Annual Report 2019

realord

偉祿集團控股有限公司

REALORD GROUP HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 1196

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Yu Leung Fai
Fang Jixin
Li Jue

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Chan Chu Kin

LEGAL ADVISER

Michael Li & Co.

INDEPENDENT AUDITORS

Grant Thornton Hong Kong Limited
Level 12, 28 Hennessy Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

STOCK CODE

1196

COMPANY WEBSITE

http://www.realord.com.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is my pleasure to report the financial results of the Group for the year ended 31 December 2019.

RESULTS

During the year under review, the Group recorded a total revenue of approximately HK$828.9 million and loss attributable to equity holders of approximately HK$415.5 million. Basic loss per share was HK$28.89 cents, based on the weighted average of 1,438,209,880 shares in issue during the year. The net loss after income tax of the Group was mainly attributable to a net loss on fair value changes of the Group's investment properties of approximately HK$202.6 million during the year ended 31 December 2019 ("FY2019"). The Group incurred a loss of approximately HK$439.8 million charged through statement of profit or loss in FY2019 arising from the early redemption of promissory notes by the Company, which were issued at completion of the Group's acquisition of certain investment properties during FY2018 from Madam Su Jiaohua and myself, the controlling shareholders of the Company. At the time of the completion of the said acquisition, the fair value of net assets acquired was higher than the fair value of the consideration by approximately HK$586.6 million and such gain on purchase was recognised as a deemed contribution from controlling shareholders of the Company through equity for FY2018 and resulted in an increase in equity attributable to the owners of the Company in the same amount. Although the said gain on purchase was dealt through equity and not through statement of profit or loss for FY2018 in accordance with HKFRSs, the Company has been advised that the Amount was to be charged through statement of profit or loss for FY2019 in accordance with the HKFRSs, not through equity. Notwithstanding this, the overall effects of the gain on purchase on the equity attributable to owners of the Company standing as at 31 December 2019 was a net gain of approximately HK$146.8 million (representing the surplus of (i) the gain on purchase of approximately HK$586.6 million recognised through equity for FY2018 over (ii) the loss of approximately HK$439.8 million charged through statement of profit or loss for FY2019). Both the loss charged through statement of profit or loss for FY2019 and the gain on purchase recognised through equity for FY2018 were non-cash items not affecting the cash flows of the Group for either year.

The Group also incurred (i) an increase in finance costs by approximately HK$110.1 million mainly due to the full year effect of interest expenses incurred for the Group's bank borrowings (as compared to that of the eight months interests resulting from promissory notes and bank borrowings in last year) to finance the Group's acquisition of two investment properties located in Realord Villas and Realord Technology Park in Shenzhen which completed in April 2018; (ii) a decrease in the net exchange gain by approximately HK$173.3 million mainly due to the decrease in the net amount of the RMB-denominated liabilities of the Company as compared to that in the last year; and (iii) a loss of approximately HK$82.6 million on the disposal of investments in a listed security held by the Group, which represented a reversal of all accumulated unrealised fair value gain on such listed securities investments recognised in prior years while the total net realised gain on such investments over the years was approximately HK$9.9 million. The aggregate of aforesaid effects to the Group's financial results for FY2019 was partially offset by (i) a gain of approximately HK$709.4 million arising from a re-measurement of previously held interests in an associate due to the Group's increase in equity interests in Shenzhen Yousheng from 49% to 51% resulting such company became an indirect 51%-owned subsidiary of the Company during FY2019; and (ii) the deferred tax credit of approximately HK$34.6 million for FY2019 arisen mainly from the fair value changes of investment properties during the year.

CHAIRMAN'S STATEMENT

DIVIDEND

The Directors do not recommend the payment of interim and final dividend (2018: Nil) for the year ended 31 December 2019. Total dividend for the year is nil (2018: Nil).

OUTLOOK

The business of the Group during FY2019 was affected in general by the macroeconomic environment changes in the PRC and Hong Kong. In 2019, the gross domestic product ("GDP") growth rate of the PRC was 6.1% which was reported as the lowest annual growth rate in a decade, down from 6.6% in 2018, while the GDP growth rate of Hong Kong contracted by 1.2% in 2019, shrinking from 9% growth in 2018.

The Group believes that 2020 is set to be a challenging year as lingering trade tensions and the outbreak of COVID-19 epidemic would continue to bring uncertainties affecting business sentiment and economic activities globally. The outbreak of COVID-19 epidemic resulting lock-down in a number of cities in the PRC and postponement of business resumption after the Chinese New Year holiday would cause to the slow down of Chinese economic development. Given it is difficult to estimate how much longer the situation will persist and the extent of impacts to the business, the Group will take a prudent approach to explore business opportunities and strategic investment beneficial to the Group and the Shareholders as a whole.

In March 2019, the Group completed an acquisition of a company with principal assets being a residential property of Villa Bel-Air, Hong Kong. The Group considers that this acquisition would further diversify the Group's portfolio of investment properties and strengthen the Property Segment. The Group takes an optimistic view on the outlook for the property market in long term notwithstanding that the management believes that 2020 is set to be challenging year as the outbreak of COVID-19 epidemic is expected to undermine business and property market sentiment for both Hong Kong and the PRC. The Group holds investment properties including but not limited to that located in Realord Villas in Longhua District and that located in Realord Technology Park, Guangming District, Shenzhen. Both investment properties are located in administrative districts which had been designated for speedy economic development by the local PRC governments. The accessibility of Guangming District has been greatly enhanced by the connection of Shenzhen Metro Line 6 and its development is expected to be further bolstered by the PRC government development plan for the districts. It is expected that the growth engine for the development of these two districts will be the investors within Shenzhen City or from other regions of the PRC. The Group is finalising its renovation for the investment properties at Realord Villas and is expected to commence the renovation work in June 2020, subject to any restrictions or government measures in place in response to the outbreak of COVID-19. The Group aims to complete the renovation work around the fourth quarter of 2020. Meanwhile, pre-leasing activities are initiated for certain investment properties at Realord Villas. So far, a few units were leased, with tenants including renowned supermarket.

CHAIRMAN'S STATEMENT

The Group has initiated works to enable the redevelopment of the Qiankeng property and the Zhangkenjing property for years. The Zhangkenjing property was acquired by the Group in September 2015. In February 2017, the Group has made an application to the PRC government authority to change the land use of the Zhangkenjing property from industrial use to residential apartments and office use for redevelopment purpose. In accordance with the notice from the government authority, the application is being processed and reviewed by the relevant authorities and is still under review as at the reporting date. The Qiankeng property was acquired by the Group in June 2016 and the application for urban redevelopment of the Qiankeng property from industrial use to public housing and residential use was also made to 深圳市龍華區城市更新局 (Shenzhen Longhua District Urban Renewal Bureau) in May 2017. It was subsequently agreed in principle that would be changed from indemnificatory housing to affordable commodity housing in early 2020. It was noted that the Qiankeng property has been included in the relevant urban renewal bureau's announcement regarding the proposed urban redevelopment plan for the Longhua District of 2019, and has also been included as a major renewal project of Longhua District in early 2020. The Company is uncertain about when the approvals will finally be granted but it expects that it should be granted in second half of 2020, subject to government schedules, and thereafter the redevelopment works will commence.

The Group was also selected by relevant stakeholders as the market elected developer of a redevelopment project located in Nanshan District, Shenzhen and is in the process of seeking the approval from the relevant PRC authorities to confirm its role as the developer for the project. Subject to obtaining the necessary government approvals on the redevelopment and the local residents vacating from the aforesaid site, the demolition of the existing properties and the redevelopment works on the aforesaid site will commence.

The Group's operation of the EP Segment has been shifted to Malaysia and Japan in FY2019. While the Group strives to maintain its turnover with customers based in the PRC under the current operation model, the outbreak of COVID-19, which lingered the contraction of commodity price and caused a sluggish global demand weighed on the customer confidence, is expected to negatively affect the profitability of the EP Segment. The Group will closely monitor the development of the situation and continue to explore the business opportunities in Japan and Malaysia markets following the good start in its Japan's operation. The Group is expanding its processing plant in Osaka, Japan to strengthen its establishment and productivity for the local Japanese market. With the expanded capacity, the Group targets to process and offer more diversities of products, which would better serve the local Japanese demand.

* *For identification purpose only*

CHAIRMAN'S STATEMENT

In April 2019, the Group completed the acquisition of 60% equity interests of Optima Capital, which is a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and is principally engaged in the provision of corporate finance advisory services in Hong Kong. The Group believes the acquisition strengthens the Financial Services Segment of the Group in Hong Kong and facilitates the Group to build a one-stop financial services platform with good branding and market positioning.

Another Company's subsidiary, Realord Asia Pacific Securities Limited ("Realord Securities", previously known as Realord Manureen Securities Limited), is undergoing expansion. During FY2019, seasoned expertise were recruited to join the management team and new shares of Realord Securities were issued to an independent third party for subscription of such shares in cash. The aforesaid subscription resulted in a deemed disposal of 9.9% of the Group's interests in Realord Securities. During the year under review, Realord Securities also participated in primary market as joint book runner and underwriter while reinforcing its current brokerage and margin financing business. Realord Asia Pacific Asset Management Limited, the assets management arm of the Financial Services Segment is also preparing for the launch of investment funds.

It is the Group's target to build a one-stop financial services platform with good branding and market positioning and provide comprehensive financial service to our customers under the Financial Services Segment. However, in view of the uncertainties on business sentiment and economic activities globally, mergers and acquisitions activities and IPO projects in the market may be delayed or suspended which would have negative impact on the progress of the Group's business plan for the Financial Services Segment.

The Group, together with 5 other independent third parties, had also applied for the approval from the China Securities Regulatory Commission ("CSRC") of the establishment of a security company in Guangzhou Pilot Free Trade Zone, which is currently under review of CSRC. The Company will update the Shareholders with the progress of application when and as appropriate.

Although the outbreak of COVID-19 epidemic would have negatively impacted the business activities, the Group expects the demand on motor vehicle parts will be stable as the subdued economy would induce the consumers to repair the existing vehicles in lieu of purchasing new ones. The Group will continue to take a prudent approach (including to apply tight credit control measures) in developing the business of MVP Segment in 2020.

CHAIRMAN'S STATEMENT

The Group contemplates the continuous competition and sluggish demand for the Commercial Printing Segment over the years and estimates the current situation will persist. The uncertainties of macroeconomic and business environment would undoubtedly affect the merger and acquisition and fundraising activities in the capital market, which affect the demand of the Group's services under the Commercial Printing Segment. The Group will implement possible measures to control its operating costs in coming year. The Directors will keep reviewing and assessing the risks, benefits and prospects thereof along the operations.

The Group takes a pessimistic view on the outlook for the Hangtag Segment and considers that 2020 will be an extremely challenging year. The Directors will review and assess the risks, benefits and prospects thereof along the operations.

APPRECIATION

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

By Order of the Board
Lin Xiaohui
Chairman

Hong Kong, 20 April 2020

OVERVIEW OF SHENZHEN PROJECTS DEVELOPMENT

NANSHAN DISTRICT

1. Laiying Garden (萊英花園) Urban Renewal Project

Laiying Garden Urban Renewal Project is the Group's first high-rise residential and commercial property development project in Nanshan District, Shenzhen, which will be developed into a residential and commercial complex comprising residential units, apartments, retail shops and entertainment and leisure facilities. It is located in Nanshan Science and Technology Park and financial district, and is only approximately 700 meters away from the Hi-Tech Park Station (高新園站) of Shenzhen Metro Line 1.

LONGHUA DISTRICT

2. Guanzhang Electronic Factory (冠彰電器廠) Urban Renewal Project (known as "Qiankeng Property")

Guanzhang Electronic Factory Urban Renewal Project, which is situated at Fucheng Subdistrict, Longhua District, Shenzhen, is a residential project being implemented and developed by the Group in Longhua District. The project is an affordable commodity housing project (residential/commercial) of which land use was changed from industrial use to residential use. It is proximate to the Zhucun Station (竹村站) of the northern extension of Shenzhen Metro Line 4 which is under construction, therefore it is expected to be benefited from the urban renewal in Longhua District.

3. Realord Villas (偉祿雅苑) – Realord Vcity (偉祿Vcity)

The rendering of Realord Vcity

Realord Villas is the Group's first residential and commercial complex project in Longhua District, Shenzhen. It is located on Huangan South Road, Guanlan Street, Longhua District, Shenzhen, and is conveniently situated less than 100 meters away from the High-tech Zone East Station (高新區東站) of Shenzhen Tram which is connected to Shenzhen Metro Line 4. The project, with a total gross floor area of approximately 230,000 square meters, comprises 2,016 residential units, a business apartment building, a shopping mall, retail shops and car parking spaces, of which, the residential units are the corporation talent housing allocated and sold by the government, while the business apartment building, shopping mall, retail shops and car parking spaces with a gross floor area of approximately 51,039 square meters are held by the Group. Realord Vcity, the shopping mall inside Realord Villas, will be the Group's first community mall project which is built as a business and shopping center that integrates local amenities, entertainment and leisure, parent-child education and specialty food and beverage experience, in order to create a warm and convenient space for a better community life.

4. Zhangkengjing Project (樟坑徑項目) (known as "ZhangKengjing Property")

Zhangkengjing Project is an industrial property held by the Group located at Zhangkengjing, Longhua District, Shenzhen. In February 2017, the Group made an application to 龍華區城市更新局 (Longhua District Urban Renewal Bureau) to change the land use of the project from industrial use to residential apartments and office use. According to the notice issued by the government authority, the application is being processed and reviewed by the relevant authorities and is still under review as at the reporting date. The property is currently used for leasing purpose.

GUANGMING DISTRICT

5. Realord Technology Park (偉祿科技園)

Realord Technology Park Project is located at Guangming Subdistrict, Guangming District, Shenzhen, occupying a site area of approximately 20,000 square meters. Phase 1 of the project consists of an office building with a gross floor area of approximately 60,000 square meters. It is proximate to the Phoenix City Station (鳳凰城站) of Shenzhen Metro Line 6. In light of the trend of developing high-end industries and the fact that Guangming District is being developed as a regional innovation hub in Shenzhen, and in order to seize the opportunities brought about by the development of high-tech industry, the Group intends to position the park as an integrated venture platform which provides comprehensive one-stop services to high-tech small and medium enterprises.

The principal activities of the Group during the year under review included the provision of financial printing, digital printing and other related services (the "Commercial Printing Segment"), sale of hangtags, labels, shirt paper boards and plastic bags (the "Hangtag Segment"), distribution and sale of motor vehicle parts (the "MVP Segment"), provision of corporate finance advisory, asset management, securities brokerage services and margin financing (the "Financial Services Segment"), property investment and development (the "Property Segment") and dismantling and trading of scrap materials (the "EP Segment").

Overall financial review

During the year under review, the Group recorded a total revenue of approximately HK$828.9 million, representing an increase of approximately 2.2% as compared to that of the last year of approximately HK$811.0 million. The Group recorded a loss of approximately HK$404.7 million for the year as compared to that of a profit of approximately HK$383.7 million for the last year.

The Group's revenue during the year under review was mainly contributed by the EP Segment, the MVP Segment and the Commercial Printing Segment. The EP Segment contributed approximately 71.4% of the total revenue of the Group, the MVP Segment approximately 12.9% and the Commercial Printing Segment approximately 9.4%. The remaining 6.3% was contributed by other segments of the Group. The Group's increase in revenue during the year under review was mainly due to the increase in revenue from the Financial Services Segment by approximately HK$30.6 million and the EP Segment by approximately HK$21.4 million as compared to that of last year. However, such increase was partially offset by the decrease in revenue in the MVP Segment by approximately HK$20.1 million, the Commercial Printing Segment by approximately HK$4.5 million and the Property Segment by approximately HK$9.0 million. Reasons for the changes in the relevant segment revenues are set out in the sections below.

The consolidated net loss after income tax of the Group for FY2019 amounted to approximately HK$404.7 million, as compared to that of a net profit after income tax of approximately HK$383.7 million in FY2018. The decrease was mainly attributable to a net loss on fair value changes of the Group's investment properties of approximately HK$202.6 million during FY2019 as compared to that of a net gain on fair value changes of approximately HK$671.4 million in FY2018. The Group also incurred (i) a loss of approximately HK$439.8 million charged through statement of profit or loss in FY2019 arising from the early redemption of promissory notes by the Company; (ii) an increase in finance costs by approximately HK$110.1 million mainly due to the full year effect of interest expenses incurred for the Group's bank borrowings (as compared to that of the eight months interests resulting from promissory notes and bank borrowings in FY2018) to finance the Group's acquisition of two investment properties located in Realord Villas and Realord Technology Park in Shenzhen (the "Investment Properties Acquisition") which completed in April 2018; (iii) a decrease in the net exchange gain by approximately HK$173.3 million mainly due to the decrease in the net amount of the RMB-denominated liabilities of the Company as compared to that in the last year; and (iv) a loss of approximately HK$82.6 million on the deemed disposal of investments in a listed security held by the Group, which represented a reversal of all accumulated unrealised fair value gain on such listed securities investments recognised in prior years while the total net realised gain on such investments over the years was approximately HK$9.9 million. The aggregate of aforesaid effects to the Group's financial results for FY2019 was partially offset by (i) a gain of approximately HK$709.4 million arising from a re-measurement of previously held interests in an associate due to the Group's increase in equity interests in Shenzhen Yousheng from 49% to 51% resulting such company became an indirect 51%-owned subsidiary of the Company during FY2019; and (ii) the deferred tax credit of approximately HK$34.6 million for FY2019 (FY2018: deferred tax expense of approximately HK$158.2 million) arisen mainly from the fair value changes of investment properties during the year.

In respect of the loss of approximately HK$439.8 million arising on the early redemption of promissory notes in FY2019 (i.e. the Amount) abovementioned, the relevant promissory notes were issued at completion of the Investment Properties Acquisition by the Group from Dr. Lin Xiaohui and Madam Su Jiaohua, the controlling shareholders of the Company, during FY2018. At the time of the completion of the said acquisition, the fair value of net assets acquired was higher than the fair value of the consideration by approximately HK$586.6 million and such gain on purchase was recognised as a deemed contribution from controlling shareholders of the Company through equity for FY2018 and resulted in an increase in equity attributable to the owners of the Company in the same amount. Although the said gain on purchase was dealt through equity and not through statement of profit or loss for FY2018 in accordance with HKFRSs, the Amount was to be charged through statement of profit or loss for FY2019 in accordance with HKFRSs. Notwithstanding this, the overall effects of the gain on purchase on the equity attributable to owners of the Company standing as at 31 December 2019 was a net gain of approximately HK$146.8 million (representing the surplus of (i) the gain on purchase of approximately HK$586.6 million recognised through equity for FY2018 over (ii) the loss of approximately HK$439.8 million charged through statement of profit or loss for FY2019). Both the loss charged through statement of profit or loss for FY2019 and the gain on purchase recognised through equity for FY2018 were non-cash items not affecting the cash flows of the Group for either year.

FINANCIAL AND BUSINESS REVIEW FOR EACH SEGMENT

The Property Segment

The revenue of the Property Segment was mainly generated from the rental income of the Group's investment properties. In FY2018, the Group generated aggregate rental income of approximately HK$19.5 million. In FY2019, to facilitate the approval process by the Development and Reform Commission (發展和改革委員會) and other government authorities in relation to the Group's application made for urban redevelopment of the Qiankeng Property from industrial use to public housing and residential use, the Group had terminated the lease agreement of the subject property for setting up the development projects (立項) in this regard. As a result of the termination of such lease, the revenue generated from this segment decreased to approximately HK$10.6 million in FY2019. The Property Segment recognised a profit of approximately HK$73.3 million in FY2019 as compared to that of a profit of approximately HK$316.2 million recorded in FY2018. The decline was mainly due to (i) the overall revaluation loss of the Group's investment properties of approximately HK$202.6 million during FY2019 (as compared to that of a gain of approximately HK$671.4 million during FY2018); and (ii) the increase in finance costs by approximately HK$75.9 million arising mainly from the bank borrowings for financing the Investment Properties Acquisition completed in April 2018. The decline in the fair value of investment properties of approximately 2.3% for FY2019 as compared to the value thereof as at 31 December 2018 was mainly attributable to the gentle decline in property market in the PRC as impacted by a general decrease in office net absorption following the slowdown of economic growth of the PRC and that in Hong Kong as affected by the social unrest since June 2019. The abovementioned decline was substantially offset by a gain of approximately HK$709.4 million arising from a re-measurement of previously held interests in an associate. During FY2019, the Group has acquired an addition 2% equity interests in Shenzhen Yousheng, a company engaged in the property development and 49%-owned associate of the Company prior to this step-acquisition, resulting Shenzhen Yousheng became an indirect 51%-owned subsidiary of the Company. The aforesaid increase in equity interests resulted in a gain on re-measurement of previously held interests in an associate, which represented the difference between the fair value of Shenzhen Yousheng attributable the initial 49% equity interests held by the Group as at the completion date of acquisition and the net carrying amount of such 49% interests immediate before the acquisition.

The EP Segment

To mitigate the impacts caused by the tightening control policy by the Chinese government regarding imports of scrap materials on the Group, the Group has shifted its scrap material sourcing and processing operations from Guangxi to Malaysia as part of the supply chain of its PRC customers which also relocated their processing arms offshore from Guangxi Province to southeast Asia. The Group engaged subcontractors in Malaysia for processing of the scrap materials and sold and delivered to the offshore arms of its PRC customers. The Group also set up 偉祿環保株式會社 (Realord Environmental Protection Japan Co., Ltd.) ("Realord EP Japan") and leased a processing plant in Osaka, Japan in the first half of 2019. Revenue from the EP Segment increased from HK$570.8 million in FY2018 to HK$592.2 million in FY2019, representing a year-on-year growth of approximately 3.8%. The improvement was mainly due to the development of Realord EP Japan, which contributed sales revenue of HK$25.7 million since its incorporation in early 2019. Despite the aforesaid growth, the Group's operating profit for the EP Segment for the year reduced by approximately 33.6% to HK$44.7 million from that of approximately HK$67.3 million recorded in the previous year, which was mainly attributable to the startup cost for Realord EP Japan and the higher subcontracting expenses for processing scrap materials in Malaysia as compared to that in the PRC.

The Financial Services Segment

The revenue from the Financial Services Segment increased by approximately 3 times to approximately HK$40.9 million in FY2019 as compared to that of approximately HK$10.3 million in FY2018. The segment recorded an operating profit of approximately HK$12.6 million for FY2019 as compared to that of a loss of approximately HK$20.3 million in FY2018. The growth was mainly attributable to the consolidation of results of Optima Capital Limited ("Optima Capital") since the completion of the acquisition of 60% issued share capital therein in April 2019 and the Group's provision of more comprehensive financial services to its customers during the year under review, such as placing agent and underwriting services.

The MVP Segment

In view of the slowdown of economic growth of the PRC amidst the US-China trade tensions, the Group has been seeking to shorten the business cycle of the MVP Segment. On the one hand, the Group negotiated with suppliers to speed up the delivery time while on the other hand, allowed for a shorter credit period for its customers of the MVP Segment. Such business strategy drives down 15.8% of the revenue from the MVP Segment in FY2019 to HK$107.0 million (FY2018: HK$127.1 million). Notwithstanding the decrease in revenue, the profit was lifted from breakeven in FY2018 to approximately HK$10.1 million in FY2019 mainly as a result in better credit control exercised on receivables collection during the year.

The Commercial Printing Segment

With the global economic slowdown and lingering trade tensions which negatively affected the capital market sentiment and stagnated the merger and acquisition and fundraising activities, the Commercial Printing Segment recorded both declines in revenue by approximately 5.5% to approximately HK$77.9 million in FY2019 (FY2018: HK$82.4 million) and in operating profit by approximately 70.9% to approximately HK$0.7 million in FY2019 (FY2018: HK$2.3 million) respectively.

The Hangtag Segment

The contribution of the Hangtag Segment to the Group was relatively minimal at approximately HK$0.3 million in FY2019, which declined 65.0% year-on-year from HK$1.0 million in FY2018. The operating loss derived from this segment was relatively minimal during both years of FY2018 and FY2019.

Others

The Group invests in listed securities in Hong Kong for trading purpose and other club and school debentures in Hong Kong. The total net realised loss on the disposal of financial assets at fair value through profit and loss amounted to approximately HK$80.0 million for FY2019. Among which, the Group recorded a loss on disposal of the investments in a listed security of approximately HK$82.6 million during the year under review, which mainly represented a reversal of all accounted unrealised fair value gain on such investments recognised in prior years. The total net realised gain on this investment over the years was approximately HK$9.9 million. As at 31 December 2019, the financial assets at fair value through profit or loss amounted to approximately HK$14.1 million, which represented investments in club and school debentures and certain listed securities in Hong Kong for trading purpose.

Liquidity, Financial Resources and Capital Structure

The Group generally finances its operations with internally generated cash flow, cash reserve, banking facilities and facility provided by the ultimate holding company. The Group is financially sound with healthy cash position. Its cash and bank balances as at 31 December 2019 amounted to approximately HK$585.1 million (31 December 2018: HK$896.5 million) which were mainly denominated in HK$ and RMB (31 December 2018: HK$ and RMB).

