Ltd.	Thailand	THB60,000	49.0	49.0	Investment holding
Thai Investment Holdings Pte. Ltd	Singapore	S$1	100	100	Investment holding
Tokutei Mokuteki Kaisha SSG 23	Japan	JPY200,000	70	70	Property investment
Tokutei Mokuteki Kaisha SSG 28	Japan	JPY200,000	100	100	Property investment
Tokutei Mokuteki Kaisha SSG 21	Japan	JPY200,000	100	100	Property investment
Tokutei Mokuteki Kaisha SSG 11	Japan	JPY200,000	100	–	Property investment
Tokutei Mokuteki Kaisha SSG 20	Japan	JPY200,000	100	–	Property investment

Except for the bonds stated in note 35, none of the subsidiaries had issued any debt securities during the year nor held at the end of the year.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

50. PRINCIPAL SUBSIDIARIES (CONTINUED)

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

The table below shows details of a non-wholly owned subsidiary of the Group that has material non-controlling interests as at 31 December 2019 and 2018.

Name of subsidiary	Country of incorporation or registration/ operation	Proportion of nominal value of issued capital held by the Company		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interest	
		2019	2018	**2019**	2018	**2019**	2018
		%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000
SiS Mobile Holdings Limited ("SiS Mobile")	Hong Kong	**52.3**	52.3	**(2,316)**	46	**48,859**	51,704
Tokutei Mokuteki Kaisha SSG 23 ("TMK SSG 23")	Japan	**70.0**	70.0	**6,358**	5,008	**70,208**	67,354
SiS Distribution (Thailand) Public Company Limited	Thailand	**63.5**	63.5	**38,339**	41,462	**228,800**	195,607
Individually immaterial subsidiaries with non-controlling interest				**50**	(39)	**15,141**	16,623
				42,431	46,477	**363,008**	331,288

Summarised financial information in respect of SiS Mobile as at 31 December 2019 that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	31.12.2019	31.12.2018
	HK$'000	HK$'000
Non-current assets	**23,138**	15,287
Current assets	**115,271**	120,211
Current liabilities	**(40,686)**	(35,237)
Non-current liabilities	**(3,260)**	—
Equity attributable to owners of the Company	**45,604**	48,557
Non-controlling interests	**48,859**	51,704

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

50. PRINCIPAL SUBSIDIARIES (CONTINUED)

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

	Year ended 31.12.2019 HK$'000	Year ended 31.12.2018 HK$'000
Revenue	**439,774**	472,535
Expenses	**(444,777)**	(472,438)
(Loss) profit for the year	**(5,003)**	97
(Loss) profit for the year attributable to owners of the Company	**(2,687)**	51
(Loss) profit for the year attributable to non-controlling interests	**(2,316)**	46
(Loss) profit for the year	**(5,003)**	97
Total comprehensive expense attributable to owners of the Company	**(3,102)**	(1,325)
Total comprehensive expense attributable to non-controlling interests	**(2,696)**	(1,209)
Total comprehensive expense for the year	**(5,798)**	(2,534)
Net cash from (used in) operating activities	**23,020**	(40,696)
Net cash used in investing activities	**(5,003)**	(15,292)
Net cash used in financing activities	**(2,623)**	(40)

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

50. PRINCIPAL SUBSIDIARIES (CONTINUED)

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

Summarised financial information in respect of TMK SSG23 as at 31 December 2019 that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	31.12.2019 **HK$'000**	31.12.2018 HK$'000
Non-current assets	**479,720**	472,194
Current assets	**70,668**	66,418
Current liabilities	**(36,872)**	(10,189)
Non-current liabilities	**(274,236)**	(300,088)
Equity attributable to owners of the Company	**169,072**	160,981
Non-controlling interests	**70,208**	67,354

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

50. PRINCIPAL SUBSIDIARIES (CONTINUED)

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

	Year ended 31.12.2019 HK$'000	Year ended 31.12.2018 HK$'000
Revenue	**39,369**	38,600
Expenses	**(18,174)**	(21,907)
Profit for the year	**21,195**	16,693
Profit for the year attributable to owners of the Company	**14,837**	11,685
Profit for the year attributable to non-controlling interests	**6,358**	5,008
Profit for the year	**21,195**	16,693
Total comprehensive income for the year attributable to owners of the Company	**16,366**	15,275
Total comprehensive income for the year attributable to non-controlling interests	**7,014**	6,509
Total comprehensive income for the year	**23,380**	21,784
Dividends paid to non-controlling interest	**4,160**	4,172
Net cash from operating activities	**14,704**	10,694
Net cash used in investing activities	**(1,485)**	(3,068)
Net cash used in financing activities	**(9,450)**	(4,940)