The gearing ratio of the Group as at 31 December 2019 was 369.1% (31 December 2018: 266.6%), based on the interest-bearing borrowings denominated in HK$ and RMB (31 December 2018: HK$ and RMB) of approximately HK$8,656.7 million (31 December 2018: HK$7,674.9 million) and divided by the equity attributable to the owners of the Company of HK$2,345.1 million (31 December 2018: HK$2,878.4 million). The interest-bearing borrowings carried interest rate ranging from 2.15% to 7.60% per annum (31 December 2018: 3.48% to 7.60% per annum) with maturity ranging from within 1 year to 30 years (31 December 2018: within 1 year to 5 years).

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

Foreign Exchange

Most of the transactions of the Group were denominated in Hong Kong dollars, US dollars, Euro, Japanese Yen and Renminbi; while the Group held cash of approximately RMB309.8 million reserved for operating and treasury purpose as at 31 December 2019.

The Group is exposed to foreign exchange risk arising from exposure in the US dollars, Euro, Japanese Yen and Renminbi against Hong Kong dollars. The management has continuously monitored the level of exchange rate exposure and used foreign currency forward contracts for hedging purpose during the year ended 31 December 2019. The Group did not use any financial instruments for hedging purpose as at 31 December 2019.

Financial Guarantees and Charges on Assets

As at 31 December 2019, corporate guarantees amounting to approximately HK$7,720.1 million (31 December 2018: HK$5,339.9 million) were given to banks by the Company for the provision of general banking facilities granted to its subsidiaries while corporate guarantees amounting to approximately HK$7,430.4 million (31 December 2018: HK$5,051.4 million) was given to banks in the PRC by the Company for the provision of general banking facilities granted to its PRC subsidiaries. Besides, the general banking facilities granted to the subsidiaries of the Company were secured by legal charges on certain investment properties, leasehold land and building owned by the Group with a total net book value of approximately HK$8,024.8 million (31 December 2018: HK$8,496.7 million) and approximately HK$354.4 million (31 December 2018: HK$20.7 million).

THE REVIEW AND OUTLOOK

The business of the Group during FY2019 was affected in general by the macroeconomic environment changes in the PRC and Hong Kong. In 2019, the gross domestic product ("GDP") growth rate of the PRC was 6.1% which was reported as the lowest annual growth rate in a decade, down from 6.6% in 2018, while the GDP growth rate of Hong Kong contracted by 1.2% in 2019, shrinking from 9% growth in 2018. Details of such impacts to the business of each segment of the Group have been included in the paragraph headed "Financial and business review for each segment" above.

The Group believes that 2020 is set to be a challenging year as lingering trade tensions and the outbreak of COVID-19 epidemic would continue to bring uncertainties affecting business sentiment and economic activities globally. The outbreak of COVID-19 epidemic resulting lock-down in a number of cities in the PRC and postponement of business resumption after the Chinese New Year holiday would cause to the slow down of Chinese economic development. Given it is difficult to estimate how much longer the situation will persist and the extent of impacts to the business, the Group will take a prudent approach to explore business opportunities and strategic investment beneficial to the Group and the Shareholders as a whole.

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

The Property Segment

In March 2019, the Group completed an acquisition of a company with principal assets being a residential property of Villa Bel-Air, Hong Kong. The Group considers that this acquisition would further diversify the Group's portfolio of investment properties and strengthen the Property Segment. The Group takes an optimistic view on the outlook for the property market in long term notwithstanding that the management believes that 2020 is set to be challenging year as the outbreak of COVID-19 epidemic is expected to undermine business and property market sentiment for both Hong Kong and the PRC. The Group holds investment properties including but not limited to that located in Realord Villas in Longhua District and that located in Realord Technology Park, Guangming District, Shenzhen. Both investment properties are located in administrative districts which had been designated for speedy economic development by the local PRC governments. The accessibility of Guangming District has been greatly enhanced by the connection of Shenzhen Metro Line 6 and its development is expected to be further bolstered by the PRC government development plan for the districts. It is expected that the growth engine for the development of these two districts will be the investors within Shenzhen City or from other regions of the PRC. The Group is finalising its renovation for the investment properties at Realord Villas and is expected to commence the renovation work in June 2020, subject to any restrictions or government measures in place in response to the outbreak of COVID-19. The Group aims to complete the renovation work around the fourth quarter of 2020. Meanwhile, pre-leasing activities are initiated for certain investment properties at Realord Villas. So far, a few units were leased, with tenants including renowned supermarket.

The Group has initiated works to enable the redevelopment of the Qiankeng property and the Zhangkenjing property for years. The Zhangkenjing property was acquired by the Group in September 2015. In February 2017, the Group has made an application to the PRC government authority to change the land use of the Zhangkenjing property from industrial use to residential apartments and office use for redevelopment purpose. In accordance with the notice from the government authority, the application is being processed and reviewed by the relevant authorities and is still under review as at the reporting date. The Qiankeng property was acquired by the Group in June 2016 and the application for urban redevelopment of the Qiankeng property from industrial use to public housing and residential use was also made to 深圳市龍華區城市更新局 (Shenzhen Longhua District Urban Renewal Bureau) in May 2017. It was subsequently agreed in principle that would be changed from indemnificatory housing to affordable commodity housing in early 2020. It was noted that the Qiankeng property has been included in the relevant urban renewal bureau's announcement regarding the proposed urban redevelopment plan for the Longhua District of 2019, and has also been included as a major renewal project of Longhua District in early 2020. The Company is uncertain about when the approvals will finally be granted but it expects that it should be granted in second half of 2020, subject to government schedules, and thereafter the redevelopment works will commence.

The Group was also selected by relevant stakeholders as the market elected developer of a redevelopment project located in Nanshan District, Shenzhen and is in the process of seeking the approval from the relevant PRC authorities to confirm its role as the developer for the project. Subject to obtaining the necessary government approvals on the redevelopment and the local residents vacating from the aforesaid site, the demolition of the existing properties and the redevelopment works on the aforesaid site will commence.

The EP Segment

The Group's operation of the EP Segment has been shifted to Malaysia and Japan in FY2019. While the Group strives to maintain its turnover with customers based in the PRC under the current operation model, the outbreak of COVID-19, which lingered the contraction of commodity price and caused a sluggish global demand weighed on the customer confidence, is expected to negatively affect the profitability of the EP Segment. The Group will closely monitor the development of the situation and continue to explore the business opportunities in Japan and Malaysia markets following the good start in its Japan's operation. The Group is expanding its processing plant in Osaka, Japan to strengthen its establishment and productivity for the local Japanese market. With the expanded capacity, the Group targets to process and offer more diversities of products, which would better serve the local Japanese demand.

In relation to the Group's acquisition of 60% equity interests in Realord Environmental Protection Industrial Company Limited ("Realord EP") completed in 2017, as the target profit (being the consolidated net profit after income tax of the group of Realord EP after excluding any (i) gain on bargain purchase; and (ii) revaluation gains or losses of properties and the associated deferred tax charged to the statement of profit or loss) of not less than HK$50 million for the year ended 31 December 2018 as agreed under the terms of relevant agreement has been fulfilled, 2,500,000 new shares of the Company were allotted and issued as consideration shares to the vendor in June 2019. Details of the fulfillment of the target profit was set out in the announcement of the Company dated 31 May 2019.

The Financial Services Segment

In April 2019, the Group completed the acquisition of 60% equity interests of Optima Capital, which is a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and is principally engaged in the provision of corporate finance advisory services in Hong Kong. The Group believes the acquisition strengthens the Financial Services Segment of the Group in Hong Kong and facilitates the Group to build a one-stop financial services platform with good branding and market positioning.

Another Company's subsidiary, Realord Asia Pacific Securities Limited ("Realord Securities", previously known as Realord Manureen Securities Limited), is undergoing expansion. During FY2019, seasoned expertise were recruited to join the management team and new shares of Realord Securities were issued to an independent third party for subscription of such shares in cash. The aforesaid subscription resulted in a deemed disposal of 9.9% of the Group's interests in Realord Securities. During the year under review, Realord Securities also participated in primary market as joint book runner and underwriter while reinforcing its current brokerage and margin financing business. Realord Asia Pacific Asset Management Limited, the assets management arm of the Financial Services Segment is also preparing for the launch of investment funds.

It is the Group's target to build a one-stop financial services platform with good branding and market positioning and provide comprehensive financial service to our customers under the Financial Services Segment. However, in view of the uncertainties on business sentiment and economic activities globally, mergers and acquisitions activities and IPO projects in the market may be delayed or suspended which would have negative impact on the progress of the Group's business plan for the Financial Services Segment.

The Group, together with 5 other independent third parties, had also applied for the approval from the China Securities Regulatory Commission ("CSRC") of the establishment of a security company in Guangzhou Pilot Free Trade Zone, which is currently under review of CSRC. The Company will update the Shareholders with the progress of application when and as appropriate.

The MVP Segment

Although the outbreak of COVID-19 epidemic would have negatively impacted the business activities, the Group expects the demand on motor vehicle parts will be stable as the subdued economy would induce the consumers to repair the existing vehicles in lieu of purchasing new ones. The Group will continue to take a prudent approach (including to apply tight credit control measures) in developing the business of MVP Segment in 2020.

The Commercial Printing Segment

The Group contemplates the continuous competition and sluggish demand for the Commercial Printing Segment over the years and estimates the current situation will persist. The uncertainties of macroeconomic and business environment would undoubtedly affect the merger and acquisition and fundraising activities in the capital market, which affect the demand of the Group's services under the Commercial Printing Segment. The Group will implement possible measures to control its operating costs in coming year. The Directors will keep reviewing and assessing the risks, benefits and prospects thereof along the operations.

The Hangtag Segment

The Group takes a pessimistic view on the outlook for the Hangtag Segment and considers that 2020 will be an extremely challenging year. The Directors will review and assess the risks, benefits and prospects thereof along the operations.

LITIGATION AND CONTINGENT LIABILITIES

Save as disclosed in note 44 to the consolidated financial statements, the Group has no other significant litigation and contingent liabilities.

EVENTS AFTER REPORTING PERIOD

Subsequent to 31 December 2019, the Group has the following significant events:

After the outbreak of COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented across the regions in which the Group has business operations. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impacts on the financial position and operating results of the Group.

On 3 April 2020, a subsidiary of the Company entered into a facility agreement with an independent third party, pursuant to which the Group has agreed to grant a loan of HK$80,000,000 to the independent third party. The loan is unsecured, interest-bearing at fixed rate of 10% per annum and repayable after eighteen months from the drawdown date.

PRINCIPAL RISKS AND UNCERTAINTIES

Concentration risk

The five largest customers of the Group contributed approximately 49.3% of the total turnover of the Group for the year; while the five largest suppliers of the Group contributed approximately 72.2% of the total purchases of the Group for the year. The concentration of sales and purchases on certain customers and suppliers may pose risk to the Group operation in that failure in any of these customers and suppliers may have adverse financial effect on the Group.

Credit risk

The account receivables amounted to HK$410.6 million as at 31 December 2019, which comprise amounts due from clients from Financial Services Segment amounted to HK$99.2 million; amounts due from customers from MVP Segment amounted to HK$60.8 million; amounts due from customers from EP Segment amounted to HK$237.9 million; and amounts due from customers from other businesses amounted to HK$12.7 million.

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

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

Market risk

Investment properties

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

Financial assets

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

LAWS AND REGULATIONS

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

Operation in regulatory sector

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

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

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

Workplace Quality

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

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

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

Environmental Protection

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

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

RELATIONSHIP WITH EMPLOYEES

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

RELATIONSHIP WITH SUPPLIERS

Fair and Open Competition

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

Public Interest and Accountability

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

Procurement and Tendering Procedures

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

RELATIONSHIP WITH CUSTOMERS AND CLIENTS

Customer Services

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

ENVIRONMENTAL AND SOCIAL POLICIES

Details of the environmental and social policies of the Group are set out in the Environmental, Social and Governance Report on pages 45 to 67.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 December 2019, the Group had a total workforce of 268, of whom 137, 120 and 11 were based in Hong Kong, the PRC and Japan. Remuneration packages are generally structured by reference to market terms and individual qualifications, experience and merits. Salaries are normally reviewed on an annual basis and bonuses, if any, will be based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include mandatory provident fund scheme, share option scheme and medical insurance.

SOCIAL RESPONSIBILITIES AND SERVICES AND ENVIRONMENTAL POLICY

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

EXECUTIVE DIRECTORS

Dr. Lin Xiaohui ("Dr. Lin"), aged 46, obtained a post-graduate diploma in business administration from the Society of Business Practitioners in December 2013, a Master degree of business administration from the City University College of Science and Technology in September 2014 and a Honorary Doctorate degree of Business Administration from the SABI University in August 2015. Since 2005, Dr. Lin has held management positions in a number of private companies in which he has shareholding interests, and these companies are mainly engaged in real estate, electronics, logistics and financial investment in Shenzhen. Dr. Lin is a member of the Committee of Shenzhen City of the Chinese People's Political Consultative Conference and a member of the Committee of Futian District, Shenzhen City of the Chinese People's Political Consultative Conference. Dr. Lin is the spouse of Madam Su and the brother of Mr. Lin Xiaodong. Dr. Lin joined the Group in June 2014.

Madam Su Jiaohua ("Madam Su"), aged 47, obtained the advanced diploma in business studies from Ashford College of Management & Technology Singapore in September 2012. Since 2005, Madam Su has held management positions in a number of private companies in which she has shareholding interests, and these companies are mainly engaged in real estate, electronics, logistics and financial investment in Shenzhen. Madam Su also served as a member of the People's Congress of Futian District, Shenzhen City since April 2012, and a member of the People's Congress of Shenzhen City since May 2015. Madam Su is the spouse of Dr. Lin. Madam Su joined the Group in June 2014.

Mr. Lin Xiaodong ("Mr. Lin"), aged 37, obtained a Bachelor of Commerce and Administration in Commercial Law and International Business from the Victoria University of Wellington, New Zealand in 2007. He has worked in the Branch Office of Shenzhen Municipal Office of the State Administration of Taxation* (深圳市國家稅務局直屬分局) from 2007 to 2009. He has undertaken various managerial roles in a company owned by Dr. Lin and Madam Su since 2009. Mr. Lin Xiaodong is the brother of Dr. Lin. Mr. Lin Xiaodong joined the Group in June 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Leung Fai ("Mr. Yu"), aged 43, was appointed as an independent non-executive director of the Company in 2014 and has over 19 years of experience in corporate services field. He was an auditor of Deloitte Touche Tohmatsu from 2000 to 2001. Since 2001, Mr. Yu has joined Fung, Yu & Co. CPA Limited and is currently the company's Managing Partner. Mr. Yu has also been the company secretary of Beijing Media Corporation Ltd. (Hong Kong stock code: 01000), Yuanda China Holdings Limited (Hong Kong stock code: 02789) and Sany Heavy Equipment International Holdings Limited (Hong Kong stock code: 00631), and the independent non-executive director of Dowway Holdings Limited (Hong Kong stock code: 08403) all of which are listed companies in Hong Kong, since 2010, 2012, 2017 and 2019, respectively. Mr. Yu graduated from the University of Toronto with a bachelor's degree in commerce in 2000 and from the University of London with a bachelor's degree in law in 2005. He is a member of the American Institute of Certified Public Accountants, Certified Practicing Accountants of Australia and the Hong Kong Institute of Certified Public Accountants.

* *For identification purpose only*

Mr. Fang Jixin ("Mr. Fang"), aged 38, holds a Master degree in Civil and Commercial Law from Wuhan University. Mr. Fang was a legal assistant and a solicitor in the Shu Jin Law Firm from 2005 to 2008 and in the compliance and management division of China International Capital Corporation Limited from 2008 to 2012. He has joined Shenzhen City Zhidongli Precise Technology Company Limited* (深圳市智動力精密技術股份有限公司) since 2012 and is currently the deputy general manager and secretary to the board (董事會秘書). Mr. Fang joined the Group in June 2014.

Dr. Li Jue ("Dr. Li"), aged 44, graduated in Jilin University School of Law, obtained a Bachelor degree in Laws in 1997, a Master degree in Civil and Commercial Law in 2001 and a Doctorate degree in Civil and Commercial Law in 2013. In 2014, Dr. Li joined the post-doctoral research station jointly established by the Center for Assessment and Development of Real Estate, Shenzhen* (深圳市房地產評估發展中心) and the Harbin Institute of Technology, PRC, and engaged in researches relating to the real estate industry. Dr. Li was employed by the Bank of China (Shenzhen Branch) from 2001 to 2013. Since 2015, Dr. Li has been employed by the School of Finance and Economics at the Shenzhen Institute of Information Technology. Dr. Li joined the Group in June 2014.

SENIOR MANAGEMENT

Mr. Chan Chu Kin ("Mr. Chan"), aged 41, is the chief financial officer and company secretary of the Company. Mr. Chan has over 18 years of experience in accounting and finance. Mr. Chan graduated from the University of New South Wales with a bachelor's degree in commerce in 2001. He is a member of the Certified Public Accountants of Australia and fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan joined the Group in June 2017.

* *For identification purpose only*

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

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

An analysis of the Group's performance for the year ended 31 December 2019 by business operating segments and geographical information is set out in note 6 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2019 and the consolidated financial position of the Group at that date are set out in the consolidated financial statements on pages 76 to 219.

No interim and final dividend have been declared during the years ended 31 December 2019 and 31 December 2018.

FIVE YEAR FINANCIAL HIGHLIGHTS

A summary of the results, assets and liabilities of the Group for the last five fiscal years is set out on page 220.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2019 is set out in the "Management Discussion and Analysis" section on pages 10 to 22.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year ended 31 December 2019 are set out in note 39 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

At 31 December 2019, the Company did not have any reserve available for distribution (2018: nil).

MAJOR CUSTOMERS AND SUPPLIERS

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

(1) The aggregate amount of turnover attributable to the Group's five largest customers represented 49.3% of the Group's total turnover. The amount of sales to the Group's largest customer represented 18.4% of the Group's total turnover.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented 72.2% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented 45.1% of the Group's total purchases.

None of the directors of the Company, their associates or any shareholder (who, to the best knowledge of the directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year ended 31 December 2019.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive directors:

Dr. Lin Xiaohui
Madam Su Jiaohua
Mr. Lin Xiaodong

Independent non-executive directors:

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

Mr. Fang Jixin and Dr. Li Jue will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting in accordance with Bye-law 87 of the Company's Bye-laws.

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

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

DIRECTORS' SERVICE CONTRACTS

No director of the Company as of the date of this report has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Saved as disclosed in notes 12 and 48 to the consolidated financial statements, no director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

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

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

As at 31 December 2019, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong) (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

	Number of shares held					
Name of directors	**Personal interests (held as beneficial owner)**	**Corporate interests**	**Spouse interests**	**Interest from options granted under share option scheme**	**Total interests**	**Total interests as% of the issued share capital**
Dr. Lin Xiaohui	–	1,073,160,000 *(Note 1)*	–	–	1,073,160,000	74.62%
Madam Su Jiaohua	–	–	1,073,160,000 *(Note 2)*	–	1,073,160,000	74.62%
Mr. Lin Xiaodong	–	–	–	1,000,000	1,000,000	0.07%
Mr. Yu Leung Fai	–	–	–	500,000	500,000	0.03%
Mr. Fang Jixin	–	–	–	500,000	500,000	0.03%
Dr. Li Jue	–	–	–	500,000	500,000	0.03%

Notes:

1. As at 31 December 2019, Manureen Holdings Limited ("MHL") was the legal and beneficial owner of 1,073,160,000 shares. Since Dr. Lin Xiaohui owned 70% of the issued share capital of MHL, he was deemed to be interested in 1,073,160,000 shares.

2. Madam Su Jiaohua, the spouse of Dr. Lin Xiaohui, was deemed to be interested in 1,073,160,000 shares which Dr. Lin Xiaohui was deemed to be interested under the SFO as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, none of the directors or chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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

As at 31 December 2019, so far as is known to the directors, the following persons (other than a director or chief executive of the Company) had interests in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares held	Percentage of issued capital
MHL	Beneficial owner	1,073,160,000	74.62%

Note:

As at 31 December 2019, MHL was the legal and beneficial owner of 1,073,160,000 Shares. MHL was owned as to 70% by Dr. Lin Xiaohui and as to 30% by Madam Su Jiaohua.

Save as disclosed above, as at 31 December 2019, other than the directors and chief executive of the Company whose interests or short positions are set out in the paragraph headed "Directors' and chief executive's interests and short position in shares, underlying shares or debentures of the Company or its associated corporations" above, the directors and chief executive of the Company were not aware of any person who had any interest or short position in the shares or underlying shares of the Company according to the register of interest required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEMES

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

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

Name of Grantee	Date of Grant	Exercise Period	Exercise price per share (HK$)	Outstanding as at 1 January 2019	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2019
Directors								
Lin Xiaodong	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	–	1,000,000
Yu Leung Fai	20/5/2015	20/5/2017 – 19/5/2025	4.11	500,000	–	–	–	500,000
Fang Jixin	20/5/2015	20/5/2017 – 19/5/2025	4.11	500,000	–	–	–	500,000
Li Jue	20/5/2015	20/5/2017 – 19/5/2025	4.11	500,000	–	–	–	500,000
				2,500,000	–	–	–	2,500,000
Direcotors' associates								
Lin Xiaohong	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	–	1,000,000
Su Jiawen	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	–	1,000,000
Lin Yixin	20/5/2015	20/5/2017 – 19/5/2025	4.11	300,000	–	–	–	300,000
Lin Jingming	20/5/2015	20/5/2017 – 19/5/2025	4.11	1,000,000	–	–	–	1,000,000
				3,300,000	–	–	–	3,300,000
Other employees								
In aggregate	20/5/2015	20/5/2017 – 19/5/2025	4.11	2,000,000	–	–	–	2,000,000
				2,000,000	–	–	–	2,000,000
				7,800,000	–	–	–	7,800,000

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 38 to 44.

MATERIAL CONNECTED TRANSACTIONS

On 30 April 2019, the Group acquired 60% equity interest in Optima Capital Limited from vendors at a consideration of HK$96,000,000. As one of the vendors, Ms. Leung Mei Han, is the spouse of a director of a subsidiary of the Company, it constituted a connected transaction as defined in Chapter 14A of the Listing Rules. Details of the transaction could be referred to the announcement of the Group dated 27 December 2018.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group conducted certain continuing connected transactions with a connected person (as defined in the Listing Rules) which are required to be disclosed pursuant to rules 14A.49 and 14A.71 of the Listing Rules.

On 15 May 2019, 偉祿環保株式會社 (translated as Realord Environmental Protection Japan Co., Ltd. ("Realord EP Japan")) and 津川金屬株式會社 (translated as Tsugawa Metal Co., Ltd., ("Tsugawa Metal")) entered into (i) the lease agreement, pursuant to which Realord EP Japan has agreed to lease from Tsugawa Metal the Land and the Fixed Assets for JPY5,000,000 (equivalent to approximately HK$374,550) in aggregate per month; and (ii) the service agreement, pursuant to which Tsugawa Metal agreed to provide the Technical Services to Realord EP Japan for JPY2,700,000 (equivalent to approximately HK$202,257) per month with workers' overtime charge on a hourly rate (if any), for carrying on the Group's dismantling and trading of scrap material business in Japan (together with the lease agreement, the "CCT Agreements").

Realord EP Japan is effectively owned as to 54.3% by the Company through its indirect 60.3% owned subsidiary, Realord Environmental Protection Industrial Company Limited, and directly owned as to 10% by Mr. Liu Tao, who is also a director of Realord EP Japan and a majority shareholder holding 60% interests in Tsugawa Metal. Tsugawa Metal is therefore a connected person of the Company at the subsidiary level under the Listing Rules.

The transactions contemplated under the CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

THE LEASE AGREEMENT

Date

15 May 2019

Parties

(i) Realord EP Japan, as the lessee; and

(ii) Tsugawa Metal, as the lessor.

Terms of lease

Subject assets	:	The Land and the Fixed Assets
Term	:	15 May 2019 to 14 May 2020 (both dates inclusive)
Monthly lease payment	:	JPY5,000,000 (equivalent to approximately HK$374,550) per month The above charge was determined after arm's length negotiations between Realord EP Japan and Tsugawa Metal with reference to the existing rental expenses paid by Tsugawa Metal to the respective owners of the Land and the Fixed Assets, which are independent third parties, and where such rental expenses are not available, the construction costs of the buildings erected on the Land and the prevailing market purchase price of the relevant Fixed Assets (consumption tax inclusive) charged over the estimated useful lives of the subject assets. Quotations from two independent suppliers were obtained to compare that the aforementioned rental and purchase price were no less favourable to the Group than offered by independent suppliers. Lease payment shall be payable monthly in advance.

Early termination	:	Tsugawa Metal has the right to terminate the Lease Agreement without giving notice to Realord EP Japan in the occurrence of any of the following events: (i) three months of lease payments are delinquent; (ii) Realord EP Japan has delayed the lease payment for more than three times during the lease term; or (iii) Realord EP Japan has breached any of the terms in the lease agreement and failed to correct or remedy in time after Tsugawa Metal's written request.
Other terms	:	Tsugawa Metal has confirmed that it has the rights to use and lease the Land and the Fixed Assets to Realord EP Japan. Realord EP Japan is required to obtain a prior written consent from Tsugawa Metal in the following circumstances: (i) construct a new building on the Land; (ii) sub-lease the Land and the Fixed Assets, or other acts with similar purpose; (iii) change the purpose of the Land and the Fixed Assets; and (iv) change the existing state of the Land. A deposit of JPY20,000,000 (equivalent to approximately HK$1,498,200) has been paid to Tsugawa Metal on the date of the lease agreement. Upon expiry of the lease term and return of the subject assets by Realord EP Japan to Tsugawa Metal, Tsugawa Metal shall, after deduction of any unpaid rent or damage fee, refund the deposit to Realord EP Japan.

ANNUAL CAPS

The Company has set the annual caps in relation to the lease of the Land and the Fixed Assets as follows:

Period	**Annual Caps**
	HK$
For the year ending 31 December 2019	2,810,000
For the year ending 31 December 2020	1,686,000

The above annual caps were determined by the Directors with reference to the monthly lease payment for the Land and the Fixed Assets.

THE SERVICE AGREEMENT

Date

15 May 2019

Parties

(i) Realord EP Japan; and

(ii) Tsugawa Metal

Terms of service

Services to be provided by Tsugawa Metal	:	The Technical Services
Term	:	1 July 2019 to 30 June 2020 (both dates inclusive)
Monthly service fee	:	JPY2,700,000 (equivalent to approximately HK$202,257) per month The above fee was determined after arm's length negotiations between Realord EP Japan and Tsugawa Metal with reference to the salary of nine waste copper wires processing workers under the technical services, which is lower than the average income of similar workers in manufacturing industry in Osaka, Japan based on government statistics.
Overtime charge	:	JPY1,875 (equivalent to approximately HK$140) per hour and per worker in the event that the relevant workers are required by Realord EP Japan to work overtime from 6 p.m. to 10 p.m.

JPY2,250 (equivalent to approximately HK$169) per hour and per worker in the event that the relevant workers are required by Realord EP Japan to work overtime from 10 p.m. to 5 a.m.

The above overtime charge was determined after arm's length negotiations between Realord EP Japan and Tsugawa Metal with reference to the average hourly rate per worker calculated based on the monthly service fee above assuming each worker works 8 hours per day and 25 working days per month and the statutory requirements for overtime compensation according to 労働局 (translated as Labour Bureau) in Japan.

The monthly service fee, together with the overtime charge, are payable within five Business Days upon receipt of an invoice from Tsugawa Metal.

Early termination :	Either party may terminate the service agreement by giving a 15-day prior written notice. However, the parties are still required to fulfill their obligations and responsibilities under the service agreement before termination.
Other terms :	Tsugawa Metal agreed that the amount of waste copper wires processed under the service agreement shall be no less than 450 tonnes per month and the average daily amount of waste copper wires processed shall be no less than 18 tonnes calculated based on 25 working days per month. If the waste copper wires provided by Realord EP Japan is less than the agreed amount, leading to the waste copper wires processed being less than such agreed amount, the monthly service fee will remain as JPY2,700,000 (equivalent to approximately HK$202,257).

Tsugawa Metal warrants that the copper content of each tonne of processed waste residue shall not exceed 1%.

In the event that the copper content in the processed waste copper wires deviates from the level specified in the processing plan as previously agreed by both parties by over 1%, Tsugawa Metal shall compensate such loss in value of copper content by Realord EP Japan according to the prevailing copper price in the Japanese market as at the relevant completion date of processing.

ANNUAL CAPS

The Company has set the annual caps in relation to the Technical Service as follows:

Period	**Annual Caps** *HK$*
For the year ending 31 December 2019	2,314,000
For the year ending 31 December 2020	2,314,000

The above annual caps were determined by the Directors with reference to the monthly service fee for the Technical Service and the estimate of workers' overtime charge to be incurred in the event that higher average daily amount of waste copper wires at up to 30 tonnes than the agreed 18 tonnes per day abovementioned is processed as a result of possible increase in machines productivity.

Full details of the above continuing connected transactions are set out in the announcements published by the Company on 15 May 2019 and on the website of the Hong Kong Exchanges and Clearing Limited ("The Stock Exchange").

In accordance with rule 14A.55 of the Listing Rules, the independent non-executive directors of the Company reviewed the continuing connected transactions as mentioned above and confirmed that the transactions were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Group as a whole.

Pursuant to rule 14A.56 of the Listing Rules, the Company's external auditors, Grant Thornton Hong Kong Limited ("Grant Thornton") was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Grant Thornton has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group in the paragraph above in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

On 15 January 2020, Deloitte Touche Tohmatsu resigned as auditors of the Company and Grant Thornton Hong Kong Limited was appointed by the directors to fill the casual vacancy so arising. A resolution for the reappointment of Grant Thornton Hong Kong Limited as auditors of the Company will be proposed at the forthcoming annual general meeting.

For and on behalf of the Board

Lin Xiaohui
Chairman

Hong Kong, 20 April 2020

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance practices. In the opinion of the directors, the Company has complied all code provisions (the "Code Provisions") in the Corporate Governance Code (the "Code") set out in Appendix 14 of the Listing Rules for the year ended 31 December 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors of the Company, they have confirmed compliance with the required standard set out in the Model Code during the year ended 31 December 2019.

BOARD OF DIRECTORS

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

The Board met 11 times during the year ended 31 December 2019. Its composition and the attendance of individual directors at these Board meetings were follows:

Name	**Number of Board meetings attended/held**
Executive directors	
Dr. Lin Xiaohui *(Chairman)*	11/11
Madam Su Jiaohua *(Chief Executive Officer)*	11/11
Mr. Lin Xiaodong	11/11
Independent non-executive directors	
Mr. Yu Leung Fai	11/11
Mr. Fang Jixin	11/11
Dr. Li Jue	11/11

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

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

DIRECTORS' TRAINING

All directors participate in continuous professional development to enhance and refresh their knowledge and skills. During the year ended 31 December 2019, all directors had provided the Company their training records. All directors participated in continuous professional development exercise by way of attending seminars/conferences/forums organised by professional organisations and keep themselves updates on the roles, functions and duties of a listed company directors. The trainings attended by the directors are in the area of corporate governance, regulatory development, financial management or business skills and knowledge. The Company is of the view that all directors of the Company has compiled with Code Provision A.6.5.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the following corporate governance functions:

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

REMUNERATION COMMITTEE

During the year ended 31 December 2019, the members of the Remuneration Committee comprised one executive director and two independent non-executive directors of the Company, namely Dr. Li Jue (Chairman), Mr. Yu Leung Fai and Dr. Lin Xiaohui. The terms of reference of the Remuneration Committee have been determined with reference to the Code.

The Remuneration Committee met two times during the year ended 31 December 2019. All members attended these meetings.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's remuneration policy and structure for all directors and senior management. During the year ended 31 December 2019, the Remuneration Committee has reviewed the Group's remuneration policy, including the policy for the remuneration of executive directors in accordance with Code Provision B.1.2(c)(ii), the levels of remuneration paid to executive directors and senior management of the Group.

NOMINATION OF DIRECTORS

During the year ended 31 December 2019, the members of the Nomination Committee comprised one executive director and two independent non-executive directors of the Company, namely Dr. Lin Xiaohui (Chairman), Mr. Yu Leung Fai and Mr. Fang Jixin. The terms of reference of the Nomination Committee have been determined with reference to the Code.

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

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

- Character and integrity;

- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

- Diversity in all aspects, including but not limited to gender, age (18 years or above) cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

- Requirements of independent non-executive directors on the Board and independence of the proposed independent non-executive directors in accordance with the Listing Rules; and

- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

AUDIT COMMITTEE

During the year ended 31 December 2019, the members of the Audit Committee comprised three independent non-executive directors of the Company, namely Mr. Yu Leung Fai (Chairman), Mr. Fang Jixin and Dr. Li Jue. The terms of reference of the Audit Committee follow the guidelines set out in the Code.

The Audit Committee met two times during the year ended 31 December 2019, which were attended by all members.

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company, which give a true and fair view of the financial position of the Group on a going concern basis. As at 31 December 2019, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the consolidated financial statements of the Company on a going-concern basis.

The responsibilities of the external auditors about their financial reporting are set out in the Independent Auditor's Report attached to the Company's Financial Statements for the year ended 31 December 2019.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

Based on the internal control reviews conducted in 2019, no significant control deficiency was identified.

AUDITOR'S REMUNERATION

For the year ended 31 December 2019, fees paid/payable to the Company's external auditor for annual audit services totalled HK$3,380,000 (year ended 31 December 2018: HK$1,880,000). For other audit/review-related services, the fees amounted to HK$1,500,000 (year ended 31 December 2018: HK$2,630,000).

COMPANY SECRETARY

The Company Secretary is to ensure there is a good information flow within the Board and between the Board and senior management, provide advice to the Board in relation to directors' obligations under the Listing Rules and applicable laws and regulations and assist the Board in implementing the corporate governance practices. The Company Secretary confirmed that he has taken not less than 15 hours of relevant professional training during the year ended 31 December 2019 and has provided training record to the Company indicating his compliance with the training requirement under the Listing Rules. The Company is of the view that the Company Secretary has compiled with Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

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

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

DIVIDEND POLICY

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

SHAREHOLDERS' RIGHTS

Convenes a special general meeting of the Company

Pursuant to Bye-law 58 of the Company, shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may convene a special general meeting.

Enquiries to the Board

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

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

Procedures for putting forward proposals at general meetings

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

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

2. not less than one hundred shareholders.

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

1.1 Overview

This Environmental, Social and Governance Report covers the Environmental, Social and Governance Performance of the Group, during the reporting period from 1 January 2019 to 31 December 2019. This Report has complied with the "comply or explain" provisions set out in Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") and reported on all recommended disclosures of the Guide. The content of this Report is prepared in accordance with the ESG Reporting Guide of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and is published once a year.

1.2 Reporting Scope

The is a conglomerate listed on the Main Board of the Hong Kong Stock Exchange, principally engaged in financial services, property investment and development, distribution and sales of motor vehicle parts, commercial printing, hangtag and environmental protection industry with geographic coverage in Hong Kong, the PRC and Japan. The reporting scope of this Environmental, Social and Governance Report cover the Shenzhen office and Guangxi Recycling Yard.

2. REPORTING PRINCIPLES

We have taken the following reporting principles into account in development of this Report:

- Materiality: We regularly engage our stakeholders to better understand their concerns relating to sustainability issues that affect them. We also make regular reference to our peers and both local and regional sustainability criteria when we review our sustainability context, materiality and disclosures in order to keep our sustainability priorities and strategy relevant. The Board and the management regularly review the sustainability issues that are most significant to our business and operations, and consider the issues discussed in this Report to be material to the Group.

- Quantitative: For the quantitative information we report on, we provide explanation on how we collect and analyse relevant data in appropriate circumstances. The environmental key performance indicators include the disclosure of comparative data to allow stakeholders to make analysis based on our performance.

- Balance: We aim to keep our report balanced and make fair disclosures on critical aspects of our performance, both in terms of progress made and continuing challenges that we are dealing with.

- Consistency: We have reported in accordance with the ESG Reporting Guide of the Stock Exchange, which allows for year-to-year comparison with our previous performance.

3. COMMUNICATION WITH STAKEHOLDERS

The Group strives to accommodate views and interests of stakeholders (including shareholders, customers, employees, suppliers, regulatory authorities and the public) through constructive communications with them to determine the direction of the Company's long-term development and maintain close relationships with stakeholders. The operating data and overall performance of the Group are summarized in the Company's interim report and annual report semi-annually and reported to investors through the Company's official website (www.realord.com.hk).

Communication with stakeholders

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

4. ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

4.1 Environment

Management principles and policies

The Group has been committed to and has devoted great efforts to practising environmental protection and promoting sustainable development to fulfill its social responsibility as a corporate citizen. Therefore, environmental management has become an important part of the Group's development strategy, and we have endeavored to integrate the concept of sustainable development into our core business through the implementation of a number of environmental management measures, so as to make more effective use of natural resources, reduce pollution, and build a better living environment for our next generation. We has endeavored to reduce irrecoverable damages to the environment resulted from the Group's operations by implementing environmental management measures covering various aspects such as carbon emissions reduction, energy saving and green procurement. Meanwhile, we have established a sound environmental management system, with an aim to achieve the goals of complying with regulations, improving environmental performance and preventing environmental pollution.

The Group strictly complies with all applicable environmental laws and regulations, such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》). During the reporting period, there was no case of prosecution against the Group in relation to the violation of environmental laws.

4.1.1 Emissions

Pollution is an inevitable by-product during the process of production. However, as a responsible enterprise, we put every effort into achieving continuous commitment to environmental protection, by adopting a series of measures to reduce environmental impacts, including curbing exhaust gas and greenhouse gas emissions; sewage and land and reducing the generation of hazardous and non-hazardous waste. The environmental measures implemented by the Group in business operations are detailed as below by type:

Air pollution reduction

All our operating locations strictly comply with the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) and emission standards specified by different provinces and cities, to keep the exhaust emissions within the thresholds under relevant laws and regulations, and minimise the impact on neighboring regions. The air pollutant we generated is mainly due to automobile emissions of the Group. Therefore, we have been focusing on the exhaust emissions of various equipment and implementation a series of emission control such as arranging regular repairment and maintenance for the Group's automobiles, ensure to maintain their engines' and other mechanical systems' in proper condition and improve fuel efficiency and reduce pollutant emissions. In order to minimise exhaust emissions, the Group has prepared to replace traditional diesel vehicles with energy saving vehicles gradually amidst the business growth of the Group, expecting to slow down the emission.

The table below sets out the Group's exhaust emissions in the latest three reporting years:

	2019	2018	2017
Nitrogen Oxide (NO_x)(kg)	13.38	12.39	6.89
Sulfur Oxides (SO_x)(kg)	0.15	0.23	0.11
Particles (PM) (kg)	0.99	0.91	0.55

Reducing greenhouse gas emissions

It is an indisputable fact that global warming is becoming more and more serious. The Group has been paying attention to climate change issues. In this regard, it seeks to take the optimal measures to reduce greenhouse gas emissions from business operations and combat climate change. We also conduct data monitoring to identify and classify sources of greenhouse gas emissions in accordance with requirements and guidelines of the Stock Exchange, so as to compare the data performance of various sources.

The table below sets out the greenhouse gas' total emissions and density of the Group in the latest three reporting years:

	2019	2018	2017
Emissions of greenhouse gas (Carbon dioxide equivalent (tonne))			
Direct Emissions	25.59	38.41	88
Energy indirect emissions	137.91	129.54	102.68
Total emissions	163.50	167.95	190.68
Total number of employees (person)	92	142	63
Emission density of greenhouse gas (Carbon dioxide equivalent (tonne)/person)	1.78	1.18	3.03

Business travel reduction

We also understand that transportation is one of the main sources of carbon emissions. To reduce greenhouse gas emissions caused by transportation, the Group encourages employees to give priority to the use of modern communication modes as much as possible, including the widely-used Internet videoconferencing and WeChat, to reduce greenhouse gas emissions from business trips and the related transportation. When it is necessary for employees to make business trips, they will prefer taking public transport to reduce additional carbon emissions.

Exhaust gas reduction management

In view of the impact of wasted gas produced by waste plastics processing machines on the surrounding environment, the Group has installed a gas collecting and extracting device at the exhaust outlet of the waste processing machinery in our Guangxi Recycling Yard. The device with the activated carbon fiber adsorption technology is to discharge waste gas after it is being collected and processed. In addition, the Group also focuses on improving the ventilation in the workshops, reducing the concentration of exhaust gas in the workshops effectively through air-diluting. After being processed and purified, relevant exhaust gas has already met the standards of the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) that effectively safeguard employees' occupational health.

Noise pollution management

In accordance with the standards of the Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》), the Group adopted enclosed design for its Guangxi Recycling Yard and set up sound barriers to prevent noise and from affecting the surrounding environment during operation.

Waste management

The Group develops and implements strict management measures for waste generated in the production process in reference to the List of National Hazardous Wastes (《國家危險廢物名錄》), the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) and the Management Measures for Transfer Forms of Hazardous Waste (《危險廢物轉移聯單管理辦法》), to systematically identify environmental factors of production process and made detailed guidelines of waste management available.

Hazardous waste disposal

The hazardous wastes generated during the operation of the Group's Guangxi Recycling Yard mainly involve waste machine oil, circuit boards, scrap rubber, activated carbon, etc. The Group strictly comply with the regulations and requirements in the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢棄物環境污染防治法》) and the Administrative Measures for Hazardous Waste Transfer Manifest (《危險廢物轉移聯單管理辦法》) on hazardous waste disposal in the course of centralized collection and temporary storage management of hazardous wastes, and have entered into service agreements with qualified waste disposal companies designated by local governments to assist the Group in proper disposal of all hazardous wastes.

The table below sets out the hazardous wastes' total volume and density of the Group in the latest three reporting years:

	2019	2018	2017
Total volume of hazardous wastes (tonne)	0	0	0.33
Total number of employees (person)	92	176	63
Emission density per employee (kg/person)	0	0	5.24

Disposal of non-hazardous waste

The Group adopts the 5R (i.e. Refuse, Reduce, Reuse, Repair and Recycle) management strategy for the management of non- hazardous waste. The Group's Guangxi Recycling Yard has set up a recycling center where employees collect, mark and separate different types of solid waste in accordance with the Law on Prevention and Control of Environmental Pollution by Solid Waste (《固體廢物污染環境防治法》) and the Administrative Measures for Municipal Domestic Waste (《城市生活垃圾管理辦法》). The reusable waste, including paper, plastic and metal, will be sent to recycling agencies for proper treatment. We endeavour to improve the recycling rate and achieve the highest resource efficiency through internal operation management, publicity, training, labeling, classification, recycling and other policy controls. In addition, in order to improve the efficiency of energy and resource use, the Group regularly engages qualified professional agencies to carry out environmental monitoring, and from time to time invites environmental experts to propose improvement plans which will be studies and implemented.

The table below sets out the non-hazardous wastes' total volume and density of the Group in the latest three reporting years:

	2019	2018	2017
Total volume of non-hazardous wastes (tonne)	4.46	2.16	529.49
Total number of employees (person)	92	176	63
Emission density per employee (tonne/person)	0.05	0.01	8.40

Non-hazardous wastes in 2019 increased by 106% as compared with that of 2018.

4.1.2 *Use of Resources*

In order to use all resources including energy, water and other natural resources more effectively and prudently, we continuously invest in the upgradation and improvement of technologies and equipment, energy-saving and consumption reduction, as well as environmentally friendly facilities, so that it can utilise the resources more efficiently and, to some extent, reduce the consumption of various resources.

Energy conservation

As a socially responsible company, the Group keeps practicing the business philosophy of "green construction and energy conservation". We advocate the use of energy-saving, efficient and environmental-friendly construction equipment, machinery and tools and office appliances recommended by the state and the industry. For energy conservation, we require contractors to adopt various energy-saving measures during construction. Meanwhile, we continuously update the latest environmental news to optimise the existing services, so as to reduce environmental pollution.

The energy conservation measures we have undertaken in 2019 as below:

Energy conservation measures

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

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

(3) It is required to set the air conditioning temperature at 25 degrees to avoid waste of energy.

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

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

Water conservation and efficiency enhancement

Water is one of our most important natural resources. In order to cherish the precious water resources, the Group makes every effort to maximise the water resources used in its business operations. We actively promote the concept of valuing water to employees and maintain in good condition, so as to achieve our goal of water saving. In particular, Guangxi Recycling Yard has implemented the reuse of water resources, as the water used in washing clothes and hands in the staff dormitory are collected for flushing toilets.

Packaging materials wastes reduction

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

The table below sets out the main resources' total consumption and density of the Group in the latest three reporting years:

	Shenzhen office			**Guangxi recycling yard**		
	2019	2018	2017	2019	2018	2017
Total number of employees (person)	65	27	24	27	115*	39
Gasoline consumption of automobiles (L)	N/A	5,716.72	6,926.05	10,022.89	9,942.15	14,743
Consumption density (L/person)	N/A	211.73	288.59	371.22	86.45	378.03
Power consumption of facility (kWh in '000s)	83,048	68,889	39,774	84,959	80,412	99,284
Consumption density (kWh in '000s/person)	1,277.66	2,551.44	1,657.25	3,146.63	699.23	2,545.74
Water consumption (m^3)	428.20	299	303	1,847.00	2,619	2,868
Consumption density (m^3/person)	6.59	11.07	12.63	68.41	22.77	73.54

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

4.1.3 *Environment and Natural Resources*

The Group integrates environmental responsibility into its daily business operations. Accordingly, the Company promotes green operations and green procurement policy to reduce environmental impact and the consumption of natural resources.

Natural Resources Protection

To reduce the consumption of paper, a main type of natural resource consumed by the Group, we encourage our employees to transmit information electronically and process documents on computers as much as possible, and require them to print on both sides as far as possible. The number of company envelopes, portfolios, brochures, etc. for internal use is also verified to avoid overprinting. For reusable and recyclable resources in waste, such as waste paper and printer ink cartridges, we have set up collection bins for classification management to facilitate internal recycling or transfer to qualified recyclers for further recycling. We grow vegetables and poultry in the open space of our Guangxi Recycling Yard to meet our daily needs and reduce purchases of such goods. We also actively cooperate with environmental protection agencies, and organize our staff to participate in activities recycling and donating waste clothes and articles, so as to convey the message of environmental protection to the public.

Raising awareness

To ensure that employees implement the Group's environmental protection philosophy in their daily work, all new employees will go through the training in environmental protection.

Green office policy

The Group has implemented a series of measures to reduce the use of office supplies:

- Implement electronic file management, encouraging employees to process documents on computers and transmit information electronically as far as possible, and reducing the printing, transmission, sorting and archiving of paper files.

- The number of envelopes, portfolios and brochures issued by the Company is also subject to verification and control to minimize the demand for paper.

- Categorise waste, recycle and transfer recyclable resources to qualified recyclers, various collection bins have been placed in the office for the recycling of single-sided printed paper and printer cartridges.

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

- Put up "Save Water" reminders in appropriate places to remind employees to reduce water consumption in their daily operations and to close the taps immediately after use so as to reduce unnecessary waste.

- Enhance daily maintenance and management of water equipment, including regular maintenance of water mains and pipes to reduce hidden leakage.

Green operation

To reduce the emissions and energy consumption due to transportation, the Group is encouraged to give priority to products of local suppliers where hardware and software conditions so permit, with an aim to prevent additional carbon emissions due to long distance of transporting goods. When local suppliers are selected, we also adopt a centralized approach to arrange as few deliveries as possible, and optimize delivery plans to reduce exhaust emissions during transportation. Meanwhile, when it is necessary to acquire or upgrade operating equipment, we will make reference to the information on the energy label to select energy-efficient models as far as possible in order to achieve better energy management efficiency.

4.2 Social

4.2.1 Employment

The success of our business depends on the untiring efforts and dedicated service of all employees. The Group understands that the recruitment, retention and cultivation of talents can help maintain its market competitiveness. We have formulated a series of employment policies to ensure that employees are treated in a fair and reasonable manner.

Recruitment, promotion and equal opportunity

The Group has regular reviews for the demand and requirements for human resources with each business function head in order to secure the sufficient staff members for the positions required and to keep the normal business operations and development. In addition, we have implemented a standardised recruitment system with high transparency to ensure the righteousness, openness and fairness upheld throughout the recruitment and employment processes. When considering the opportunity for promotion of a position, we will follow the principle of "appropriateness", and their job performance evaluation, experiences and capabilities of the potential are considered as conditions for staff promotion.

Work-life balance

Employees are the most important core asset of the Group. The Group attentively takes care of the needs of employees and the Group pays close attention to employees' work and life balance. With a relaxation of the life for employees can help to enhance the overall operational efficiency of the Group. As such, the Group strictly abides by the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) to guarantee appropriate working hours and sufficient leave days for employees.

Remuneration and benefits policy

The Group has established a set of objective and fair remuneration guidelines. In addition to wage adjustments based on the market practice and conditions, and the results of employee assessment, the Group also determines annual bonuses based on individual performance to motivate their interest and enthusiasm and share the Group's profits with its employees as the reward for their contributions to the Group. Moreover, we review and adjust the remuneration mechanism on a regular basis to provide fairer and more competitive remuneration packages. The Group develops also its benefits policy in accordance with the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and Hong Kong Employment Ordinance, and observes local requirements relating to minimum wage, working hours and the overtime limit, paid statutory holidays and paid annual leave. In addition, we establish the Benefits Committee in charge of reviewing matters related to employees' benefits. The Group currently provides comprehensive benefits guarantees for all employees, including medical insurance. In order to promote the bilateral communication and interaction between employees and employer, the Group also delivers the most recent update of the Group to every employee timely via information special section and survey and listens to the employees' opinions and advices actively, taking corresponding measures timely on issues which employees care about and protecting the interest of our employees.

Compensation, termination of employment and retirement policy

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

Anti-discrimination

We strictly follow anti-discrimination policies and will not tolerate harassment of any kind. When recruiting and promoting employees, we will only consider individual work experience and performance. We provide our employees with fair recruitment, compensation, training, transfer and promotion opportunities regardless of their race, gender, age or religious, so as to ensure fair and equal opportunities are offered to all job applicants. We strive to create the working environment with care, endurance, fairness with no discrimination.

4.2.2 Health and Safety

The Group fully recognizes the importance of occupational health and safety to the manufacturing and catering industry. Therefore, we strive to create the best working environment for our valued employees. We have advocated and upheld the idea of "Safety First" and strived in achieving the goal of zero industrial accident. We have formulated a set of suitable safety management plan in accordance with the laws and regulations, to reduce and control potential occupational safety and health hazards in business operations. The Group strictly implements the legislative requirements on occupational health and safety at its operating locations to avoid any injuries of employees at work. During the reporting period, the Group did not have significant issues relating to violations in this respect.