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

50. PRINCIPAL SUBSIDIARIES (CONTINUED)

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

Summarised financial information in respect of SiS Distribution (Thailand) Public Company Limited as at 31 December 2019 that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	31.12.2019 HK$'000	31.12.2018 HK$'000
Non-current assets	197,078	106,338
Current assets	1,715,783	1,380,182
Current liabilities	(1,218,593)	(949,771)
Non-current liabilities	(70,547)	(12,326)
Equity attributable to owners of the Company	394,921	328,816
Non-controlling interests	228,800	195,607
Revenue	5,136,972	5,261,628
Other income	25,417	28,992
Expenses	(5,057,265)	(5,176,931)
Profit for the year	105,124	113,689
Profit for the year attributable to owners of the Company	66,785	72,227
Profit for the year attributable to non-controlling interests	38,339	41,462
Profit for the year	105,124	113,689
Total comprehensive income for the year attributable to owners of the Company	88,173	65,101
Total comprehensive income for the year attributable to non-controlling interests	50,682	47,971
Total comprehensive income for the year	138,855	113,072
Dividends paid to non-controlling interest	17,489	13,744
Net cash (used in) from operating activities	(31,538)	21,044
Net cash from investing activities	1,192	9,877
Net cash from (used in) financing activities	45,734	(21,059)

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

51. FINANCIAL POSITION OF THE COMPANY

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

	2019 HK$'000	2018 HK$'000
Non-current assets		
Interest in subsidiaries	13,163	13,163
Amounts due from subsidiaries	1,525,868	926,856
Equity instruments at FVTPL	68,630	75,249
	1,607,661	1,015,268
Current assets		
Bank balances and cash	20,514	16,169
Amounts due from subsidiaries	551,106	1,100,145
Equity instruments at FVTPL	389	441
Other assets	874	1,395
	572,883	1,118,150
Current liabilities		
Payables and accruals	(21,623)	(20,817)
Bank borrowings	(375,940)	(361,193)
Amounts due to subsidiaries	(615,776)	(555,194)
	(1,013,339)	(937,204)
Net current (liabilities) assets	(440,456)	180,946
Net assets	1,167,205	1,196,214
Share capital	27,797	27,797
Share premium	73,400	73,400
Other reserves *(Note below)*	1,066,008	1,095,017
Total equity	1,167,205	1,196,214

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

51. FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: The movement in other reserves are presented below:

	Share options reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2018 (restated)	3,695	29,186	1,074,452	1,107,333
Loss for the year	–	–	(1,197)	(1,197)
Other comprehensive expense for the year	–	–	–	–
Total comprehensive expense for the year	–	–	(1,197)	(1,197)
Dividend recognised as distribution	–	–	(11,119)	(11,119)
At 1 January 2019	**3,695**	**29,186**	**1,062,136**	**1,095,017**
Loss for the year	**–**	**–**	**(9,551)**	**(9,551)**
Other comprehensive expense for the year	**–**	**–**	**–**	**–**
Total comprehensive expense for the year	**–**	**–**	**(9,551)**	**(9,551)**
Dividend recognised as distribution	**–**	**–**	**(19,458)**	**(19,458)**
At 31 December 2019	**3,695**	**29,186**	**1,033,127**	**1,066,008**

52. EVENT AFTER THE REPORTING PERIOD

Arising from the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak and unpredictability of future development, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, cash flows and operating results at the date on which these consolidated financial statements are authorised for issue. The actual financial effects, if any, will be reflected in the Group's future financial statements.

Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the published audited financial statements is set out below. The amounts for each year in 2015 to 2017 financial summary have not been adjusted for the effects of the adoption of the HKFRS 9 & 15 in the accounting policy.

The amounts for each year in 2015 to 2018 financial summary have not been adjusted for the effects of the adoption of the HKFRS 16.

RESULTS

	For the year ended 31 December				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Revenue	1,145,780	1,128,417	1,010,768	6,379,157	**6,415,933**
Profit before taxation	281,845	277,652	447,890	390,356	**157,777**
Income tax expense	(42,532)	(24,919)	(77,746)	(60,880)	**(36,565)**
Profit for the year	239,313	252,733	370,144	329,476	**121,212**
Attributable to:					
Owners of the Company	240,684	236,209	367,835	282,999	**78,781**
Non-controlling interests	(1,371)	16,524	2,309	46,477	**42,431**
	239,313	252,733	370,144	329,476	**121,212**

ASSETS AND LIABILITIES

	At 31 December				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Total assets	4,334,643	5,676,445	7,507,126	8,369,132	**9,329,183**
Total liabilities	(1,735,480)	(2,725,659)	(3,976,295)	(4,513,968)	**(5,355,963)**
Net assets	2,599,163	2,950,786	3,530,831	3,855,164	**3,973,220**
Attributable to:					
Owners of the Company	2,546,982	2,827,979	3,236,162	3,523,876	**3,610,212**
Non-controlling interests	52,181	122,807	294,669	331,288	**363,008**
	2,599,163	2,950,786	3,530,831	3,855,164	**3,973,220**