<u>Occupational health and safety policy</u>

In order to effectively review our occupational health and safety performance, the Group sets up dedicated departments for coordinating and arranging safety checks for all operating facilities in accordance with Occupation Health and Safety Policies and regular reviews are held at meetings to examine the Group's occupational health and safety performance. Any employee being found of a mis-operation or risky operation will be immediately warned. At the same time, corrective and preventive measures will be adopted to manage the risks identified for assuring the quality and implementation of the safety management measures, so as to reduce unsafe behaviors of on-site personnel and accidents.

<u>Workplace safety management</u>

The Group's production workshops and offices are equipped with dust removal, noise elimination, gas protection and other equipment, with standards in place for dangerous goods identification marks and for the proper use and storage of inflammable and explosive materials in order to minimize potential harm to the health of employees. To further enhance the safety of the Group's workplaces, we have set up first aid kits, fire extinguishers and exit signs at all operating locations and reminded our employees of the need to keep the passage or escapes clean and clear at all times. It is forbidden to place too many miscellaneous items in the offices to ensure a rapid and safe evacuation in case of emergency.

Personal protective equipment

The Group is committed to providing employees with a legitimate, safe and dignified working environment. Apart from displaying notice or label, we also provide frontline employees with personal protective equipment such as dust masks, noise reduction earplugs and emergency medicines for occasional needs. Meanwhile, employees are arranged to attend safety training courses to raise their awareness of workplace safety and to ensure the efficiency of the personal protective equipment for protecting our employees.

Workplace hygiene

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

Employee work safety training

We actively promote the culture of workplace safety. The Group provides employees with adequate training on occupational health to keep up employees' awareness against workplace health and safety, in order to ensure the safe operation of equipment, the Group has developed appropriate training sessions, mainly covering the correct use of protective equipment, knowledge and cases of safety production and occupational health, and safe operation of positions/equipment. Moreover, we share all the latest information and news of occupational health and safety with all staff.

Incident response plan

To prevent possible accidents and potential risks due to emergencies like fire and power failure, the Group has set up a set of stringent measures and practice fire drills from time to time. All onsite workers are required to be aware of the emergency procedures, such as the proper use of personal protective equipment and rescue facility.

Stress management

The Group has complaint and confidential feedback channels in place for all employees, allowing them to express any views or concerns to the department heads or executives at the higher rank.

4.2.3 Development and Training

Career development policy

To maintain the Group's competitiveness in the world of rapid development of technology, it is important that we keep our skills and knowledge up-to-date. Therefore, we promote the spirit of life-long learning and cultivating a continuous learning culture. To further improve team values and professionalism of staff, we develop career development training for staff and encourage them to actively participate in various training workshops and courses.

Pre-employment training

In order to assist our newly recruited employees to adapt to the Group's work culture and environment, we provide pre-employment training for them, including information about our corporate culture, employee handbooks, job skills and relevant safety knowledge, with an aim of enhancing their understanding of the Company, their position and working environment.

Vocational skills training

We are dedicated to building a professional technical team, so we have arranged training courses for our employees to meet the needs of different jobs and ranks to improve individual profession knowledge skills and capabilities. The Group has a mechanism for further improvement of its performance, for some internal key talents, we have developed career paths and defined career ladders for key positions, sponsored our staff to attend external training courses, such as professional qualification trainings, workshops or seminars, in order to strengthen overall professionalism and individual calibre of employees, and help competent employees to pursue excellence and grow together with the Company.

4.2.4 *Labour Standards*

Policy of child labour prevention

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

Prevention on forced labour

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

4.2.5 *Supply Chain Management*

The steady development of the Group's business is dependent on the reliable support of its suppliers. Suppliers are one of the important stakeholders in the Group's business value chain, and our relationship with them is close and inseparable. The Group is also fully committed to building a good partnership with our suppliers. To promote the business and cooperation with suppliers, the Group stipulates internal rules to regulate the process of procurement, and also explains our principles and expectations to our partners, and requires suppliers to comply with all laws, international conventions, contractual requirements, and all codes of the Group. We have also established effective mechanisms to ensure that both parties will strictly act in accordance with laws and regulations.

Supplier Appointment

In terms of material procurement and supplier management, and in the process of selecting and evaluating suppliers of administrative supplies and services, we employ fair, impartial and open evaluation criteria. We also require suppliers to declare their interests to avoid conflicts of interest or tunneling of interests. The Group has set up a series of evaluation indicators for supplier selection, including supplier's past experience, price, reputation, professional qualifications, ethics, environmental protection and corporate social responsibility performance. To ensure that the suppliers' performance continues to meet the Group's requirements, we assess their performance over the past year through an annual assessment to review whether to continue cooperation with them.

Sustainable supply chain

The Group puts great emphasis on the sustainability of value chain. While fulfilling our environmental and social responsibilities, we also expect our suppliers to operate in the same responsible manner. Accordingly, we incorporate sustainability considerations into our procurement and outsourcing process and require suppliers to meet basic standards. For example, all suppliers are required to abide by the following sustainability principles, and to ensure that their regular and temporary employees, suppliers and sub-suppliers confirm and comply with the requirements of this policy.

4.2.6 Product Responsibility

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

Quality management policy

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

Fair promotion policy

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

Customer data protection policy

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

After-sale service policies

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

4.2.7 *Anti-corruption*

The Group is committed to building a corporate culture of integrity and business ethics. We have the standards of conduct to guide our employees and partners, which provides rules and guidelines for dealing with gifts, treats, transactions, financial management, etc.

Corporate governance policy

The Group has followed and complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, including maintaining good corporate governance practices. To take forward a corporate culture of integrity and anti-corruption, we have established the anti-corruption practices and the benefit declaration process in our employee handbook. If any employee is involved in any corruption and fraud conduct, we will impose penalties based on the influence and consequence of such conduct according to the corporate rules. If the behavior violates the law, it will be handled by the judicial authority according to law with zero tolerance.

Policy Name	**Explanation**
Anti-corruption policy	No employee or director may seek or receive any preferential benefits, including money, gifts, loans, remuneration, work, contracts, services and sponsorship, especially when there is a conflict of interest between such benefits and the Company's business dealings.
Policy on declaration of conflicts of interest	All major transactions involving conflicts of interest within the Group must be disclosed to the board of directors. Board members involved in a conflict of interest may not vote on any resolution on such transactions.
Policy on approval of service contracts	All the important service contracts are subject to approval by the board of directors. Approved service contracts shall be reviewed by the Nomination Committee, which consists of one executive director and two independent non-executive directors.

Whistle-blowing policy

To firmly reject the occurrence of corruption, frauds, etc., the Group has established whistle-blowing policy for employees and other stakeholders to report any suspected improper or illegal activities through any anonymous ways such as by mail, email, telephone, etc. The Group will investigate and handle the case once internal corruption related information is received. The investigations are administered on a confidential basis and there will be no reprisal against employees.

Third-party audit policy

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

4.2.8 Community Investment

As a responsible corporate citizen, the Group is well aware that our responsibility is not only to contribute directly to the economy, but also to generate positive impact on the society as a whole through our business operations and public welfare programs. In the past year, the Group actively participated in community activities to give back to the society. Realord Group is committed to promoting charity, helping the disadvantaged, and supporting academic and scientific research for the well-being of the next generation in the principle of "From the Community, For the Community". The Group has also set up a team of staff volunteers to participate in public welfare activities such as visiting the elderly living alone, supporting needy families and helping students in need. In the future, the Group will continue to focus its community investment efforts on scientific research and development, national development and poverty alleviation to give back to the society.

INDEPENDENT AUDITOR'S REPORT

To the members of Realord Group Holdings Limited
偉祿集團控股有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Realord Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 76 to 219, 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 ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

Key audit matter	How the matter was addressed in our audit
Valuation of investment properties	
We identified the valuations 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 management judgment associated with determining the fair value. The Group's investment properties are located in Hong Kong and the People's Republic of China. As at 31 December 2019, the Group's investment properties amounted to HK$8,863,251,000 and represented 70% of the Group's total assets. As disclosed in note 18 to the consolidated financial statements, net loss on fair value changes of investment properties of HK$202,594,000 was recognised in profit or loss. All of the Group's investment properties are stated at fair values based on valuations performed by a firm of independent qualified professional valuers (the "Valuer"). The valuations are dependent on certain significant unobservable inputs, including price per square meter/bay/square feet, which are determined based on comparable transactions after applying adjusting factors to reflect the conditions and locations of the subject properties. Details of the valuation methodologies and significant unobservable inputs used in the valuations are disclosed in note 18 to the consolidated financial statements.	Our procedures in relation to the valuations of the investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuer; • Obtaining an understanding from the Valuer about the valuation methodologies, significant unobservable inputs and critical judgment on key inputs and data used in the valuations; • Assessing the reasonableness of valuation methodologies used by the Valuer with the assistance from our valuation experts; • Assessing the reasonableness of significant unobservable inputs used by the Valuer with the assistance from our valuation experts by comparing them, on a sample basis, to publicly available information of similar comparable properties; • Evaluating the reasonableness of adjusting factors on the conditions and locations of the properties made by the Valuer with the assistance from our valuation experts by comparing them with historical adjusting factors applied, comparability and other market factors for similar properties; and • Performing site visit to the investment properties.

KEY AUDIT MATTERS (Continued)

Key audit matter	How the matter was addressed in our audit
Impairment assessment of trade receivables and receivables arising from securities broking	
We identified the impairment assessment of trade receivables and receivables arising from securities broking as a key audit matter due to the significance of trade receivables and receivables arising from securities broking to the consolidated financial statements and the involvement of subjective judgment and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables and receivables arising from securities broking at the end of the reporting period. As at 31 December 2019, net trade receivables and receivables arising from securities broking amounted to HK$321,088,000 and HK$89,481,000, respectively. As set out in note 4 to the consolidated financial statements, the Group recognises a credit loss allowance for trade receivables and receivables arising from securities broking by adopting the ECL model individually on each debtor in the current year. In calculating the credit loss allowance, the loss rates are estimated based on comparable probability of default and recovery rate quoted from international credit-rating agencies; and exposure of default after consideration of underlying collaterals, if any, and adjusted for forward-looking information that is available without undue cost or effort.	Our procedures in relation to the impairment assessment of trade receivables and receivables arising from securities broking included: • Obtaining an understanding of the process over credit risk assessment and how management estimates the credit loss allowance for trade receivables and receivables arising from securities broking; • Assessing the appropriateness of the credit loss allowance calculation methodology used by management; • Testing the accuracy of the ECL adjustment made by the Group; • Testing the integrity of information used by management in assessing the credit risk of individual debtors, on a sample basis, by checking the loss rates of the debtors to independent source and comparing historical default rates to the actual losses recorded during the current year;

KEY AUDIT MATTERS (Continued)

Key audit matter	How the matter was addressed in our audit
Impairment assessment of trade receivables and receivables arising from securities broking (Continued)	
As disclosed in note 51b to the consolidated financial statements, the Group recognised net reversal of impairment losses of HK$4,760,000 and HK$2,640,000 on trade receivables and receivables arising from securities broking, respectively, for the current year. As at 31 December 2019, the Group's ECL on trade receivables and receivables arising from securities broking amounted to HK$6,337,000 and HK$9,000, respectively.	• Challenging management's basis and judgment in determining credit loss allowance on trade receivables and receivables arising from securities broking as at 31 December 2019, including their identification of credit-impaired trade receivables and receivables arising from securities broking and the reasonableness of the basis of estimated loss rates applied and exposure of default for each individual debtor with reference to historical default rates, forward-looking information and value of pledged securities; and • Evaluating the disclosures regarding the impairment assessment of trade receivables and receivables arising from securities broking in note 51b to the consolidated financial statements.

KEY AUDIT MATTERS (Continued)

Key audit matter	How the matter was addressed in our audit
Acquisition of assets through acquisition of subsidiary	
We identified the acquisition of 深圳市友盛地產有限公司 (Shenzhen Yousheng Real Estate Co., Ltd. or "Shenzhen Yousheng") as a key audit matter due to the valuation of identifiable net assets at the date of acquisition requires significant management estimations when determining its fair value. Shenzhen Yousheng was an associate of the Group as at 31 December 2018 of which the Group held 49% equity interests. On 22 May 2019, the Group acquired addition 2% equity interests in Shenzhen Yousheng. As a result, the Group's interests in Shenzhen Yousheng increased from 49% to 51% and Shenzhen Yousheng became a subsidiary of the Group (the "Acquisition"). Further details are set out in note 42b to the consolidated financial statements. Management accounted for the Acquisition as an acquisition of assets and has engaged the Valuer to perform the valuation of the identifiable net assets of Shenzhen Yousheng at the date of acquisition. As a result, a gain on re-measurement of previously held interests in an associate of HK$709,402,000 arising from the Acquisition was recognised in profit or loss during the current year.	Our procedures in relation to the valuation of the identifiable net assets of Shenzhen Yousheng included: • Obtaining and reviewing relevant contracts related to the Acquisition and evaluating management's accounting treatment for the Acquisition; • Evaluating the competence, capabilities and objectivity of the Valuer; • Obtaining an understanding from the Valuer about the valuation methodology and key assumptions used in the valuation; • Involving our valuation experts to evaluate the methodology used to determine the fair value of the identifiable net assets, and benchmarked the discount rates applied to other comparable companies in the same industry; and • Involving our valuation experts to assess the reasonableness of key assumptions used by management such as price per square meter/bay, construction cost and gross margin.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information in the 2019 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company assisted by the Audit Committee 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. We report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

As part of an audit in accordance with HKSAs, we exercise professional 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 of the Company .

- 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.

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

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

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

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

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

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

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

20 April 2020

Ng Ka Kong
Practising Certificate No.: P06919

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5		
Goods and services		**811,196**	782,622
Rental income		**10,569**	19,532
Interest		**7,133**	8,885
Total revenue		**828,898**	811,039
Cost of sales		**(640,783)**	(629,311)
Gross profit		**188,115**	181,728
Other income	7A	**27,367**	3,801
Other gains and losses	7B	**15,302**	310,319
Reversal of impairment losses/(Impairment losses), net	8	**8,591**	(27,168)
(Loss)/Gain on fair value changes of investment properties, net	18	**(202,594)**	671,422
Loss on early redemption of promissory notes	38	**(439,781)**	–
Gain on re-measurement of previously held interests in an associate	42b	**709,402**	–
Selling and distribution expenses		**(10,806)**	(10,108)
Administrative expenses		**(191,015)**	(148,637)
Share of result of an associate		**(1,222)**	(1,436)
Finance costs	9	**(534,104)**	(423,972)
(Loss)/Profit before income tax		**(430,745)**	555,949
Income tax credit/(expense)	10	**26,056**	(172,238)
(Loss)/Profit for the year	11	**(404,689)**	383,711
Attributable to:			
Owners of the Company		**(415,529)**	363,282
Non-controlling interests		**10,840**	20,429
		(404,689)	383,711
(Loss)/Earnings per share			
Basic (HK cents)	15	**(28.89)**	26.89
Diluted (HK cents)	15	**(28.89)**	26.82

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
(Loss)/Profit for the year	**(404,689)**	383,711
Other comprehensive expense		
Items that will not be reclassified subsequently to profit or loss:		
Gain on property revaluation	**725**	1,407
Income tax relating to gain on property revaluation	**(181)**	(352)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations:		
– Subsidiaries	**(119,184)**	(462,429)
– An associate	**135**	(57)
Other comprehensive expense for the year, net of income tax	**(118,505)**	(461,431)
Total comprehensive expense for the year	**(523,194)**	(77,720)
Attributable to:		
Owners of the Company	**(534,403)**	(98,584)
Non-controlling interests	**11,209**	20,864
	(523,194)	(77,720)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**488,433**	100,521
Prepaid lease payments	17	**4,842**	4,968
Investment properties	18	**8,863,251**	9,081,879
Goodwill	19	**87,390**	28,497
Other intangible assets	20	**46,184**	13,369
Investment in an associate	21	**–**	66,122
Equity instrument at fair value through other comprehensive income ("FVTOCI")	22	**–**	31,048
Prepayments, deposits and other receivables	25	**14,562**	82,930
		9,504,662	9,409,334
CURRENT ASSETS			
Inventories	23	**67,062**	146,170
Trade receivables	24	**321,088**	455,015
Receivables arising from securities broking	24	**89,481**	99,832
Prepaid lease payments	17	**–**	114
Prepayments, deposits and other receivables	25	**368,781**	306,112
Proposed development projects	26	**1,622,738**	–
Tax recoverable		**3,661**	3,463
Financial assets at fair value through profit or loss ("FVTPL")	27	**14,130**	96,631
Cash held on behalf of clients	28	**6,292**	8,454
Bank balances and cash	29	**585,052**	896,544
		3,078,285	2,012,335
CURRENT LIABILITIES			
Trade payables	30	**55,360**	223,016
Payables arising from securities broking	30	**16,853**	19,645
Contract liabilities	31	**5,141**	4,832
Other payables and accruals	32	**100,601**	100,282
Bank borrowings and overdrafts	33	**524,923**	496,953
Amounts due to related parties	34	**69,496**	78,524
Lease liabilities	35	**29,794**	–
Tax payable		**17,696**	10,583
		819,864	933,835
NET CURRENT ASSETS		**2,258,421**	1,078,500
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,763,083**	10,487,834

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
EQUITY			
Share capital	39	**143,821**	143,571
Reserves		**2,201,274**	2,734,877
Equity attributable to owners of the Company		**2,345,095**	2,878,448
Non-controlling interests		**874,195**	53,978
		3,219,290	2,932,426
NON-CURRENT LIABILITIES			
Deferred tax liabilities	36	**339,709**	377,442
Other payables and accruals	32	**42,353**	–
Loans from ultimate holding company	37	**687,688**	821,460
Promissory notes	38	**–**	1,492,460
Bank borrowings	33	**7,444,069**	4,864,046
Lease liabilities	35	**29,974**	–
		8,543,793	7,555,408
		11,763,083	10,487,834

LIN XIAOHUI
DIRECTOR

SU JIAOHUA
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company											
	Share capital HK$'000 (note 39)	Share premium HK$'000	Shares to be issued HK$'000	Share options reserve HK$'000 (note 40)	Statutory reserve HK$'000 (note a)	Capital reserve HK$'000 (note b)	Assets revaluation reserve HK$'000	Exchange translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 2018	115,075	594,347	20,441	19,319	1,900	–	30,017	15,797	260,957	1,057,853	33,114	1,090,967
Profit for the year	–	–	–	–	–	–	–	–	363,282	363,282	20,429	383,711
Other comprehensive income/(expense) for the year:												
Gain on property revaluation	–	–	–	–	–	–	844	–	–	844	563	1,407
Income tax relating to gain on property revaluation	–	–	–	–	–	–	(211)	–	–	(211)	(141)	(352)
Exchange differences arising on translation of foreign operations												
– Subsidiaries	–	–	–	–	–	–	–	(462,442)	–	(462,442)	13	(462,429)
– An associate	–	–	–	–	–	–	–	(57)	–	(57)	–	(57)
Total comprehensive income/(expense) for the year	–	–	–	–	–	–	633	(462,499)	363,282	(98,584)	20,864	(77,720)
Acquisition of assets through acquisition of subsidiaries (note 42c)	28,100	1,295,402	–	–	–	586,594	–	–	–	1,910,096	–	1,910,096
Issue of shares	175	8,768	(8,943)	–	–	–	–	–	–	–	–	–
Exercise of shares options	221	8,862	–	(4,265)	–	–	–	–	4,265	9,083	–	9,083
Transferred from retained profits	–	–	–	–	1,049	–	–	–	(1,049)	–	–	–
Transactions with owners	28,496	1,313,032	(8,943)	(4,265)	1,049	586,594	–	–	3,216	1,919,179	–	1,919,179
As at 31 December 2018	143,571	1,907,379	11,498	15,054	2,949	586,594	30,650	(446,702)	627,455	2,878,448	53,978	2,932,426

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company											
	Share capital HK$'000 (note 39)	Share premium HK$'000	Shares to be issued HK$'000	Share options reserve HK$'000 (note 40)	Statutory reserve HK$'000 (note a)	Capital reserve HK$'000 (note b)	Assets revaluation reserve HK$'000	Exchange translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
As at 1 January 2019	143,571	1,907,379	11,498	15,054	2,949	586,594	30,650	(446,702)	627,455	2,878,448	53,978	2,932,426
(Loss)/Profit for the year	-	-	-	-	-	-	-	-	(415,529)	(415,529)	10,840	(404,689)
Other comprehensive income/(expense) for the year:												
Gain on property revaluation	-	-	-	-	-	-	437	-	-	437	288	725
Income tax relating to gain on property revaluation	-	-	-	-	-	-	(109)	-	-	(109)	(72)	(181)
Exchange differences arising on translation of foreign operations												
– Subsidiaries	-	-	-	-	-	-	-	(119,337)	-	(119,337)	153	(119,184)
– An associate	-	-	-	-	-	-	-	135	-	135	-	135
Total comprehensive income/(expense) for the year	-	-	-	-	-	-	328	(119,202)	(415,529)	(534,403)	11,209	(523,194)
Acquisition of subsidiary (note 41a)	-	-	-	-	-	-	-	-	-	-	19,971	19,971
Acquisition of assets through acquisition of subsidiary (note 42b)	-	-	-	-	-	-	-	(78)	78	-	774,437	774,437
Issue of shares	250	11,248	(11,498)	-	-	-	-	-	-	-	-	-
Capital contributions from non-controlling interests	-	-	-	-	-	-	-	-	1,050	1,050	14,600	15,650
Transactions with owners	250	11,248	(11,498)	-	-	-	-	(78)	1,128	1,050	809,008	810,058
As at 31 December 2019	143,821	1,918,627	-	15,054	2,949	586,594	30,978	(565,982)	213,054	2,345,095	874,195	3,219,290

Notes:

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

(b) Capital reserve of HK$586,594,000 represents the deemed contribution by Dr. Lin Xiaohui ("Dr. Lin") and Madam Su Jiaohua ("Madam Su") through Manureen Holdings Limited ("Manureen Holdings") as the controlling shareholders of the Company, in the acquisition of assets through acquisition of subsidiaries by the Company from them in 2018, details of which are set out in note 42c to the consolidated financial statements. The contribution by the controlling shareholders represents the difference between the net assets acquired (net of settlement of outstanding debts) of HK$7,909,770,000 and the fair value of Total Consideration (as defined in note 42c) of HK$7,323,176,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES			
(Loss)/Profit before income tax		**(430,745)**	555,949
Adjustments for:			
Depreciation/Amortisation of prepaid lease payments		**122**	118
Depreciation			
– Owned assets		**12,669**	11,958
– Right-of-use assets		**28,191**	–
Exchange gain on loans from ultimate holding company		**(13,014)**	(3,889)
Exchange loss/(gain) on promissory notes		**33,749**	(133,403)
Exchange gain on bank borrowings		**–**	(6,164)
Finance costs	9	**534,104**	423,972
Bank interest income	7A	**(13,481)**	(842)
Finance lease interest income	7A	**–**	(330)
Interest income from margin financing		**(7,133)**	(8,885)
Interest income on credit-impaired loan receivables	7A	**(5,981)**	(963)
Gain on re-measurement of previously held interests in an associate	42b	**(709,402)**	–
Loss/(Gain) on fair value changes of investment properties, net	18	**202,594**	(671,422)
Loss on early redemption of promissory notes	38	**439,781**	–
(Reversal of impairment losses)/Impairment losses, net	8	**(8,591)**	27,168
Loss on disposal of property, plant and equipment	7B	**–**	61
Revaluation deficit on property, plant and equipment	7B	**31**	361
Unrealised fair value gain on financial assets at FVTPL	7B	**(3,737)**	(35,063)
Share of result of an associate		**1,222**	1,436
Operating cash flows before movements in working capital		**60,379**	160,062
Decrease/(Increase) in inventories		**78,134**	(105,818)
Decrease/(Increase) in trade receivables		**184,843**	(147,991)
(Increase)/Decrease in receivables arising from securities broking		**(26,718)**	868
Decrease/(Increase) in prepayments, deposits and other receivables		**9,339**	(79,530)
Increase in proposed development projects		**(11,954)**	–
Decrease/(Increase) in financial assets at FVTPL		**86,237**	(238)
Decrease in cash held on behalf of clients		**2,162**	8,867
(Decrease)/Increase in trade payables		**(167,415)**	155,473
Decrease in payables arising from securities broking		**(2,792)**	(18,103)
Increase in contract liabilities		**218**	1,782
Increase/(Decrease) in other payables and accruals		**1,736**	(12,833)
Cash generated from/(used in) operations		**214,169**	(37,461)
Interest received		**7,133**	8,885
Income tax paid		**(2,744)**	(14,186)
Net cash from/(used in) operating activities		**218,558**	(42,762)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES			
Acquisition of subsidiaries		**(536,042)**	(4,507,157)
Acquisition of an associate	21	**–**	(67,615)
Purchase of property, plant and equipment		**(6,026)**	(9,944)
Payment for acquisition of an equity investment	22	**–**	(120,741)
Purchase of financial assets at FVTPL		**–**	(150)
Additions to investment properties	18	**(39)**	(75)
Deposits paid for acquisition of non-current assets		**–**	(71,300)
Payment for purchased or originated credit-impaired loan receivables		**(53,575)**	(29,776)
Lending of a loan receivable		**(102,346)**	–
Receipt of finance lease receivables		**–**	7,302
Proceeds from disposal of an equity instrument	22	**30,681**	89,154
Proceeds from disposal of financial assets at FVTPL		**–**	6,600
Proceeds from repayment of other receivables from a local government authority		**–**	13,021
Proceeds from repayment of a loan receivable		**101,746**	–
Bank interest received		**13,481**	842
Net cash used in investing activities		**(552,120)**	(4,689,839)
FINANCING ACTIVITIES			
New bank borrowings raised		**3,581,779**	8,007,510
Loans from ultimate holding company		**2,100,206**	853,698
Proceeds from exercise of share options		**–**	9,083
Proceeds from related parties		**6,738**	–
Repayment of bank borrowings		**(876,481)**	(2,668,773)
Repayment of promissory notes	38	**(2,006,365)**	–
Repayment to ultimate holding company		**(2,220,964)**	(407,037)
Repayment to related parties		**(37,938)**	(1,986)
Payment of lease liabilities		**(27,327)**	–
Proceeds on disposal of partial interests in a subsidiary		**13,000**	–
Proceeds from issue of shares to non-controlling interests		**2,650**	–
Interest paid		**(492,225)**	(229,827)
Net cash from financing activities		**43,073**	5,562,668
Net (decrease)/increase in cash and cash equivalents		**(290,489)**	830,067
Cash and cash equivalents at the beginning of the year		**876,544**	46,632
Effect of changes in foreign exchange rates		**(21,003)**	(155)
Cash and cash equivalents at the end of the year		**565,052**	876,544
Represented by			
Bank balances and cash		**585,052**	896,544
Bank overdrafts	33	**(20,000)**	(20,000)
		565,052	876,544

1. GENERAL

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

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

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

In these consolidated financial statements, certain English name of the companies referred herein represent the management's best effort to translate the Chinese name of the companies as no English name has been registered.

The consolidated financial statements for the year ended 31 December 2019 were approved for issue by the board of directors on 20 April 2020.

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

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

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

HKFRS 16	Leases
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
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

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

HKFRS 16 "Leases"

HKFRS 16 "Leases" replaces HKAS 17 "Leases" along with three Interpretations (HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC)-Int 15 "Operating Leases-Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of retained profits for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4.

As a lessee

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. The discounting effects of refundable rental deposits paid included in "Prepayments, deposits and other receivables" at transition were considered not material and not adjusted to the cost of corresponding right-of-use assets. The Group has already recognised the prepaid lease payments for leasehold land where the Group is a lessee. The application of HKFRS 16 does not have impact on these assets except for the whole balance is now presented as "Prepaid lease payments" under non-current assets.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

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

HKFRS 16 "Leases" (Continued)

As a lessee (Continued)

On transition to HKFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 2.43%.

The following is a reconciliation of total operating lease commitments as at 31 December 2018 to the lease liabilities recognised as at 1 January 2019:

	HK$'000
Total operating lease commitments disclosed as at 31 December 2018	68,702
Recognition exemptions:	
– Leases with remaining lease term of less than 12 months	(79)
Operating leases liabilities before discounting	68,623
Discounting using incremental borrowing rate as at 1 January 2019	(2,537)
Total lease liabilities recognised under HKFRS 16 as at 1 January 2019	66,086
Classified as:	
Current lease liabilities	22,402
Non-current lease liabilities	43,684
	66,086

As a lessor

Upon initial application of 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. Comparative information is not restated.

At transition, the discounting effect of refundable rental deposits received are not adjusted as the management considers the impact is not material.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

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

HKFRS 16 "Leases" (Continued)

Total impact arising from transition to HKFRS 16

The following table summarises the impact of transition to HKFRS 16 on the Group's consolidated statement of financial position as at 1 January 2019:

	HK$'000
Increase in right-of-use assets presented in property, plant and equipment	**66,086**
Increase in prepaid lease payments (non-current assets)	**114**
Decrease in prepaid lease payments (current assets)	**(114)**
Increase in lease liabilities	**66,086**

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

New and amendments to HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective date not yet determined
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements.

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 disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Companies Ordinance.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The principal accounting policies are set out below.

3.1 Basis of consolidation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of consolidation (Continued)

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

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

Changes in the Group's investments in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Business combinations

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

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

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

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

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

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which the lease term ends within 12 months of the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Business combinations (Continued)

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Acquisition of a subsidiary not constituting a business

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

3.4 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 ("CGUs") (or groups of CGUs) 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 ("CGU") (or group of CGUs) 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 CGU (or group of CGUs) 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 CGUs). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU or any of the CGU within the group of CGUs, 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 CGU (or CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

The Group's policy for goodwill arising on the acquisition of an associate is described in note 3.5.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Investment in an associate

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

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purpose 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 investment in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Investment in an associate (Continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

3.6 Revenue

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Revenue (Continued)

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

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

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

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

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

The Group's accounting policy for rental income is described in note 3.7.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Leases

Policy applicable from 1 January 2019

Definition of a lease and the Group as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

For contracts 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 and non-lease component on the basis of their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Leases (Continued)

Policy applicable from 1 January 2019 (Continued)

Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee (Continued)

Except for those right-of-use assets meeting the definition of investment properties and those relating to a class of property, plant and equipment to which revaluation model was applied, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset (except for those meeting the definition of investment properties) for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Leases (Continued)

Policy applicable from 1 January 2019 (Continued)

Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee (Continued)

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments changes due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

On the consolidated statement of financial position, right-of-use assets that do not meet the definition of investment property have been included in "Property, plant and equipment". Right-of-use assets that meet the definition of investment property are presented within "Investment properties". The prepaid lease payments for leasehold land are presented as "Prepaid lease payments" under non-current assets.

The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Leases (Continued)

***Policy applicable from 1 January 2019** (Continued)*

Prepaid lease payments

"Prepaid lease payments" (which meet the definition of right-of-use assets upon initial application of HKFRS 16) represent the upfront payment for long-term land lease in which the payment can be reliably measured. It is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight line basis over the term of the right-of-use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

Policy applicable before 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.

The Group as lessee

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

The Group as lessor

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Leases (Continued)

Policy applicable from 1 January 2019 **(Continued)**

Leasehold land and building

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

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

3.8 Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Foreign currencies (Continued)

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

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

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

3.9 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Employee benefits

Retirement benefit costs and termination benefits

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

Short-term employee benefits

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

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

Share-based payment arrangements

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 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 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.

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

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

3.12 Property, plant and equipment

Property, plant and equipment (other than cost of right-of-use assets as described in note 3.7) including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost or revalued amount less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Property, plant and equipment (Continued)

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

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

3.13 Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Upon the application of HKFRS 16, cost of investment property held by a lessee as a right-of-use asset is set out in note 3.7. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property held under leasehold interests (see note 3.7)/operating leases (before the application of HKFRS 16) to earn rentals and/or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Intangible assets

Intangible assets acquired in a business combination

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

Intangible asset acquired in a business combination with finite useful life is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible asset with finite useful life is provided on straight-line basis over its estimated useful life. Amortisation commences when the intangible asset is available for use. The following useful life is applied:

Trademark	10 years

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Impairment on tangible and intangible assets other than goodwill

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU) 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, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) 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 CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Inventories

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

3.17 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).

3.18 Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. 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 FVTPL) 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 FVTPL are recognised immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Financial instruments (Continued)

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

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses ("ECL"), to the amortised cost 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 hold financial assets in order to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms of give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Financial instruments (Continued)

***Financial assets** (Continued)*

Classification and subsequent measurement of financial assets (Continued)

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.

(i) Amortised cost and interest income

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Financial instruments (Continued)

***Financial assets** (Continued)*

Classification and subsequent measurement of financial assets (Continued)

(ii) Equity instruments designated 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 reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

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

(iii) Financial assets at FVTPL

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

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

Impairment of financial assets

The Group performs impairment assessment under ECL model on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, receivables arising from securities broking, cash held on behalf of clients 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. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

(i) Significant increase in credit risk

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

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

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

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

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

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

- 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments and the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

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 reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Derecognition of financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Financial instruments (Continued)

Financial assets (Continued)

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.19 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

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

(i) has control or joint control over of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

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

(i) the entity and the Group are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19 Related parties (Continued)

(b) the party is an entity and if any of the following conditions applies: (Continued)

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3.20 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.21 Share capital

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

4. CRITICAL ACCOUNTING JUDGMENTS 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 judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4.1 Critical judgments in applying accounting policies

The following are the critical judgments, 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 on investment properties

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

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

4.2 Key sources of estimation uncertainty

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

Valuation of investment properties

The Group's investment properties are situated in Hong Kong and the PRC. As at 31 December 2019, the Group's investment properties amounted to HK$8,863,251,000 (2018: HK$9,081,879,000) and represented 70% (2018: 80%) of the Group's total assets. As disclosed in note 18, net loss on fair value changes of investment properties of HK$202,594,000 (2018: net gain on HK$671,422,000) was recognised in profit or loss. All of the Group's investment properties are stated at fair values based on valuations performed by a firm of independent qualified professional valuers. The valuations are dependent on certain significant unobservable inputs, including price per square meter/bay/square feet, which are determined based on comparable transactions after applying adjusting factors to reflect the conditions and locations of the subject properties. Details of the valuation methodologies and significant unobservable inputs used in the valuations are disclosed in note 18.

Impairment assessment on trade receivables and receivables arising from securities broking

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

As at 31 December 2019, net trade receivables and receivables arising from securities broking amounted to HK$321,088,000 (2018: HK$455,015,000) and HK$89,481,000 (2018: HK$99,832,000), respectively. The information about the ECL and the Group's trade receivables and receivables arising from securities broking are disclosed in notes 24 and 51b, respectively.

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

4.2 Key sources of estimation uncertainty (Continued)

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

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

Details of impairment assessment of the goodwill and other intangible assets with indefinite useful lives are disclosed in notes 19 and 20, respectively.

Acquisition of assets through acquisition of subsidiary

深圳市友盛地產有限公司 (Shenzhen Yousheng Real Estate Co., Ltd. or "Shenzhen Yousheng") was an associate of the Group as at 31 December 2018 of which the Group held 49% equity interests. On 22 May 2019, the Group acquired addition 2% equity interests in Shenzhen Yousheng. As a result, the Group's interests in Shenzhen Yousheng increased from 49% to 51% and Shenzhen Yousheng became a subsidiary of the Group (the "Acquisition"). Further details of the Acquisition are disclosed in note 42b.

The fair value of the identifiable net assets at the date of acquisition are determined by the significant management estimations with reference to the valuation performed by a firm of independent qualified professional valuers. Any changes in the estimates made and assumptions used in determining the fair value will impact the carrying amount of the identifiable net assets.

A gain on re-measurement of previously held interests in an associate of HK$709,402,000 arising from the Acquisition was recognised in profit or loss during the current year.

5. REVENUE

The Group recognises revenue from the following major sources:

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

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

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

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

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

(vi) Revenue from rendering of corporate finance advisory, asset management and other related services is recognised over time using the output method because the customer simultaneously receives and consumes the benefits as the Group performs 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; and

(vii) Revenue from interest income from margin financing is recognised on a time proportion basis using the effective interest method.

5. REVENUE (Continued)

(a) Disaggregation of revenue from contracts with customers

Type of goods and services	Commercial printing HK$'000	Hangtag HK$'000	Motor vehicle parts HK$'000	Financial services HK$'000	Property HK$'000	Environmental protection HK$'000	Total HK$'000
Year ended 31 December 2019							
Sales of goods							
– Motor vehicle parts	–	–	107,013	–	–	–	107,013
– Scrap materials	–	–	–	–	–	592,217	592,217
– Hangtags, labels, shirt paper boards and plastic bags	–	349	–	–	–	–	349
	–	349	107,013	–	–	592,217	699,579
Rendering of services							
– Printing services	77,878	–	–	–	–	–	77,878
– Financial services	–	–	–	33,190	–	–	33,190
– Commission income from securities broking	–	–	–	549	–	–	549
Revenue from contracts with customers	77,878	349	107,013	33,739	–	592,217	811,196
Revenue from gross rental income	–	–	–	–	10,569	–	10,569
Revenue from interest income from margin financing	–	–	–	7,133	–	–	7,133
Total	77,878	349	107,013	40,872	10,569	592,217	828,898
Geographical markets							
The PRC	1,365	–	66,130	–	9,907	494,429	571,831
Hong Kong	76,513	349	40,883	40,872	662	71,687	230,966
Japan	–	–	–	–	–	25,689	25,689
Other countries	–	–	–	–	–	412	412
Total	77,878	349	107,013	40,872	10,569	592,217	828,898
Timing of revenue recognition							
A point in time	–	349	107,013	7,682	–	592,217	707,261
Over time	77,878	–	–	33,190	–	–	111,068
Revenue out of the scope of HKFRS 15							
Rental income	–	–	–	–	10,569	–	10,569
Total	77,878	349	107,013	40,872	10,569	592,217	828,898

5. REVENUE (Continued)

(a) Disaggregation of revenue from contracts with customers (Continued)

Type of goods and services	Commercial printing HK$'000	Hangtag HK$'000	Motor vehicle parts HK$'000	Financial services HK$'000	Property HK$'000	Environmental protection HK$'000	Total HK$'000
Year ended 31 December 2018							
Sales of goods							
– Motor vehicle parts	–	–	127,095	–	–	–	127,095
– Scrap materials	–	–	–	–	–	570,774	570,774
– Hangtags, labels, shirt paper boards and plastic bags	–	996	–	–	–	–	996
	–	996	127,095	–	–	570,774	698,865
Rendering of services							
– Printing services	82,370	–	–	–	–	–	82,370
– Commission income from securities broking	–	–	–	1,387	–	–	1,387
Revenue from contracts with customers	82,370	996	127,095	1,387	–	570,774	782,622
Revenue from gross rental income	–	–	–	–	19,532	–	19,532
Revenue from interest income from margin financing	–	–	–	8,885	–	–	8,885
Total	82,370	996	127,095	10,272	19,532	570,774	811,039
Geographical markets							
The PRC	–	–	85,176	–	18,857	569,050	673,083
Hong Kong	82,370	996	41,919	10,272	675	–	136,232
Other countries	–	–	–	–	–	1,724	1,724
Total	82,370	996	127,095	10,272	19,532	570,774	811,039
Timing of revenue recognition							
A point in time	–	996	127,095	10,272	–	570,774	709,137
Over time	82,370	–	–	–	–	–	82,370
Revenue out of the scope of HKFRS 15							
Rental income	–	–	–	–	19,532	–	19,532
Total	82,370	996	127,095	10,272	19,532	570,774	811,039

5. REVENUE (Continued)

(b) Performance obligations for contracts with customers

(i) Sales of goods

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

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

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

5. REVENUE (Continued)

(b) Performance obligations for contracts with customers (Continued)

(ii) Rendering of brokerage transaction services

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

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.

(iii) Rendering of financial printing, digital printing, corporate finance advisory, asset management and other related services

Revenue from rendering of printing services is recognised over time on the progress of work that the customer simultaneously receives and consumes the benefits performed by the Group.

Revenue from rendering of financial services is recognised over time on the progress of work that the customer simultaneously receives and consumes the benefits performed by the Group or the Group's performance does not create an asset with an alternative use to the Group and the Group has a right to payment at an amount that reasonably compensates it for its performance completed to date at all times throughout the contract.

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services rendered to date. When the Group receives a deposit before the services rendered, this will give rise to contract liabilities until the revenue is recognised. The payment term is generally one month.

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

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

6. SEGMENT INFORMATION

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

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

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

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

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

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

(v) property investment and development ("Property Segment"); and

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

Hangtag Segment does not meet any quantitative thresholds for reportable segment but this segment is separately disclosed as the CODM considers that the information about the segment would be useful to users of the consolidated financial statements.

6. SEGMENT INFORMATION (Continued)

(a) Segment revenues and results

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

	Commercial printing HK$'000	Hangtag HK$'000	Motor vehicle parts HK$'000	Financial services HK$'000	Property HK$'000	Environmental protection HK$'000	Total HK$'000
Year ended 31 December 2019							
Segment revenue							
Sales to external customers	77,878	349	107,013	40,872	10,569	592,217	828,898
Inter-segment sales	607	–	–	13	630	–	1,250
	78,485	349	107,013	40,885	11,199	592,217	830,148
Elimination of inter-segment sales							(1,250)
Revenue							828,898
Segment results	678	(76)	10,052	12,622	73,305	44,735	141,316
Bank interest income							13,481
Other income							4,953
Net foreign exchange gain							104,609
Unrealised fair value gain on financial assets at FVTPL							3,737
Revaluation deficit on property, plant and equipment							(31)
Realised loss on disposal of financial assets at FVTPL							(79,986)
Loss on early redemption of promissory notes							(439,781)
Corporate expenses							(69,529)
Finance costs							(109,514)
Loss before income tax							(430,745)

6. SEGMENT INFORMATION (Continued)

(a) Segment revenues and results (Continued)

	Commercial printing HK$'000	Hangtag HK$'000	Motor vehicle parts HK$'000	Financial services HK$'000	Property HK$'000	Environmental protection HK$'000	Total HK$'000
Year ended 31 December 2018							
Segment revenue							
Sales to external customers	82,370	996	127,095	10,272	19,532	570,774	811,039
Inter-segment sales	755	–	–	15	290	–	1,060
	83,125	996	127,095	10,287	19,822	570,774	812,099
Elimination of inter-segment sales							(1,060)
Revenue							811,039
Segment results	2,328	(74)	7	(20,346)	316,199	67,340	365,454
Bank interest income							842
Other income							1,513
Net foreign exchange gain							267,662
Unrealised fair value gain on financial assets at FVTPL							35,063
Revaluation deficit on property, plant and equipment							(361)
Realised gain on disposal of financial assets at FVTPL							10,751
Corporate expenses							(49,707)
Finance costs							(75,268)
Profit before income tax							555,949

6. SEGMENT INFORMATION (Continued)

(a) Segment revenues and results (Continued)

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

(b) Segment assets and liabilities

	Commercial printing HK$'000	Hangtag HK$'000	Motor vehicle parts HK$'000	Financial services HK$'000	Property HK$'000	Environmental protection HK$'000	Total HK$'000
As at 31 December 2019							
Segment assets	**39,061**	**266**	**110,481**	**229,309**	**10,982,609**	**439,056**	**11,800,782**
Corporate and unallocated assets							**782,165**
Total assets							**12,582,947**
Segment liabilities	**41,946**	**42**	**9,430**	**32,221**	**4,876,898**	**107,287**	**5,067,824**
Corporate and unallocated liabilities							**4,295,833**
Total liabilities							**9,363,657**
As at 31 December 2018							
Segment assets	15,044	692	170,866	134,080	9,241,176	596,151	10,158,009
Corporate and unallocated assets							1,263,660
Total assets							11,421,669
Segment liabilities	18,543	358	7,260	20,204	4,667,956	313,938	5,028,259
Corporate and unallocated liabilities							3,460,984
Total liabilities							8,489,243

6. SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities (Continued)

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

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

Inter-segment sales are charged at prevailing market rates.

(c) Other segment information

	Commercial printing HK$'000	Hangtag HK$'000	Motor vehicle parts HK$'000	Financial services HK$'000	Property HK$'000	Environmental protection HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 December 2019								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation								
– Owned assets	1,060	182	615	469	122	1,684	8,537	12,669
– Right-of-use assets	10,816	–	2,466	3,935	–	987	9,987	28,191
Loss on fair value changes of investment properties, net	–	–	–	–	202,594	–	–	202,594
(Reversal of impairment losses)/ Impairment losses, net	(673)	(1)	(7,040)	(2,851)	–	1,974	–	(8,591)
Loss on early redemption of promissory notes	–	–	–	–	–	–	439,781	439,781
Gain on re-measurement of previously held interests in an associate	–	–	–	–	(709,402)	–	–	(709,402)
Capital expenditure (note)	78	–	705	68	576	5,814	3,057	10,298
Interest expense	659	–	1,332	1,728	187,254	3,374	339,757	534,104
Interest income	–	–	–	(5,981)	–	–	(13,481)	(19,462)
Income tax expense	400	–	1,781	5,702	31	9,624	–	17,538
Income tax credit	–	–	(20)	(345)	(43,221)	–	(8)	(43,594)

6. SEGMENT INFORMATION (Continued)

(c) Other segment information (Continued)

	Commercial printing HK$'000	Hangtag HK$'000	Motor vehicle parts HK$'000	Financial services HK$'000	Property HK$'000	Environmental protection HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 December 2018								
Amounts included in the measure of segment profit or loss or segment assets:								
Depreciation	1,204	163	728	143	45	1,772	7,903	11,958
Gain on fair value changes of investment properties, net	–	–	–	–	(671,422)	–	–	(671,422)
Loss on disposal of property, plant and equipment	–	–	61	–	–	–	–	61
Impairment losses, net	2,052	1	2,474	21,816	179	646	–	27,168
Capital expenditure (note)	2,278	310	970	14	105	340	6,002	10,019
Interest expense	–	–	–	–	348,704	–	75,268	423,972
Interest income	–	–	–	(1,293)	–	–	(842)	(2,135)
Income tax expense	4	–	127	71	166,769	10,983	–	177,954
Income tax credit	(1,210)	–	(315)	(3,434)	(280)	(386)	(91)	(5,716)

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

(d) Geographical information

(i) Revenue from external customers

	2019 HK$'000	2018 HK$'000
The PRC	**571,831**	673,083
Hong Kong	**230,966**	136,232
Japan	**25,689**	–
Other countries	**412**	1,724
	828,898	811,039

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

6. SEGMENT INFORMATION (Continued)

(d) Geographical information (Continued)

(ii) Non-current assets

	2019 HK$'000	2018 HK$'000
The PRC	**8,341,685**	8,802,328
Hong Kong	**1,146,185**	564,559
Japan	**2,459**	–
	9,490,329	9,366,887

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

(e) Information about major customers

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

	2019 HK$'000	2018 HK$'000
Customer A[1]	**152,386**	123,084
Customer B[1]	**129,908**	N/A*
Customer C[1]	**N/A***	124,326

1 Revenue from Environmental Protection Segment
* Less than 10% of the Group's total revenue

7A. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Bank interest income	**13,481**	842
Finance lease interest income	**–**	330
Interest income on credit-impaired loan receivables	**5,981**	963
Government grant	**103**	839
Rebate from bank borrowing	**2,400**	–
Others	**5,402**	827
	27,367	3,801

7B. OTHER GAINS AND LOSSES

	2019 HK$'000	2018 HK$'000
Loss on disposal of property, plant and equipment	**–**	(61)
Unrealised fair value gain on financial assets at FVTPL	**3,737**	35,063
Realised (loss)/gain on disposal of financial assets at FVTPL	**(79,986)**	10,751
Net foreign exchange gain	**91,582**	264,927
Revaluation deficit on property, plant and equipment	**(31)**	(361)
	15,302	310,319

8. REVERSAL OF IMPAIRMENT LOSSES/(IMPAIRMENT LOSSES), NET

	2019	2018
	HK$'000	HK$'000
Reversal of impairment losses/(Impairment losses), net, recognised on:		
– trade receivables	**4,760**	(5,352)
– receivables arising from securities broking	**2,640**	(20,816)
– purchased or originated credit-impaired loan receivables	**(578)**	(1,000)
Recovery of amounts written off in prior years:		
– trade receivables	**739**	–
– receivables arising from securities broking	**1,030**	–
	8,591	(27,168)

Details of impairment assessment for the years ended 31 December 2019 and 2018 are set out in note 51b.

9. FINANCE COSTS

	2019	2018
	HK$'000	HK$'000
Interest on bank borrowings and overdrafts	**434,514**	229,827
Interest on loans from ultimate holding company	**55,958**	65,231
Interest on promissory notes (note 38)	**40,375**	128,914
Finance charges on lease liabilities	**1,753**	–
Imputed interest on deferred consideration	**1,504**	–
	534,104	423,972

10. INCOME TAX (CREDIT)/EXPENSE

Hong Kong

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years ended 31 December 2019 and 2018.