Particulars of Investment Properties

AT 31 DECEMBER 2019

Name of property and location	Lease terms	Use
Investment properties held for investment		
Singapore		
#11–07/23 Maxwell House 20 Maxwell Road Singapore	Long-term lease	Commercial
#01–08 23 Dalvey Estate Singapore	Freehold	Residential
#03–07 23 Dalvey Estate Singapore	Freehold	Residential
Hong Kong		
8th Floor Far East Finance Centre 16 Harcourt Road Hong Kong	Long-term lease	Commercial
8th Floor 9 Queen's Road Central Hong Kong	Long-term lease	Commercial
6 Carparking spaces and carport basement 9 Queen's Road Central Hong Kong	Long-term lease	Commercial
23rd Floor, United Centre 95 Queensway Hong Kong	Long-term lease	Commercial
33rd Floor, United Centre 95 Queensway Hong Kong	Long-term lease	Commercial
Unit 5, 17th Floor Eastern Harbour Centre 28 Hoi Chak Street Hong Kong	Medium-term lease	Industrial/Office

Particulars of Investment Properties

AT 31 DECEMBER 2019

Name of property and location	Lease terms	Use
Investment properties held for investment (continued)		
Unit 5, 7th Floor New Treasure Centre 10 Ng Fong Street Hong Kong	Medium-term lease	Industrial/Office
Flat B, 7/F., Ming Kung Mansion Kam Din Terrace 22 Tai Koo Shing Road Hong Kong	Long-term lease	Residential
Thailand		
74 Soi Terdrachan 11, Terdrachan Road, Sikan Sub-district Dong Mnang District, Bangkok 10210	Freehold	Commercial
Japan		
SiS Rinku Tower 1, Rinku Ourai Kita Izumisano City, Osaka Japan	Freehold	Commercial and hotel
Toyoko Inn Naha Asahi-bashi Ekimae 1–20, 2 chome, Kume Naha City, Okinawa Japan	Freehold	Hotel
Toyoko Inn Kanazawa Kenrokuen Korinbo 2–4–28, Korinbo Kanazawa City, Ishikawa Japan	Freehold	Hotel
Toyoko Inn Shonan Hiratsuka-eki Kitaguchi No.1 1–1 Akashicho Hiratsuka City, Kanagawa Japan	Freehold and medium-term lease	Hotel
Toyoko Inn Niigata Furumachi 1168–2, 7-bancho, Kamiokawamaedori Chuo-ku Niigata City, Niigata, Japan	Freehold	Hotel

Particulars of Investment Properties

AT 31 DECEMBER 2019

Name of property and location	Lease terms	Use
Investment properties held for investment (continued)		
Toyoko Inn Tokushima Ekimae 1–5, Ryogokuhoncho Tokushima City, Tokushima Japan	Freehold	Hotel
Dormy Inn Premium Otaru 3–9–1, Inaho Otaru City, Hokkaido Japan	Freehold	Hotel
Hakodate Rich Hotel Goryokaku 35–3, Goryokaku-cho Hakodate City, Hokkaido Japan	Freehold	Hotel
First Cabin Tsukiji 11–10, 2-chome, Tsukiji Chuo-ku, Tokyo Japan	Freehold	Hotel
The b Kyoto Sanjo 49–1, Nichome, Sanjo-dori Ohashi-higashi, Higashiyama-ku Kyoto City, Kyoto Japan	Freehold	Hotel
SK Kashiwa Building 14–1, Suehirocho Kashiwa City, Chiba Japan	Freehold	Commercial and hotel
Unwind Hotel & Bar Otaru, 8–25, 1–chome, Ironai, Otaru City, Hokkaido Japan	Freehold	Hotel
Piece Hostel Kyoto 21–1, Higashisannocho, Higashikujo, Minami-ku Kyoto City, Kyoto Japan	Freehold	Hostel

Particulars of Investment Properties

AT 31 DECEMBER 2019

Name of property and location	Lease terms	Use
Investment properties held for investment (continued)		
Piece Hostel Sanjo West 531, Asakuracho, Tominokoji-dori Sanjo-Sagaru, Nakagyo-ku Kyoto City, Kyoto Japan	Freehold	Hostel
Best Western Sapporo-odorikoen 2–36, 8-chome, Odorinishi Chuo-ku Sapporo City, Hokkaido Japan	Freehold	Hotel
Unwind Hotel & Bar Sapporo 289–111, Nishi 5-chome Minami 8-jo, Chuoku Sapporo, Hokkaido Japan	Freehold	Hotel
Piece Hostel Sanjo East 530 Asakuracho, Tominokoji-dori Sanjo-Sagaru, Nakagyo-ku Kyoto City, Kyoto, Japan	Freehold	Hostel
Resort Class Iun Onna Village 2620, Aza Nakawa, Onna Village, Kunigami-gan, Okinawa, Japan	Freehold	Hotel
Properties held for hotel operation		
Hotel Sun Plaza Sakai Annex 1-20, 1-cho, Ryujin bashi-cho Sakai-ku, Sakai City Osaka, Japan	Freehold	Hotel
Imano Tokyo Hostel 5-12-2, Shinjuku-ku Tokyo, Japan	Freehold	Hostel