The PRC

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

10. INCOME TAX (CREDIT)/EXPENSE (Continued)

	2019 HK$'000	2018 HK$'000
Current tax		
Hong Kong		
– Charge for the year	**6,654**	13,030
– (Over)/Under provision in prior years	**(345)**	919
The PRC		
– Charge for the year	**38**	1,829
– Under/(Over) provision in prior years	**2,173**	(1,694)
Japan		
– Charge for the year	**39**	–
	8,559	14,084
Deferred tax		
– (Credit)/Charge for the year (note 36)	**(34,615)**	158,154
Income tax (credit)/expense	**(26,056)**	172,238

A reconciliation of the tax (credit)/expense applicable to (loss)/profit before income tax at applicable tax rates:

	2019 HK$'000	2018 HK$'000
(Loss)/Profit before income tax	**(430,745)**	555,949
Income tax calculated at the rates applicable in the tax jurisdictions concerned	**(59,735)**	130,859
– Tax effect of non-taxable income	**(198,356)**	(26,143)
– Tax effect of non-deductible expenses	**213,262**	4,214
– Tax effect of tax losses not recognised	**14,287**	68,515
– Utilisation of tax losses previously not recognised	**(1,453)**	(6,305)
– Tax arising from fair value changes of investment properties	**(1,173)**	1,991
– Under/(Over) provision in prior years	**1,828**	(775)
– Tax effect of share of result of an associate	**306**	359
– Others	**4,978**	(477)
Income tax (credit)/expense	**(26,056)**	172,238

11. (LOSS)/PROFIT FOR THE YEAR

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

	2019 HK$'000	2018 HK$'000
Depreciation		
– Owned assets	**12,669**	11,958
– Right-of-use assets	**28,191**	–
Depreciation/Amortisation of prepaid lease payments	**122**	118
Direct operating expenses (including repair and maintenance):		
– Arising from rental-earning investment properties	**1,720**	5,015
– Arising from vacant investment properties	**994**	1,182
Minimum lease payments under operating leases	**–**	23,138
Short-term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	**2,558**	–
Auditor's remuneration	**4,419**	2,771
Employee benefits expense (including directors' emoluments)		
– Wages and salaries	**84,669**	57,458
– Discretionary bonuses	**10,037**	11,420
– Pension scheme contributions	**3,417**	2,711
Cost of inventories recognised as expenses	**622,341**	608,868

12A. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	2019	2018
	HK$'000	HK$'000
Fees	**426**	408
Other emoluments:		
– Salaries, allowances and benefits in kind	**10,230**	9,890
– Discretionary bonuses	**36**	36
– Pension scheme contributions	**54**	54
	10,320	9,980
	10,746	10,388

(a) Executive directors

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Pension scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2019					
Executive directors:					
Dr. Lin	**–**	**4,230**	**–**	**18**	**4,248**
Madam Su	**–**	**2,400**	**–**	**18**	**2,418**
Mr. Lin Xiaodong	**–**	**3,600**	**–**	**18**	**3,618**
	–	**10,230**	**–**	**54**	**10,284**
Year ended 31 December 2018					
Executive directors:					
Dr. Lin	–	3,890	–	18	3,908
Madam Su	–	2,400	–	18	2,418
Mr. Lin Xiaodong	–	3,600	–	18	3,618
	–	9,890	–	54	9,944

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

(b) Independent non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Year ended 31 December 2019					
Independent non-executive directors:					
Mr. Yu Leung Fai	**142**	**–**	**12**	**–**	**154**
Mr. Fang Jixin	**142**	**–**	**12**	**–**	**154**
Dr. Li Jue	**142**	**–**	**12**	**–**	**154**
	426	**–**	**36**	**–**	**462**
Year ended 31 December 2018					
Independent non-executive directors:					
Mr. Yu Leung Fai	136	–	12	–	148
Mr. Fang Jixin	136	–	12	–	148
Dr. Li Jue	136	–	12	–	148
	408	–	36	–	444

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

Included in the financial assets at FVTPL is a school debenture amounted to HK$6,000,000 (2018: HK$2,500,000) for the use by Dr. Lin's dependant.

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

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

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

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

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

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

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

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

Save for the above, no other transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a person who at any time in 2019 was a director of the Company or his or her connected entity had, directly or indirectly, a material interest subsisted at any time during the year or at the end of 2019.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2018: three) directors, details of whose emoluments are set out in note 12A above.

Details of the emoluments for the current year of the remaining three (2018: two) highest paid employees who are not directors of the Company are as follows:

	2019	2018
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**7,380**	3,810
Discretionary bonuses	**6,000**	6,000
Pension scheme contributions	**245**	228
	13,625	10,038

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

	Number of employees	
	2019	2018
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,500,001 to HK$5,000,000	**–**	1
HK$5,000,001 to HK$5,500,000	**–**	1
HK$6,000,001 to HK$6,500,000	**1**	–
	3	2

14. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

15. (LOSS)/EARNINGS PER SHARE

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

	2019 HK$'000	2018 HK$'000
(Loss)/Earnings		
(Loss)/Earnings for the purposes of basic and diluted (loss)/earnings per share calculation ((loss)/profit attributable to owners of the Company)	**(415,529)**	363,282

	Number of shares	
	2019	2018
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of basic (loss)/earnings per share calculation	**1,438,209,880**	1,350,887,946
Effect of dilutive potential ordinary shares:		
– Share options	**–**	1,259,625
– Contingently issuable shares in relation to acquisition of Environmental Protection Segment	**–**	2,500,000
Weighted average number of ordinary shares in issue for the purpose of diluted (loss)/earnings per share calculation	**1,438,209,880**	1,354,647,571

Diluted loss per share for the year ended 31 December 2019 is same as basic loss per share, the calculation does not assume the exercise of share options granted under the Company's share option scheme as it would have an anti-dilutive effect.

16. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK$'000	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Yacht HK$'000	Total HK$'000
As at 1 January 2018									
Cost	–	–	6,353	3,212	4,633	7,113	10,753	21,680	53,744
Valuation	–	72,187	–	–	–	–	–	–	72,187
Accumulated depreciation and impairment	–	–	(6,051)	(2,221)	(2,730)	(5,204)	(3,946)	(3,252)	(23,404)
Net carrying amount	–	72,187	302	991	1,903	1,909	6,807	18,428	102,527
Year ended 31 December 2018									
Opening net carrying amount	–	72,187	302	991	1,903	1,909	6,807	18,428	102,527
Additions	–	–	188	930	1,605	562	6,659	–	9,944
Acquisitions of subsidiaries (note 41b and 42c)	–	2,068	5	–	699	–	29	–	2,801
Disposals/Written off	–	–	–	(14)	(47)	–	–	–	(61)
Depreciation for the year	–	(3,437)	(137)	(814)	(896)	(1,305)	(3,201)	(2,168)	(11,958)
Gain on revaluation	–	1,046	–	–	–	–	–	–	1,046
Exchange realignment	–	(3,622)	(21)	(1)	(94)	–	(40)	–	(3,778)
Closing net carrying amount	–	68,242	337	1,092	3,170	1,166	10,254	16,260	100,521
As at 31 December 2018 and 1 January 2019									
Cost	–	–	6,607	3,960	6,211	7,675	17,213	21,680	63,346
Valuation	–	68,242	–	–	–	–	–	–	68,242
Accumulated depreciation and impairment	–	–	(6,270)	(2,868)	(3,041)	(6,509)	(6,959)	(5,420)	(31,067)
Net carrying amount as at 31 December 2018	**–**	**68,242**	**337**	**1,092**	**3,170**	**1,166**	**10,254**	**16,260**	**100,521**
Adjustment from the application of HKFRS 16 (note 2)	**66,086**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**66,086**
Net carrying amount as at 1 January 2019, restated	**66,086**	**68,242**	**337**	**1,092**	**3,170**	**1,166**	**10,254**	**16,260**	**166,607**

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Right-of-use assets HK$'000	Leasehold land and buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Yacht HK$'000	Total HK$'000
Year ended 31 December 2019									
Opening net carrying amount as at 1 January 2019, restated	66,086	68,242	337	1,092	3,170	1,166	10,254	16,260	166,607
Additions	4,233	–	–	687	676	1,085	3,578	–	10,259
Acquisitions of subsidiaries (note 41a and 42b)	16,915	–	–	137	236	380	699	–	18,367
Depreciation for the year	(28,191)	(3,423)	(113)	(652)	(1,152)	(967)	(4,194)	(2,168)	(40,860)
Transfer from investment property (note 18)	–	335,000	–	–	–	–	–	–	335,000
Gain on revaluation	–	694	–	–	–	–	–	–	694
Exchange realignment	(28)	(1,568)	(4)	(10)	6	(8)	(22)	–	(1,634)
Closing net carrying amount	59,015	398,945	220	1,254	2,936	1,656	10,315	14,092	488,433
As at 31 December 2019									
Cost	87,234	–	5,961	4,226	13,436	12,213	30,464	21,680	175,214
Valuation	–	398,945	–	–	–	–	–	–	398,945
Accumulated depreciation and impairment	(28,219)	–	(5,741)	(2,972)	(10,500)	(10,557)	(20,149)	(7,588)	(85,726)
Closing net carrying amount	59,015	398,945	220	1,254	2,936	1,656	10,315	14,092	488,433

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

Upon the application of HKFRS 16, accounting policy for depreciation of right-of-use assets is set out in note 3.7.

The Group's leasehold land and buildings were revalued individually at the end of the reporting period by Roma Appraisals Limited, a firm of independent qualified professional valuers, at an aggregate market value of HK$397,173,000 (2018: HK$66,385,000) based on their highest values less costs of disposal. A revaluation deficit of HK$31,000 (2018: HK$361,000) resulting from the above valuations has been recognised in profit or loss.

Fair value measurement

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

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

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

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement (Continued)

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

Leasehold land and building held by the Group	Significant unobservable input	Range 2019	Range 2018
Commercial property (2019: HK$42,793,000 (2018: HK$45,720,000))	Adopted price per square meter determined based on comparable transactions (Renminbi ("RMB"))	44,800 to 50,100	50,000 to 52,000
	Adjusting factors for variable conditions and locations	adjusting factors range from 98% to 100%	adjusting factor of 100%
Industrial property (2019: HK$19,380,000 (2018: HK$20,665,000))	Estimated construction cost for replacement (per square meter) (RMB)	2,200	2,200
		adjusting factor of 84%	adjusting factor of 84%
Residential property (2019: HK$335,000,000 (2018: N/A))	Adopted price per square feet determined based on comparable transactions (HK$)	69,100 to 101,800	N/A
	Adjusting factors for variable conditions and locations	adjusting factors range from 99% to 101%	

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

An increase/(decrease) in the adopted price per square meter/square feet would result in the same level of increase/(decrease) in the fair values of the commercial and residential properties. An increase/(decrease) in the estimated construction cost for replacement per square meter would result in the same level of increase/(decrease) in the fair value of the industrial property.

As at 31 December 2019, certain leasehold land and buildings of the Group were pledged to secure general banking facilities granted to the Group, details of which are set out in note 33.

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

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement (Continued)

Had the leasehold land and buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amount would have been approximately HK$408,713,000 (2018: HK$78,716,000).

As at 31 December 2019, included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	Net carrying amount as at 31 December 2019 HK$'000	Net carrying amount as at 1 January 2019 HK$'000	Depreciation for the year ended 31 December 2019 HK$'000
Land and buildings carried at cost	**58,601**	**66,086**	**28,122**
Office equipment	**414**	**–**	**69**
Total	**59,015**	**66,086**	**28,191**

The details in relation to these leases are set out in note 35.

17. PREPAID LEASE PAYMENTS

The carrying amount of prepaid lease payments represents the land use rights situated in the PRC and is analysed as follows:

	2019 HK$'000	2018 HK$'000
Non-current assets	**4,842**	4,968
Current assets	**–**	114
	4,842	5,082

Upon the application of HKFRS 16, the prepaid lease payments fall into the scope of HKFRS 16 as it meets the definition of right-of-use assets.

18. INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
As at 1 January	**9,081,879**	1,344,575
Additions	**39**	75
Acquisition of assets through acquisition of subsidiaries (note 42)	**513,000**	7,779,709
Transfer to property, plant and equipment (note 16)	**(335,000)**	–
(Loss)/Gain on fair value changes recognised in profit or loss, net	**(202,594)**	671,422
Exchange realignment	**(194,073)**	(713,902)
As at 31 December	**8,863,251**	9,081,879

The Group's investment properties consist of six (2018: six) residential apartments and two (2018: two) car parking spaces in Hong Kong, and three (2018: three) commercial buildings, two (2018: two) industrial properties, 1,327 (2018: 1,327) car parking spaces and one (2018: one) shopping arcade in the PRC. The directors of the Company have determined that the investment properties consist of four classes of asset, i.e., commercial buildings, car parking spaces, industrial properties and residential apartments, based on the nature, characteristics and risks of each property.

The Group's investment properties were revalued on 31 December 2019 and 2018 based on valuations performed by Roma Appraisals Limited, a firm of independent qualified professional valuers, at HK$8,863,251,000 (2018: HK$9,081,879,000).

As at 31 December 2019, certain investment properties of the Group were pledged to secure general banking facilities granted to the Group, details of which are set out in note 33.

18. INVESTMENT PROPERTIES (Continued)

Fair value measurement

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

The fair values of the investment properties were determined using the direct comparison approach by making reference to comparable transactions as available in the relevant market after applying adjusting factors to reflect the conditions and locations of the subject properties. The approach rests on the wide acceptance of the market transactions as the best indicator.

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

Investment property held by the Group	Valuation technique	Significant unobservable input	Range 2019	Range 2018
A residential apartment in Festival City, Shatin, Hong Kong (2019: HK$13,100,000 (2018: HK$11,700,000))	Direct comparison approach	Adopted price per square feet determined based on comparable transactions (HK$)	**17,600 to 17,700**	14,500 to 18,000
		Adjusting factors for variable conditions and locations	**adjusting factors range from 95% to 118%**	adjusting factors range from 87% to 112%
A residential apartment in Festival City, Shatin, Hong Kong (2019: HK$13,600,000 (2018: HK$12,500,000))	Direct comparison approach	Adopted price per square feet determined based on comparable transactions (HK$)	**16,700 to 17,900**	11,900 to 18,300
		Adjusting factors for variable conditions and locations	**adjusting factors range from 95% to 114%**	adjusting factors range from 88% to 108%
A residential apartment in Parc Oasis, Kowloon, Hong Kong (2019: HK$14,500,000 (2018: HK$14,500,000))	Direct comparison approach	Adopted price per square feet determined based on comparable transactions (HK$)	**20,400 to 22,600**	18,900 to 27,800
		Adjusting factors for variable conditions and locations	**adjusting factors range from 96% to 101%**	adjusting factors range from 96% to 109%

18. INVESTMENT PROPERTIES (Continued)

Fair value measurement (Continued)

Investment property held by the Group	Valuation technique	Significant unobservable input	Range 2019	Range 2018
A residential apartment in The Riverpark, Shatin, Hong Kong (2019: HK$16,200,000 (2018: HK$17,000,000))	Direct comparison approach	Adopted price per square feet determined based on comparable transactions (HK$)	**17,200 to 17,700**	16,200 to 19,200
		Adjusting factors for variable conditions and locations	**adjusting factors range from 95% to 101%**	adjusting factors range from 86% to 110%
A residential apartment in Bel-Air, Island South, Hong Kong (2018: HK$353,000,000) (note a)	Direct comparison approach	Adopted price per square feet determined based on comparable transactions (HK$)	**N/A**	80,500 to 88,000
		Adjusting factors for variable conditions and locations		adjusting factors range from 91% to 95%
A residential apartment in Bel-Air, Island South, Hong Kong (2019: HK$36,000,000 (2018: HK$38,000,000))	Direct comparison approach	Adopted price per square feet determined based on comparable transactions (HK$)	**24,000 to 32,200**	22,400 to 29,500
		Adjusting factors for variable conditions and locations	**adjusting factors range from 93% to 103%**	adjusting factors range from 82% to 92%
A residential apartment in Bel-Air, Island South, Hong Kong (2019: HK$497,000,000) (note b)	Direct comparison approach	Adopted price per square feet determined based on comparable transactions (HK$)	**71,300 to 105,100**	N/A
		Adjusting factors for variable conditions and locations	**adjusting factors range from 97% to 105%**	

18. INVESTMENT PROPERTIES (Continued)

Fair value measurement (Continued)

Investment property held by the Group	Valuation technique	Significant unobservable input	Range 2019	Range 2018
A car parking space in Festival City, Shatin, Hong Kong (2019: HK$2,400,000 (2018: HK$2,700,000))	Direct comparison approach	Adopted price per bay determined based on comparable transactions (HK$ thousand)	**2,100 to 2,600**	2,100 to 2,800
		Adjusting factors for variable conditions and locations	**adjusting factor of 100%**	adjusting factor of 100%
A car parking space in Parc Oasis, Kowloon, Hong Kong (2019: HK$2,000,000 (2018: HK$1,800,000))	Direct comparison approach	Adopted price per bay determined based on comparable transactions (HK$ thousand)	**1,700 to 2,200**	1,000 to 2,000
		Adjusting factors for variable conditions and locations	**adjusting factor of 100%**	adjusting factor of 100%
Commercial building in Shenzhen, Guangdong Province, the PRC (2019: HK$84,244,000 (2018: HK$92,469,000))	Direct comparison approach	Adopted price per square meter determined based on comparable transactions (RMB)	**72,000 to 76,400**	79,900 to 80,000
		Adjusting factors for variable conditions and locations	**adjusting factors range from 97% to 102%**	adjusting factors range from 100% to 107%
Industrial property in Shenzhen, Guangdong Province, the PRC (2019: HK$183,237,000 (2018: HK$192,024,000))	Direct comparison approach	Adopted price per square meter determined based on comparable transactions (RMB)	**7,700 to 10,500**	6,700 to 10,400
		Adjusting factors for variable conditions and locations	**adjusting factor of 95%**	adjusting factor of 95%

18. INVESTMENT PROPERTIES (Continued)

Fair value measurement (Continued)

Investment property held by the Group	Valuation technique	Significant unobservable input	Range 2019	Range 2018
Industrial property in Shenzhen, Guangdong Province, the PRC (2019: HK$570,939,000 (2018: HK$585,216,000))	Direct comparison approach	Adopted price per square meter determined based on comparable transactions (RMB)	**10,800 to 13,700**	11,200 to 12,800
		Adjusting factors for variable conditions and locations	**adjusting factors range from 95% to 110%**	adjusting factor of 95%
Commercial building in Shenzhen, Guangdong Province, the PRC (2019: HK$2,592,131,000 (2018: HK$2,731,770,000)) (note c)	Direct comparison approach	Adopted price per square meter determined based on comparable transactions (RMB)	**51,500 to 61,600**	54,000 to 58,000
		Adjusting factors for variable conditions and locations	**adjusting factors range from 95% to 97%**	adjusting factors range from 97% to 103%
A shopping arcade in Shenzhen, Guangdong Province, the PRC (2019: HK$1,273,720,000 (2018: HK$1,280,160,000)) (note c)	Direct comparison approach	Adopted price per square meter determined based on comparable transactions (RMB)	**77,300 to 152,000**	79,100 to 148,500
		Adjusting factors for variable conditions and locations	**adjusting factors range from 90% to 100%**	adjusting factors range from 65% to 95%
1,012 car parking spaces in Shenzhen, Guangdong Province, the PRC (2019: HK$446,919,000 (2018: HK$457,200,000)) (note c)	Direct comparison approach	Adopted price per bay determined based on comparable transactions (RMB)	**400,000**	400,000
		Adjusting factors for variable conditions and locations	**adjusting factors range from 90% to 95%**	adjusting factor of 71%

18. INVESTMENT PROPERTIES (Continued)

Fair value measurement (Continued)

Investment property held by the Group	Valuation technique	Significant unobservable input	Range 2019	Range 2018
Commercial building in Shenzhen, Guangdong Province, the PRC (2019: HK$2,983,186,000 (2018: HK$3,143,250,000)) (note c)	Direct comparison approach	Adopted price per square meter determined based on comparable transactions (RMB)	**41,800 to 58,600**	42,600 to 66,200
		Adjusting factors for variable conditions and locations	**adjusting factors range from 97% to 100%**	adjusting factors range from 85% to 105%
315 car parking spaces in Shenzhen, Guangdong Province, the PRC (2019: HK$134,075,000 (2018: HK$148,590,000)) (note c)	Direct comparison approach	Adopted price per bay determined based on comparable transactions (RMB)	**380,000**	400,000
		Adjusting factors for variable conditions and locations	**adjusting factors range from 90% to 95%**	adjusting factor of 71%

Notes:

(a) The investment property was transferred to property, plant and equipment during the year ended 31 December 2019.

(b) The investment property is acquired through acquisition of a subsidiary during the year ended 31 December 2019. Details of which are set out in note 42a.

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

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

19. GOODWILL

	HK$'000
Carrying amount	
As at 1 January 2018, 31 December 2018 and 1 January 2019	28,497
Acquisition of a subsidiary (note 41a)	**58,893**
As at 31 December 2019	**87,390**

The carrying amounts of goodwill and other intangible assets allocated to the CGUs as at 31 December 2019 and 2018 are as follows:

	2019			2018		
	Goodwill HK$'000	**Other intangible assets HK$'000**	**Total HK$'000**	Goodwill HK$'000	Other intangible assets HK$'000	Total HK$'000
Financial Services Segment						
– Type 1 license business	**2,100**	**4,400**	**6,500**	2,100	4,400	6,500
– Type 4 and Type 9 licenses business	**–**	**8,969**	**8,969**	–	8,969	8,969
– Type 1, Type 4 and Type 6 licenses business (note 41a)	**58,893**	**32,815**	**91,708**	–	–	–
Environmental Protection Segment	**26,397**	**–**	**26,397**	26,397	–	26,397
	87,390	**46,184**	**133,574**	28,497	13,369	41,866

Impairment testing of goodwill and other intangible assets

Goodwill and other intangible assets acquired through business combination is allocated to the Financial Services Segment CGUs (i.e. (i) Type 1 license business, (ii) Type 4 and Type 9 licenses business, and (iii) Type 1, Type 4 and Type 6 licenses business) and Environmental Protection Segment CGU for impairment testing. The directors of the Company consider that the assets (including goodwill and other intangible assets allocated) of respective CGUs of Financial Services Segment for Type 1 license business and Type 4 and Type 9 licenses business are insignificant to the Group. Accordingly, the details of the impairment test are not presented below.

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

19. GOODWILL (Continued)

Financial Services Segment (Type 1, Type 4 and Type 6 licenses business)

The recoverable amount of this CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections was 14.7%, and the cash flows beyond the five-year period were extrapolated using a growth rate of 3.0%. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development.

Based on the result of the above impairment testing, the estimated recoverable amount exceeded the carrying amount of the CGU by approximately 45.2% as at 31 December 2019. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount to exceed the recoverable amount of this CGU.

Environmental Protection Segment

The recoverable amount of this CGU has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections was 17.6% (2018: 15.9%), and the cash flows beyond the five-year period were extrapolated using a growth rate of 3.0% (2018: 3.0%). Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development.

Based on the result of the above impairment testing, the estimated recoverable amount exceeded the carrying amount of the CGU by approximately 3.6% (2018: 54.3%) as at 31 December 2019.

Management is not currently aware of any other possible changes that would necessitate changes in its key estimates. However, the estimate of recoverable amount of this CGU is particularly sensitive to the discount rate applied. If the discount rate increased by 1%, a impairment loss of HK$2,525,000 would be recognised.

20. OTHER INTANGIBLE ASSETS

	Trademark	Licenses	Total
	HK$'000	HK$'000	HK$'000
Carrying amount			
As at 1 January 2018	–	4,400	4,400
Acquisition of a subsidiary (note 41b)	–	8,969	8,969
As at 31 December 2018 and 1 January 2019	**–**	**13,369**	**13,369**
Acquisition of a subsidiary (note 41a)	**25,089**	**7,726**	**32,815**
As at 31 December 2019	**25,089**	**21,095**	**46,184**

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

21. INVESTMENT IN AN ASSOCIATE

	2019 HK$'000	2018 HK$'000
Cost of unlisted investment in an associate	–	67,615
Share of post-acquisition loss and other comprehensive expense	–	(1,493)
	–	66,122

The movements in the Group's investment in an associate during the year are analysed as follows:

	2019 HK$'000	2018 HK$'000
As at 1 January	66,122	–
Addition	–	67,615
Share of result	(1,087)	(1,493)
Deemed disposal of an associate and become a subsidiary (note 42b)	(65,035)	–
As at 31 December	–	66,122

21. INVESTMENT IN AN ASSOCIATE (Continued)

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

Name of associate	Country of establishment/ operation	Proportion of ownership interest held by the Group		Proportion of voting right held by the Group		Principal activity
		2019	2018	**2019**	2018	
Shenzhen Yousheng (note 42b)	The PRC	**N/A**	49%	**N/A**	49%	Property development

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

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

	2019 HK$'000	2018 HK$'000
Current assets	**–**	34,937
Non-current assets	**–**	138,115
Current liabilities	**–**	38,109
Net assets	**–**	134,943

21. INVESTMENT IN AN ASSOCIATE (Continued)

	From 1 January 2019 to 22 May 2019 (date of deemed disposal) HK$'000	2018 HK$'000
Revenue	–	–
Loss for the period/year	(2,493)	(2,930)
Total comprehensive expense for the period/year	(2,218)	(3,047)

Reconciliation to the carrying amount of investment in the associate:

	2019 HK$'000	2018 HK$'000
Net assets of the associate	–	134,943
Proportion of the Group's ownership interests	–	49%
Carrying amount of the Group's investment in the associate	–	66,122

22. EQUITY INSTRUMENT AT FVTOCI

	2019	2018
	HK$'000	HK$'000
Equity investment:		
– Unlisted security in the PRC	**–**	31,048

On 16 July 2018, the Group together with an independent third party ("Party A"), incorporated a company ("Investee") in the PRC which targets to be engaged in property redevelopment with paid-up share capital of RMB150,000,000, of which 70% of the equity investment in the Investee, being RMB105,000,000 (equivalent to approximately HK$120,741,000) was subscribed by the Group. On 27 December 2018, the Group entered into a sale and purchase agreement with Party A, who is also the 30% equity interests holder of the Investee, to dispose 52% equity interests of the Investee at a cash consideration of RMB78,000,000 (equivalent to approximately HK$89,154,000), which was fully settled on 28 December 2018. Subsequent to the disposal, the Group holds 18% equity interests in the Investee.

The Group does not have any board seats during the period from 16 July 2018 to the end of the reporting period and does not exercise any control over the Investee as at 31 December 2018. The directors of the Company consider that the Group does not have control and significant influence over the Investee. The directors of the Company have elected to designate this investment in equity instrument at FVTOCI as it is not held for trading. The directors of the Company consider that the cost of the equity instrument at FVTOCI is an appropriate estimate of fair value since there were no material changes in the financial position of the Investee during the period form 16 July 2018 to 31 December 2018.

On 27 June 2019, the Group entered into a sale and purchase agreement with an independent third party ("Party B") to dispose the remaining 18% equity interests of the Investee at a cash consideration of RMB27,000,000 (equivalent to approximately HK$30,681,000). Subsequent to the disposal, the Group does not have any equity interest in the Investee.

23. INVENTORIES

	2019	2018
	HK$'000	HK$'000
Raw materials	**21,736**	97,312
Finished goods	**45,326**	48,858
	67,062	146,170

24. TRADE RECEIVABLES/RECEIVABLES ARISING FROM SECURITIES BROKING

	2019 HK$'000	2018 HK$'000
Trade receivables, goods and services	**327,425**	465,402
Less: allowance for credit losses	**(6,337)**	(10,387)
	321,088	455,015
Receivables arising from securities broking conducted in the ordinary course of business:		
– Cash clients accounts receivable	**10,287**	10,774
– Loans to margin clients	**79,203**	91,707
Less: allowance for credit losses	**(9)**	(2,649)
	89,481	99,832
Total trade receivables and receivables arising from securities broking	**410,569**	554,847

Trade receivables excluding those from securities broking

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

At the end of the reporting period, 26% (2018: 18%) and 55% (2018: 45%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers respectively. The Group does not hold any collateral or other credit enhancements over its trade receivables.

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

Receivables arising from securities broking

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

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

Loans to margin clients are secured by the underlying pledged securities, repayable on demand or agreed dates of repayment and bear interest at commercial rates. As at 31 December 2019, the total market value of securities pledged as collateral in respect of the loans to margin clients was HK$244,113,000 (2018: HK$332,316,000). Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collaterals are required if the amount of accounts receivable outstanding exceeds the eligible margin value of securities deposited. As at 31 December 2019, 99% (2018: 99%) of the balance were secured by sufficient collaterals on an individual basis. Management has assessed the market value of the pledged securities of each individual customer that has margin shortfall as at the year end. The collaterals held cannot be repledged by the Group. The corresponding collaterals held can be sold at the Group's discretion to settle any outstanding amounts owed by the margin clients in the event of default.

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

	2019 **HK$'000**	2018 HK$'000
Current to 30 days	**116,691**	261,782
31 to 60 days	**80,947**	82,485
61 to 90 days	**7,264**	44,651
Over 90 days	**116,186**	66,097
	321,088	455,015
Cash clients accounts receivable	**10,287**	10,774
Loans to margin clients	**79,194**	89,058
	410,569	554,847

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

Receivables arising from securities broking (Continued)

No ageing analysis of cash clients accounts receivable and loans to margin clients is disclosed as in the opinion of the directors of the Company, the ageing analysis is not meaningful in view of the nature of the cash clients accounts receivable arising from securities broking and the revolving margin loans.

Details of impairment assessment of trade receivables and receivables arising from securities broking for the years ended 31 December 2019 and 2018 are set out in note 51b.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Prepayments for purchase of inventories	**117,217**	119,405
Deposit paid for acquisition of property, plant and equipment	**4,483**	4,483
Deposit paid for acquisition of a 60% equity investment	**–**	20,000
Deposit paid for acquisition of an investment property	**–**	51,300
Refundable rental deposits	**11,924**	6,981
Other deposits and prepayments	**19,537**	10,763
Other receivables from a local government authority (note a)	**144,021**	147,334
Purchased or originated credit-impaired loan receivables (note b)	**86,161**	28,776
	383,343	389,042
Classified as:		
Current assets	**368,781**	306,112
Non-current assets	**14,562**	82,930
	383,343	389,042

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes:

(a) The amounts represent receivables due from a local government authority in the PRC in respect of sales of properties before the acquisition of subsidiaries as stated in note 42c. Management believes that no impairment loss is necessary in respect of this balance as the amount is still considered to be fully recoverable taken into account of the repayment history and current creditworthiness of the debtor. Management considers the amount to be recovered within 12 months from the end of the reporting period, therefore classified as current assets.

(b) The amounts represent three (2018 : one) credit-impaired loan receivables purchased from a bank in the PRC at cash consideration of RMB72,827,000 (2018: RMB25,208,000). Legal proceeding had been entered into between the bank and the original debtors regarding the recoverability of the credit-impaired loan receivables and it was judged that the pledged properties could be used for auctions to repay the outstanding loans and interests. The loan receivables are carried at contractual interest rate from 8.5% to 9.3% (2018: 9.7%) per annum and the Group has applied the credit-adjusted effective interest rate from 8.5% to 9.3% (2018: 12.6%) to the amortised cost of the financial assets from initial recognition. It only recognises the cumulative changes in lifetime ECL since initial recognition as a loss allowance. During the year ended 31 December 2019, an impairment loss of HK$578,000 (2018: HK$1,000,000) is recognised in profit or loss at initial recognition date for the lifetime ECL. Management considers the amounts to be recoverd within 12 months from the end of the reporting period, therefore classified as current assets.

26. PROPOSED DEVELOPMENT PROJECTS

The Group has entered into a number of contractual arrangements relating to redevelopment of certain areas and other development projects with independent third parties. These amounts would be converted into properties under development upon the completion of the contracts. Further details of the major proposed development project are disclosed in note 42b.

27. FINANCIAL ASSETS AT FVTPL

	2019 HK$'000	2018 HK$'000
Club and school debentures	**10,720**	7,139
Equity investments, listed in Hong Kong	**3,410**	89,492
	14,130	96,631

The fair values of the Group's financial assets at FVTPL have been measured as described in note 51b.

28. CASH HELD ON BEHALF OF CLIENTS

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

29. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates which range from 0.01% to 1.4% (2018: 0.01% to 2.2%) per annum. Short-term time deposits are made for few days period to meet the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates of 1.4% (2018: 2.2%) per annum. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

30. TRADE PAYABLES/PAYABLES ARISING FROM SECURITIES BROKING

	2019	2018
	HK$'000	HK$'000
Trade payables	**55,360**	223,016
Payables arising from securities broking conducted in the ordinary course of business:		
– Cash clients accounts payable	**16,853**	19,645
Total trade payables and payables arising from securities broking	**72,213**	242,661

The following is an ageing analysis of trade payables based on invoice dates:

	2019	2018
	HK$'000	HK$'000
Current to 30 days	**34,465**	190,522
31 to 60 days	**6,301**	20,851
61 to 90 days	**945**	5,645
Over 90 days	**13,649**	5,998
	55,360	223,016

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

The credit period of trade payables excluding those from securities broking ranges from 60 to 90 days (2018: 30 to 90 days). The normal settlement terms of payables arising from securities broking are two trading days after the trade date.

Included in cash clients accounts payable arising from dealing in securities conducted in the ordinary course of business is cash held on behalf of clients amounted to HK$6,292,000 (2018: HK$8,454,000) representing those clients' undrawn monies/excess deposits placed with the Group. As at 31 December 2019, the cash clients accounts payable included an amount of HK$116,000 (2018: HK$121,000) in respect of certain directors' undrawn monies/excess deposits placed with the Group. The cash clients accounts payable are repayable on demand and non interest-bearing. No ageing analysis is disclosed as, in the opinion of the directors of the Company, an ageing analysis is not meaningful in view of the nature of the business of dealing in securities.

31. CONTRACT LIABILITIES

	2019	2018
	HK$'000	HK$'000
Current		
Printing services contract (note a)	**2,400**	3,773
Receipts in advance from customers (note b)	**2,741**	1,059
	5,141	4,832

Notes:

(a) When the Group receives a deposit before the printing activity commences, this will give rise to contract liabilities at the inception of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. The Group typically receives a 20% deposit on acceptance of provision for certain printing services. At contract inception, performance obligation is expected to be satisfied within one year.

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

32. OTHER PAYABLES AND ACCRUALS

	2019 HK$'000	2018 HK$'000
Deferred consideration for acquisition of subsidiaries	**42,353**	–
Accrued expenses	**15,347**	12,503
Accrued staff costs	**14,133**	4,471
Other payables	**8,931**	11,112
Deposits received	**3,391**	5,858
Other tax payables	**58,799**	66,338
	142,954	100,282
Classified as:		
Current liabilities	**100,601**	100,282
Non-current liabilities	**42,353**	–
	142,954	100,282

33. BANK BORROWINGS AND OVERDRAFTS

	2019	2018
	HK$'000	HK$'000
Bank borrowings		
– Secured	**4,630,617**	4,655,199
– Unsecured	**3,318,375**	685,800
Secured bank overdrafts	**20,000**	20,000
	7,968,992	5,360,999

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

	2019	2018
	HK$'000	HK$'000
Carrying amount of bank borrowings are repayable (note d):		
– Within one year	**235,204**	208,526
– More than one year but not more than two years	**242,679**	185,399
– More than two years but not more than five years	**6,990,435**	4,678,647
– Over five years	**210,955**	-
	7,679,273	5,072,572
Carrying amount of bank borrowings and overdrafts that contain a repayment on demand clause:		
– Within one year	**289,719**	288,427
	7,968,992	5,360,999
Less: amounts due within one year shown under current liabilities	**(524,923)**	(496,953)
Amounts shown under non-current liabilities	**7,444,069**	4,864,046

33. BANK BORROWINGS AND OVERDRAFTS (Continued)

Notes:

(a) As at 31 December 2019, the Group's bank borrowings and overdrafts of HK$289,719,000 (2018: HK$288,427,000) bear interest rates from 1.25% to 1.75% (2018: 1.25% to 1.5%) over Hong Kong Interbank Offered Rate per annum.

(b) As at 31 December 2019, the Group's bank borrowing of HK$240,000,000 (2018: Nil) bears interest rate of 2.85% (2018: Nil) below Prime Rate per annum.

(c) As at 31 December 2019, the Group's bank borrowings of HK$7,439,273,000 (2018: HK$5,072,572,000) bear fixed interest rates from 5.62% to 7.6% (2018: 5.62% to 7.6%) per annum.

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

(e) The Group's available banking facilities amounted to HK$8,745,791,000 (2018: HK$5,448,286,000), of which HK$7,968,992,000 (2018: HK$5,360,999,000) had been utilised at the end of the reporting period.

(f) Certain bank borrowings and overdrafts of the Group were guaranteed by the Company up to HK$7,720,082,000 (2018: HK$5,339,854,000), the Group companies up to HK$7,090,203,000 (2018: HK$4,285,727,000) and secured by mortgages over the Group's investment properties with a carrying amount at the end of the reporting period of HK$8,024,831,000 (2018: HK$8,496,663,000), mortgages over the Group's leasehold land and buildings with a carrying amount at the end of the reporting period of HK$354,380,000 (2018: HK$20,665,000) and shares of two (2018: two) investment properties owing subsidiaries.

(g) Certain bank borrowings and overdrafts of the Group were guaranteed by the directors and controlling shareholders of the Company up to HK$7,670,363,000 (2018: HK$5,051,426,000) and the related parties of the Group up to HK$8,910,000 (2018: HK$21,146,000).

(h) Except for bank borrowings of HK$7,439,273,000 (2018: HK$5,072,572,000) which are denominated in RMB, all other bank borrowings and overdrafts are denominated in HK$.

34. AMOUNTS DUE TO RELATED PARTIES

	2019 HK$'000	2018 HK$'000
Amount due to a related company controlled by the directors and controlling shareholders of the Company (note a)	–	16,648
Amount due to a related party, who has significant influence over a subsidiary of the Company (note a)	35,671	61,876
Amounts due to related parties, who have significant influence over a subsidiary of the Company (note b)	33,825	–
	69,496	78,524

Notes:

(a) Amounts due are unsecured, interest-free and repayable on demand.

(b) Amounts due are unsecured, interest-bearing at 5% per annum and repayable on demand.

35. LEASE LIABILITIES

	2019 HK$'000
Total minimum lease payments:	
– Due within one year	30,689
– Due in the second to the fifth years	31,408
	62,097
Future finance charges on lease liabilities	(2,329)
Present value of lease liabilities	59,768
Present value of minimum lease payments:	
– Due within one year	29,794
– Due in the second to the fifth years	29,974
	59,768
Less: portion due within one year included under current liabilities	(29,794)
Portion due after one year included under non-current liabilities	29,974

35. LEASE LIABILITIES (Continued)

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances as at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17.

During the year ended 31 December 2019, the total cash outflows for the leases are HK$31,638,000.

Details of the lease activities

As at 31 December 2019, the Group has entered into leases for office equipment and certain office premises and warehouse.

Type of right-of-use asset	Consolidated financial statements item of right-of-use asset included in	Number of lease	Range of remaining lease term	Number of lease with extension option	Number of lease with option to purchase	Number of lease with termination option
Land and buildings carried at cost	Property, plant and equipment	11	1 to 4 years	5	3	8
Office equipment	Property, plant and equipment	1	4 years	–	–	–

The Group considered that no extension option or termination option would be exercised at the lease commencement date.

36. DEFERRED TAXATION

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

	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of properties HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
As at 1 January 2018	781	231,295	(771)	(2,681)	228,624
Deferred tax charged/(credited) to profit or loss (note 10)	130	166,107	(338)	(7,745)	158,154
Charged to other comprehensive income	–	352	–	–	352
Acquisition of a subsidiary (note 41b)	–	–	–	1,480	1,480
Exchange realignment	–	(11,198)	–	30	(11,168)
As at 31 December 2018 and 1 January 2019	**911**	**386,556**	**(1,109)**	**(8,916)**	**377,442**
Deferred tax (credited)/charged to profit or loss (note 10)	**(54)**	**(43,219)**	**180**	**8,478**	**(34,615)**
Charged to other comprehensive income	**–**	**181**	**–**	**–**	**181**
Acquisition of a subsidiary (note 41a)	**–**	**–**	**–**	**5,415**	**5,415**
Exchange realignment	**–**	**(8,712)**	**–**	**(2)**	**(8,714)**
As at 31 December 2019	**857**	**334,806**	**(929)**	**4,975**	**339,709**

At the end of the reporting period, the Group has estimated tax losses arising in Hong Kong of HK$324,334,000 (2018: HK$274,417,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has estimated tax losses arising in the PRC of HK$69,862,000 (2018: HK$51,469,000) that will expire in one to five years for offsetting against future taxable profits. A deferred tax asset has been recognised in respect of tax losses of HK$5,640,000 (2018: HK$6,721,000) as at 31 December 2019. Deferred tax assets have not been recognised in respect of the remaining tax losses as they have arisen in subsidiaries that have been loss-making for some time and in the opinion of the directors of the Company, it is not considered probable that taxable profits will be available against which the tax losses can be utilised due to the unpredictability of future profit streams.

36. DEFERRED TAXATION (Continued)

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided in the consolidated financial statements in respect of the temporary difference attributable to the accumulated profits of the Group's subsidiaries in the PRC amounted to HK$31,568,000 (2018: HK$34,728,000) as the Group is able to control the timing of the reversal of the temporary difference and it is probable that these temporary difference will not reverse in the foreseeable future.

37. LOANS FROM ULTIMATE HOLDING COMPANY

	2019	2018
	HK$'000	HK$'000
Loans from ultimate holding company	**687,688**	821,460

Loans from ultimate holding company were unsecured, interest-bearing at 8.2% (2018: 8.2%) per annum and will be repayable in June 2021 (2018: June 2020).

38. PROMISSORY NOTES

	HK$'000
As at 1 January 2018	–
Fair value of promissory notes issued at the inception date (note 42c)	1,496,949
Effective interest charged (note 9)	128,914
Exchange realignment	(133,403)
As at 31 December 2018 and 1 January 2019	**1,492,460**
Effective interest charged (note 9)	**40,375**
Repayment	**(2,006,365)**
Loss on early redemption charged to profit or loss	**439,781**
Exchange realignment	**33,749**
As at 31 December 2019	**–**

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

38. PROMISSORY NOTES (Continued)

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

The promissory notes were early redeemed by the Group on 20 March 2019.

39. SHARE CAPITAL

	2019	2018
	HK$'000	HK$'000
Authorised:		
20,000,000,000 ordinary shares of HK$0.10 each	**2,000,000**	2,000,000
Issued and fully paid:		
1,438,209,880 (2018: 1,435,709,880) ordinary shares of HK$0.10 each	**143,821**	143,571

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

	Number of ordinary shares in issue	**Share capital**
		HK$'000
As at 1 January 2018	1,150,751,398	115,075
Issue of shares (note a)	284,958,482	28,496
As at 31 December 2018 and 1 January 2019	**1,435,709,880**	**143,571**
Issue of shares (note b)	**2,500,000**	**250**
As at 31 December 2019	**1,438,209,880**	**143,821**

39. SHARE CAPITAL (Continued)

Notes:

(a) On 19 April 2018, the Company issued 280,998,482 shares at HK$4.71 per share, as part of consideration amounted to HK$1,323,502,000, to acquire assets through acquisition of subsidiaries. The issuance of shares was pursuant to the terms and conditions under the acquisition agreements for the acquisition as stated in note 42c. The new shares rank pari passu with existing shares in all respects.

On 8 June 2018, the Company issued 1,750,000 shares at HK$5.11 per share, for a consideration of HK$8,943,000. The issuance of shares was pursuant to the terms and conditions under the acquisition agreement for the acquisition of 60% equity interests in Realord Environmental Protection Industrial Company Limited ("Realord Environmental Protection") and its subsidiaries in 2017. The new shares rank pari passu with existing shares in all respects.

On 5 October 2018, the Company issued 2,210,000 shares due to the exercise of share options under the Scheme (as defined in note 40) by the option holders. The new shares rank pari passu with existing shares in all respects.

(b) On 10 June 2019, the Company issued 2,500,000 shares at HK$4.60 per share, for a consideration of HK$11,498,000. The issuance of shares was pursuant to the terms and conditions under the acquisition agreement for the acquisition of 60% equity interests in Realord Environmental Protection and its subsidiaries in 2017. The new shares rank pari passu with existing shares in all respects.

40. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and full time employees of the Group. The Scheme became effective on 10 August 2012 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of approval of the Scheme on 10 August 2012. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

40. SHARE OPTION SCHEME (Continued)

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company, and commences after a vesting period of two years and ends on a date which is not later than 10 years from the date of the grant of the option but subject to the provisions for early termination of the Scheme. Unless otherwise determined by the directors of the Company at their sole discretion, there is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of share options is determinable by the directors of the Company, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights to the holders to dividends or to vote at shareholders' meetings.

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

	Weighted average exercise price (per share)	**Number of options**
	HK$	'000
As at 1 January 2018	4.11	10,010
Exercised during the year	4.11	(2,210)
As at 31 December 2018, 1 January 2019 and 31 December 2019	**4.11**	**7,800**

No share options were exercised during the year ended 31 December 2019 (2018: 2,210,000 share options were exercised at HK$4.11 per share).

At the end of the reporting period and the date of approval of these consolidated financial statements, the Company had 7,800,000 share options outstanding under the Scheme, which represented approximately 0.5% of the Company's shares in issue as at that date.

41. BUSINESS COMBINATIONS

(a) Optima Capital Limited

On 30 April 2019, the Group completed an acquisition of 60% equity interests in Optima Capital Limited ("Optima Capital") from Ms. Leung Mei Han, a spouse of a director of a subsidiary of the Company and two independent third parties, for total consideration of HK$96,000,000. The acquisition has been accounted for using the purchase method.

Optima Capital is a licensed corporation under the Securities and Futures Ordinance to carry out corporate finance advisory services in Hong Kong. The acquisition was made as part of the Group strategy to expand its financial services business in Hong Kong.

Consideration transferred

	HK$'000
Cash	**48,000**
Deferred consideration (note)	**40,849**
	88,849

Note: Based on the acquisition agreement dated 27 December 2018, part of the consideration amounting to HK$48,000,000 (the "deferred consideration") will be paid on the third anniversary of the completion date of the acquisition. The fair value of the deferred consideration approximates HK$40,849,000 at the acquisition date.

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

	HK$'000
Property, plant and equipment	**18,240**
Other intangible assets (note 20)	**32,815**
Trade receivables	**7,540**
Prepayments, deposits and other receivables	**1,845**
Bank balances and cash	**13,616**
Other payables and accruals	**(581)**
Contract liabilities	**(92)**
Lease liabilities	**(16,946)**
Tax payable	**(1,095)**
Deferred tax liabilities (note 36)	**(5,415)**
Total identifiable net assets at fair value	**49,927**

41. BUSINESS COMBINATIONS (Continued)

(a) Optima Capital Limited (Continued)

Goodwill arising on acquisition

	HK$'000
Consideration transferred	88,849
Add: non-controlling interests	19,971
Less: fair value of identifiable net assets acquired	(49,927)
	58,893

Net cash outflow on acquisition

	HK$'000
Bank balances and cash acquired	13,616
Cash consideration paid	(48,000)
	(34,384)

The non-controlling interests arising from the acquisition of non-wholly owned subsidiary are measured by reference to the proportionate share of the fair value of the acquiree's identifiable net assets at the acquisition date and amounted to HK$49,927,000.

Goodwill arose in the acquisition of Optima Capital because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amount in relation to the assembled workforce of Optima Capital. Such benefit is not recognised separately from goodwill because it does not meet the recognition criteria for identifiable intangible assets.

Since the acquisition, Optima Capital contributed HK$25,241,000 to the Group's revenue and generated a profit of HK$739,000 which was included in the Group's results for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year ended 31 December 2019, the revenue and the loss of the Group would have been HK$841,759,000 and HK$406,193,000, respectively.

41. BUSINESS COMBINATIONS (Continued)

(b) Strabens Hall (Hong Kong) Limited

On 27 November 2018, the Group completed an acquisition of 100% equity interests in Strabens Hall (Hong Kong) Limited ("Strabens Hall") from two independent third parties, for total cash consideration at HK$7,747,000. The acquisition has been accounted for using the purchase method.

Strabens Hall is a licensed corporation under the Securities and Futures Ordinance to carry out service of asset management and advising on securities. The acquisition was made as part of the Group strategy to expand more types of services provision for its Financial Services Segment.

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

	HK$'000
Property, plant and equipment	21
Other intangible assets (note 20)	8,969
Prepayments, deposits and other receivables	157
Bank balances and cash	224
Other payables and accruals	(144)
Deferred tax liabilities (note 36)	(1,480)
Total identifiable net assets at fair value	7,747

Net cash outflow on acquisition

	HK$'000
Bank balances and cash acquired	224
Cash consideration paid	(7,747)
	(7,523)

Since the acquisition, Strabens Hall contributed HK$415,000 to the Group's revenue and generated a profit of HK$179,000 which was included in the Group's results for the year ended 31 December 2018.

Had the combination taken place at the beginning of the year ended 31 December 2018, the revenue and the profit of the Group would have been HK$814,507,000 and HK$383,554,000, respectively.

42. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

(a) Bright Success Inc.

On 27 March 2019, the Group acquired 100% equity interests in Bright Success Inc. and its subsidiary ("Bright Success Group"), from an independent third party at a cash consideration of HK$513,114,000. Bright Success Group is engaged in property investment business.

The above transaction was accounted for as acquisition of assets rather than as business combinations because Bright Success Group did not carry out any significant business transactions prior to the date of acquisition.

Further details are set out in the announcement of the Company dated 15 February 2019.

The assets acquired at the completion date were as follows:

	HK$'000
Investment property (note 18)	**513,000**
Deposits and prepayments	**114**
Shareholder's loan	**(470,220)**
	42,894
Settlement of shareholder's loan	**470,220**
Net assets acquired	**513,114**

Net cash outflow on acquisition

	HK$'000
Cash consideration paid (note)	**461,814**

Note: Part of the consideration of HK$513,114,000 for the acquisition was satisfied by a prepayment of HK$51,300,000 made in 2018.

42. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

(b) Shenzhen Yousheng

Shenzhen Yousheng was an associate of the Group as at 31 December 2018 of which the Group held 49% equity interests (see note 21). On 22 May 2019, the Group acquired addition 2% equity interests in Shenzhen Yousheng at a cash consideration of RMB40,000,000 (equivalent to approximately HK$45,475,000). Shenzhen Yousheng became a 51% subsidiary of the Group. Shenzhen Yousheng is engaged in property development.

Shenzhen Yousheng did not carry out any significant business transactions prior to the date of acquisition and only had proposed development project. Therefore, the Group considered this would be an acquisition of assets in substance and the difference between the consideration paid and the net assets acquired would be recognised as adjustments to the carrying amount of proposed development project.

The non-controlling interests recognised at the acquisition date are measured by reference to the fair value.

The assets acquired at the completion date were as follows:

	HK$'000
Property, plant and equipment	127
Proposed development project	1,610,783
Deposits and other receivables	171
Bank balances and cash	5,631
Other payables and accruals	(22,363)
	1,594,349
Less: non-controlling interests	(774,437)
Net assets acquired	819,912

42. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

(b) Shenzhen Yousheng (Continued)

	HK$'000
Total consideration satisfied by:	
– Fair value of previously held interests in an associate at the acquisition date	774,437
– Cash	45,475
	819,912

Net cash outflow on acquisition

	HK$'000
Bank balances and cash acquired	5,631
Cash consideration paid	(45,475)
	(39,844)

Re-measurement on investment in an associate

	HK$'000
Fair value of previously held interests in an associate at the acquisition date	774,437
Less: investment in an associate (note 21)	(65,035)
Gain on re-measurement of previously held interests in an associate	709,402

42. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

(c) Realord Ventures Limited and Manureen Ventures Limited

On 19 April 2018, the Company acquired 100% equity interests in Realord Ventures Limited and Manureen Ventures Limited (the "Target Group"), from Dr. Lin and Madam Su, the directors and controlling shareholders of the Company, at a total consideration of RMB5,854,995,000 (equivalent to approximately HK$7,323,176,000) ("Total Consideration").

The Total Consideration was satisfied (i) by way of cash in an amount of RMB3,600,000,000 (equivalent to approximately HK$4,502,725,000) ("Cash Consideration"); (ii) by way of allotment and issue of 280,998,482 consideration shares at the fair value at the completion date of HK$4.71 per share of approximately HK$1,323,502,000 ("Share Consideration"); and (iii) by way of the issue of the promissory notes in two tranches with an aggregate principal amount of RMB1,657,864,000 (equivalent to approximately HK$2,073,585,000), the fair value is RMB1,196,834,000 (equivalent to approximately HK$1,496,949,000) which is determined based on an effective interest rate of 13.05%.

Pursuant to the relevant agreement, the Cash Consideration would be payable in form of the shareholder's loan provided by the Company to the Target Group for the full settlement of the Target Group's outstanding debts owed to other parties in relation to the properties in Shenzhen, which mainly include amounts due to related companies/ directors and bank borrowings, as at the date of completion on a dollar for dollar basis. The surplus of the Cash Consideration after full settlement of the Target Group's outstanding debts, the balance of the Cash Consideration would be payable to Dr. Lin and Madam Su directly as part payment of the Total Consideration. The Target Group is engaged in property investment in the PRC.

The above transaction was accounted for as acquisition of assets rather than as business combinations because the Target Group did not carry out any significant business transactions prior to the date of acquisition.

Further details are set out in the circular of the Company dated 23 March 2018 and an announcement of the Company dated 19 April 2018.

42. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

(c) Realord Ventures Limited and Manureen Ventures Limited (Continued)

The assets acquired at the completion date were as follows:

	HK$'000
Property, plant and equipment	2,780
Investment properties (note 18)	7,779,709
Deposits and other receivables	178,696
Bank balances and cash	3,091
Other payables and accruals	(57,012)
Amounts due to related companies	(116,087)
Amounts due to directors	(2,637,016)
Bank borrowings	(212,629)
Finance lease obligations	(6,207)
Tax payable	(2,659)
	4,932,666
Settlement of outstanding debts	2,977,104
Net assets acquired	7,909,770
Total consideration satisfied by:	
– Cash	4,502,725
– Consideration shares at market price on completion date	1,323,502
– Promissory notes (note 38)	1,496,949
	7,323,176
Deemed contribution from shareholders	586,594
	7,909,770

Net cash outflow on acquisition:

	HK$'000
Bank balances and cash acquired	3,091
Cash consideration paid	(4,502,725)
	(4,499,634)

43. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2018, the Group acquired the equity interests in Realord Ventures Limited and Manureen Ventures Limited which is partially settled by issue of shares of the Company and issue of promissory notes. Details are set out in note 42c.

44. CONTINGENT LIABILITIES

Since 2016, 冠彰電器 (深圳) 有限公司 (Guan Zhang Electronic (Shenzhen) Co., Ltd. or "Guan Zhang"), a subsidiary of the Group, has been a defendant in a lawsuit brought by a third party (the "Plaintiff"), alleging that Guan Zhang is liable to settle an outstanding payment of approximately RMB25,000,000 and interest accrued thereon under an alleged financing arrangement between the Plaintiff, Citibest Global Limited ("Citibest") and Guan Zhang in the Shenzhen Baoan District People's Court. The Group won the lawsuit in 2017. Subsequently, the Plaintiff has brought up a lawsuit regarding the same claim against Guan Zhang and Citibest in Shenzhen Qianhai District People's Court. On 4 December 2018, the court rejected all the claims from the Plaintiff. Thereafter, the Plaintiff further brought the appeal to Shenzhen Intermediate People's Court. As at 31 December 2019, an investment property situated in the PRC amounted to RMB511,000,000 (equivalent to approximately HK$570,939,000) was restricted as to use as a result of a freezing injunction by the court. Such injunction was subsequently released and replaced by a security deposit placed at the court amounted to RMB36,739,000 (equivalent to approximately HK$41,049,000) on 24 February 2020.

After consultation with the external legal counsel and in view of all the facts and circumstances, management considers that the economic outflows caused by the above case are not probable. Accordingly, the Group has not provided for any claim arising from the litigation, other than the related legal and other costs.

45. PLEDGE OF ASSETS

Details of the Group's bank borrowings and overdrafts which are secured by the assets of the Group, are included in note 33.

46. LEASE COMMITMENTS

(a) As lessor

The Group leases certain investment properties (note 18) under operating lease arrangements, with leases negotiated for terms ranging from one to three years (2018: one to three years). The terms of the leases generally also require the tenants to pay security deposits.

The Group had total future minimum lease rental receivables under non-cancellable operating leases with its tenants as follows:

	2019	2018
	HK$'000	HK$'000
Within one year	**2,525**	17,171
In the second to fifth years	**746**	3,972
	3,271	21,143

(b) As lessee

As at 31 December 2019, the Group had lease commitments for short-term leases (2018: total future minimum lease payments under non-cancellable operating leases) as follows:

	2019	2018
	HK$'000	HK$'000
Within one year	**1,659**	24,297
In the second to fifth years	**5**	44,405
	1,664	68,702

As at 31 December 2019, the Group leases certain office premises and office equipment with a lease period of 12 months, which are qualified to be accounted for under short-term lease exemption under HKFRS 16.

As at 31 December 2018, the Group leased certain office premises and office equipment under operating lease arrangements. Leases were negotiated for terms ranging from one to three years.

47. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2019	2018
	HK$'000	HK$'000
Contracted, but not provided for:		
– Acquisition of 60% equity investment	**–**	76,000
– Capital injection in a joint venture engaged in securities brokerage business	**391,054**	400,050
– Leasehold improvements	**2,474**	182
	393,528	476,232

48. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year:

(a) Related party transactions

	2019	2018
	HK$'000	HK$'000
Interest income on finance lease receivables from a related company	**–**	330
Interest expense on promissory notes to the directors and controlling shareholders	**40,375**	128,914
Interest expense on loans from ultimate holding company	**55,958**	65,231
Management fee paid to a related company controlled by a director of the Company in the PRC	**205**	213
Rental expense paid to the directors and controlling shareholders	**110**	264
Securities service fee received from the directors and controlling shareholders	**6**	7

48. RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions with related parties

(i) During the year ended 31 December 2019, the Group received loans from and repaid to ultimate holding company of HK$2,100,206,000 (2018: HK$853,698,000) and HK$2,220,964,000 (2018: HK$407,037,000) respectively.

(ii) During the year ended 31 December 2018, the Group had finance lease receivables due from a company jointly owned by Dr. Lin and Madam Su, the directors and controlling shareholders of the Company.

(c) Compensation of key management personnel of the Group

	2019	2018
	HK$'000	HK$'000
Short-term employee benefits	**10,692**	10,334
Post-employment benefits	**54**	54
	10,746	10,388

Further details of directors' emoluments are included in note 12A.

49. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes.

	Promissory notes HK$'000	Bank borrowings and overdrafts HK$'000	Loans from ultimate holding company HK$'000	Amounts due to related parties HK$'000	Interest payable HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 1 January 2018	–	255,525	378,688	37,531	–	–	671,744
Financing cash flows	–	5,338,737	446,661	(1,986)	(229,827)	–	5,553,585
Non-cash transactions							
– Acquisition of subsidiaries	1,496,949	–	–	(22,252)	–	–	1,474,697
– Finance costs	128,914	–	–	65,231	229,827	–	423,972
– Exchange gain recognised in profit or loss	(133,403)	(6,164)	(3,889)	–	–	–	(143,456)
– Exchange gain recognised in other comprehensive income	–	(227,099)	–	–	–	–	(227,099)
As at 31 December 2018	**1,492,460**	**5,360,999**	**821,460**	**78,524**	**–**	**–**	**7,753,443**
Adjustment from the application of HKFRS 16 (note 2)	**–**	**–**	**–**	**–**	**–**	**66,086**	**66,086**
As at 1 January 2019, restated	**1,492,460**	**5,360,999**	**821,460**	**78,524**	**–**	**66,086**	**7,819,529**
Financing cash flows	**(2,006,365)**	**2,705,298**	**(120,758)**	**(31,200)**	**(490,472)**	**(29,080)**	**27,423**
Non-cash transactions							
– Acquisition of subsidiaries	**–**	**–**	**–**	**22,363**	**–**	**16,946**	**39,309**
– Finance costs	**40,375**	**–**	**–**	**–**	**490,472**	**1,753**	**532,600**
– Loss on early redemption	**439,781**	**–**	**–**	**–**	**–**	**–**	**439,781**
– Entering into new leases	**–**	**–**	**–**	**–**	**–**	**4,191**	**4,191**
– Exchange loss/(gain) recognised in profit or loss	**33,749**	**–**	**(13,014)**	**–**	**–**	**–**	**20,735**
– Exchange gain recognised in other comprehensive income	**–**	**(97,305)**	**–**	**(191)**	**–**	**(128)**	**(97,624)**
As at 31 December 2019	**–**	**7,968,992**	**687,688**	**69,496**	**–**	**59,768**	**8,785,944**

50. CAPITAL RISK MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

The Group monitors capital using a gearing ratio, which is the total of interest-bearing bank borrowings and overdrafts, loans from ultimate holding company and promissory notes divided by total equity. The Group's policy is to maintain the gearing ratio at an appropriate level. The gearing ratios at the end of the reporting periods are as follows:

	2019 **HK$'000**	2018 HK$'000
Bank borrowings and overdrafts	**7,968,992**	5,360,999
Loans from ultimate holding company	**687,688**	821,460
Promissory notes	**–**	1,492,460
	8,656,680	7,674,919
Equity attributable to owners of the Company	**2,345,095**	2,878,448
Gearing ratio	**369%**	267%

51. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at amortised cost	**1,250,672**	1,646,096
Financial assets at FVTPL	**14,130**	96,631
Financial assets at FVTOCI (non-recycling)	**–**	31,048
Financial liabilities		
Financial liabilities at amortised cost	**8,939,608**	8,027,409

(b) Financial risk management objectives and policies

The Group's financial instruments include trade receivables, other receivables, receivables arising from securities broking, cash held on behalf of clients, bank balances and cash, financial assets at FVTPL/FVTOCI, trade payables, other payables, payables arising from securities broking, bank borrowings and overdrafts, amounts due to related parties, lease liabilities, loans from ultimate holding company and promissory notes. The risks associated with these financial instruments include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

51. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

The Group is subject to foreign exchange rate risk arising from assets and liabilities which are denominated in currency other than the functional currencies of the relevant group entity. The Group's foreign currency transactions and balances are principally denominated in United States dollars ("US$"), Japanese Yen ("JPY"), RMB and HK$. The Group is exposed to the foreign exchange rate risk mainly arising from changes in the exchange rate of HK$ against RMB. The Group currently does not have a currency hedging policy. However, the management monitors foreign currency exposure and will consider hedging significant currency exposure should the need arises.

The Group's foreign currency denominated monetary assets and liabilities include trade receivables, other receivables, bank balances and cash, trade payables, other payables, bank borrowings, loans from ultimate holding company and promissory notes at the end of respective reporting period and the carrying amounts are as follows:

	2019	2018
	HK$'000	HK$'000
Assets		
RMB against HK$	**671,119**	1,146,976
US$ against HK$	**137,422**	208,430
JPY against HK$	**17,456**	–
HK$ against RMB	**11,765**	46,624
Others	**976**	730
Liabilities		
RMB against HK$	**7,538,691**	5,149,991
US$ against HK$	**27,221**	76,190
JPY against HK$	**13,291**	–
HK$ against RMB	**4,432**	1,895,501
Others	**15**	2,152

51. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group's foreign currency risk is concentrated on the fluctuation of HK$, RMB and JPY against foreign currency. The exposure of US$ against HK$ is considered insignificant as HK$ is pegged to US$, therefore is excluded from the sensitivity analysis below.

The following table details the Group's sensitivity to a 5% increase and decrease in HK$ against RMB and JPY. The sensitivity rates used represent management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates a decrease/an increase in (loss)/profit for the year where HK$ strengthens 5% against RMB and JPY. For a 5% weakening of HK$ against RMB and JPY, there would be an equal and opposite impact on (loss)/profit for the year and the balance below would be negative.

	2019 **HK$'000**	2018 HK$'000
– RMB	**257,228**	227,304
– JPY	**162**	–

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings, loans from ultimate holding company and promissory notes. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 29) and variable-rate bank borrowings and overdrafts (note 33).

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and HIBOR and Prime Rate arising from the Group's HK$ denominated bank borrowings and overdrafts. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

As at 31 December 2019, if interest rates had been 50 basis points higher/lower with all other variables held constant, the Group's (loss)/profit for the year ended 31 December 2019 would have been HK$1,947,000 (2018: HK$1,153,000) lower/higher.

51. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk

The Group is exposed to equity price risk arising from equity investments classified as financial assets at FVTPL (note 27) as at 31 December 2019 and 2018. The Group's listed investments are listed on the Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to every 10% change in the fair value of the equity investments, with all other variables held constant, based on their carrying amounts at the end of the reporting period.

	Increase/ Decrease in (loss)/profit for the year HK$'000
2019	
Equity investments, listed in Hong Kong:	
– Financial assets at FVTPL	**285**
2018	
Equity investments, listed in Hong Kong:	
– Financial assets at FVTPL	7,473

51. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position as at 31 December 2019 and 2018 is the carrying amounts as disclosed in note 51a. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except for the credit risks associated with receivables arising from securities broking are mitigated because they are secured by listed securities in Hong Kong.

(i) Trade receivables excluding those from securities broking

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances individually. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Accordingly, the Group's concentration of credit risk is considered minimal. As part of the Group's credit risk management, trade debtors are assessed individually by reference to any historical default or delay in payments, subsequent settlements and current past due exposure of the debtor. The Group then applies an internal credit rating for each debtor and the average loss rates for the year ended 31 December 2019 ranged from 0.1% to 4.3% (2018: 0.5% to 7.0%).

51. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

***Credit risk and impairment assessment** (Continued)*

(ii) Receivables arising from securities broking

In order to manage the credit risk in the receivables from clients arising from securities broking, individual credit evaluation are performed on all clients including cash clients and margin clients. Cash clients accounts receivable are generally settled in two trading days after trade date. Hence, credit risk arising from the cash clients accounts receivable is considered minimal. For margin clients, the Group normally obtains liquid securities as collateral based on the margin requirements. The Group has not granted any committed facility amount to each of the margin clients and the margin loan is granted by the Group depending on the assessment of the quality of the collateral and credit risk of the respective client. The margin requirement is closely monitored on a daily basis by the designated team. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the credit risk is significantly reduced. Market conditions and adequacy of securities collateral and margin deposits of each margin account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary. In this regard, the directors of the Company consider that the credit risk is significantly reduced.

As part of the Group's credit risk management, management estimates impairment loss on loans to margin clients individually on each debtor by reference to any historical default or delay in payments, subsequent settlements and current past due exposure of the debtor. The Group then applies an internal credit rating for each debtor and the average loss rate for not credit-impaired margin clients for the year ended 31 December 2019 is approximately 0.6% (2018: 2.7%).

(iii) Bank balances and cash held on behalf of clients

The Group mainly transacts with banks with high credit ratings. The credit risk for bank balances and cash held on behalf of clients as at 31 December 2019 and 2018 is considered as not material as such amounts are placed in reputable banks with high credit ratings assigned by international credit-rating agencies.

The Group assessed 12-month ECL on these balances by reference to probability of default and recovery rate by credit rating grades published by international credit-rating agencies and concluded that the ECL are insignificant as at 31 December 2019 and 2018 and thus no impairment loss was recognised.

51. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

***Credit risk and impairment assessment** (Continued)*

(iv) Other receivables

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due HK$'000	Not past due/ No fixed repayment HK$'000	Total HK$'000
2019	**38,660**	**122,360**	**161,020**
2018	39,549	116,926	156,475

The management of the Company has taken into account the past due information as above and comparable external credit rating assigned by international credit-rating agencies on debtor of similar type to review the recoverable amount of other receivables at the end of the reporting period to ensure that adequate impairment losses was recognised for irrecoverable debts, if applicable.

The Group assessed the ECL on other receivables from a local government authority in the PRC by reference to the probability of default and recovery rate by credit rating grades published by international credit-rating agencies and concluded that the ECL are insignificant at initial recognition and as at 31 December 2019 and 2018 and thus no impairment loss was recognised.

51. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

(v) Purchased or originated credit-impaired loan receivables

The Group has undertaken an internal approval process before executing the decision of acquisition of investments including purchased or originated credit-impaired financial assets. The loss rate of which at initial recognition is approximately 1.8% (2018: 3.4%).

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

Internal credit rating	Description	Trade receivables	Other financial assets/ Other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL (not credit-impaired)	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL (not credit-impaired)	12-month ECL
Doubtful	There have been significant increase 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

51. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

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

	Notes	External credit rating	Internal credit rating	12-month/ Lifetime ECL	Gross carrying amount	
					HK$'000	HK$'000
As at 31 December 2019						
Cash held on behalf of clients	28	Aaa	N/A	12-month ECL (not credit-impaired)	6,292	6,292
Bank balances	29	Ba1 - Aaa	N/A	12-month ECL (not credit-impaired)	585,052	585,052
Trade receivables	24	N/A	Low risk	Lifetime ECL (not credit-impaired)	326,418	
			Watch list	Lifetime ECL (not credit-impaired)	1,007	327,425
Receivables arising from securities broking	24	N/A	Low risk	Lifetime ECL (not credit-impaired)	89,490	89,490
Other receivables	25	N/A	Low risk	12-month ECL (not credit-impaired)	122,360	
		N/A	Doubtful	Lifetime ECL (not credit-impaired)	38,660	161,020
Purchased or originated credit-impaired loan receivables	25	N/A	Loss	Lifetime ECL (credit-impaired)	87,739	87,739

51. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

	Notes	External credit rating	Internal credit rating	12-month/ Lifetime ECL	Gross carrying amount	
					HK$'000	HK$'000
As at 31 December 2018						
Cash held on behalf of clients	28	Aaa	N/A	12-month ECL (not credit-impaired)	8,454	8,454
Bank balances	29	Ba1 - Aaa	N/A	12-month ECL (not credit-impaired)	896,544	896,544
Trade receivables	24	N/A	Low risk	Lifetime ECL (not credit-impaired)	361,974	
			Watch list	Lifetime ECL (not credit-impaired)	103,428	
			Write off	Amount is written off (credit-impaired)	2,490	467,892
Receivables arising from securities broking	24	N/A	Low risk	Lifetime ECL (not credit-impaired)	101,598	
			Loss	Lifetime ECL (credit-impaired)	883	
			Write off	Amount is written off (credit-impaired)	26,354	128,835
Other receivables	25	N/A	Low risk	12-month ECL (not credit-impaired)	116,926	
		N/A	Doubtful	Lifetime ECL (not credit-impaired)	39,549	156,475
Purchased or originated credit-impaired loan receivables	25	N/A	Loss	Lifetime ECL (credit-impaired)	29,776	29,776

The average loss rates are estimated based on comparable probability of default and recovery rate quoted from international credit-rating agencies; and exposure of default after consideration of underlying collaterals, if any, and adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by management to assess both the current as well as the forecast direction of conditions at the end of the reporting period. The internal credit rating categories are regularly reviewed by management to ensure relevant information about specific debtors is updated.

51. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment *(Continued)*

The following table shows the movement in lifetime ECL that has been recognised for trade receivables.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2018	7,525	–	7,525
Transfer to credit-impaired	(466)	466	–
Impairment losses recognised, net	3,328	2,024	5,352
Written off	–	(2,490)	(2,490)
As at 31 December 2018 and 1 January 2019	**10,387**	**–**	**10,387**
Acquisition of a subsidiary	**710**	**–**	**710**
Impairment losses reversed, net	**(4,760)**	**–**	**(4,760)**
As at 31 December 2019	**6,337**	**–**	**6,337**

During the year ended 31 December 2019, net reversal of impairment losses on trade receivables of HK$4,760,000 (2018: net impairment losses of HK$5,352,000) was recognised in profit or loss. As at 31 December 2019, trade receivables with a gross carrying amount of HK$Nil (2018: HK$2,490,000) has been identified as credit-impaired financial assets and were written off as the counterparties have been placed under liquidation or has entered into bankruptcy proceedings. The Group has taken legal action against the debtors to recover the amounts due.

51. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

***Credit risk and impairment assessment** (Continued)*

The following table shows the movement in lifetime ECL that has been recognised for receivables arising from securities broking.

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$'000	HK$'000	HK$'000
As at 1 January 2018	8,187	–	8,187
Transfer to credit-impaired	(6,354)	6,354	–
Impairment losses recognised	633	20,183	20,816
Written off	–	(26,354)	(26,354)
As at 31 December 2018 and 1 January 2019	**2,466**	**183**	**2,649**
Impairment losses reversed, net	**(2,457)**	**(183)**	**(2,640)**
As at 31 December 2019	**9**	**–**	**9**

During the year ended 31 December 2019, net reversal of impairment losses on receivables arising from securities broking of HK$2,640,000 (2018: impairment losses of HK$20,816,000) was recognised in profit or loss. As at 31 December 2019, receivables arising from securities broking with a gross carrying amount of HK$Nil (2018: HK$26,354,000) has been identified as credit-impaired financial assets and were written off as the counterparties have been placed under liquidation or has entered into bankruptcy proceedings.

51. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for purchased or originated credit-impaired loan receivables.

	Lifetime ECL (credit-impaired) HK$'000
As at 1 January 2018	–
Impairment losses recognised	1,000
As at 31 December 2018 and 1 January 2019	**1,000**
Impairment losses recognised	**578**
As at 31 December 2019	**1,578**

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 fluctuation in cash flows. The management monitors the utilisation of bank borrowings and overdrafts and ensures compliance with loan covenants. Details of the Group's bank borrowings and overdrafts are set out in note 33.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

51. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	On demand or within 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
As at 31 December 2019					
Trade payables	**55,360**	**–**	**–**	**55,360**	**55,360**
Payables arising from securities broking	**16,853**	**–**	**–**	**16,853**	**16,853**
Other payables	**39,098**	**48,000**	**–**	**87,098**	**81,451**
Bank borrowings and overdrafts	**939,066**	**8,261,412**	**280,764**	**9,481,242**	**7,968,992**
Amounts due to related parties	**71,187**	**–**	**–**	**71,187**	**69,496**
Lease liabilities	**30,689**	**31,408**	**–**	**62,097**	**59,768**
Loans from ultimate holding company	**–**	**744,079**	**–**	**744,079**	**687,688**
	1,152,253	**9,084,899**	**280,764**	**10,517,916**	**8,939,608**
As at 31 December 2018					
Trade payables	223,016	–	–	223,016	223,016
Payables arising from securities broking	19,645	–	–	19,645	19,645
Other payables	31,305	–	–	31,305	31,305
Bank borrowings and overdrafts	794,327	5,670,481	–	6,464,808	5,360,999
Amounts due to related parties	78,524	–	–	78,524	78,524
Loans from ultimate holding company	–	888,820	–	888,820	821,460
Promissory notes	–	1,687,226	–	1,687,226	1,492,460
	1,146,817	8,246,527	–	9,393,344	8,027,409

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

Bank borrowings and overdrafts with a repayment on demand clause are included in "On demand or within 1 year" time band in the above maturity analysis.

As at 31 December 2019, the aggregate undiscounted principal and interest of these bank borrowings and overdrafts payable within one year and one to five years in accordance with the scheduled payment terms were HK$300,562,000 (2018: HK$290,194,000) and HK$Nil (2018: HK$10,288,000), respectively.

As at 31 December 2019 and 2018, taking into account of the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Included in the above balances, the directors of the Company believe that such bank borrowings and overdrafts will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

51. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

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

Certain financial assets and liabilities of the Group are measured at fair values at the end of each reporting period. The following table gives information about how the fair values of these financial assets and liabilities are determined.

Financial asset	Fair value as at 31 December		Fair value hierarchy	Valuation technique and key input
	2019	2018		
	HK$'000	HK$'000		
Club and school debentures	**10,720**	7,139	Level 2	Estimated transaction prices
Equity investments, listed in Hong Kong	**3,410**	89,492	Level 1	Quoted bid prices in an active market

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

During year ended 31 December 2019, there were no transfers of fair value measurements between level 1 and level 2 and no transfers into or out of level 3 for both financial assets and liabilities (2018: Nil).

52. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

The disclosures set out in the table below include financial assets and liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments that are either:

- offset in the Group's consolidated statement of financial position; or
- not offset in the consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC on the same settlement date and are settled simultaneously. In addition, the Group has a legally enforceable right to set off all clients accounts receivable and payable at any time without prior notice to clients and the Group intends to settle these balances on a net basis.

Except for above, amounts due from/to HKSCC that are not to be settled on the same date, accounts receivable and payable from clients not intends to settle on a net basis, financial collateral including cash and securities received by the Group, deposit placed with HKSCC do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set off of the recognised amounts is only enforceable following an event of default.

52. OFFSETTING FINANCIAL ASSETS AND LIABILITIES (Continued)

	Gross amounts of recognised financial assets/ liabilities	Gross amounts of recognised financial liabilities/ assets set off in the consolidated statement of financial position	Net amounts of financial assets/ liabilities presented in the consolidated statement of financial position	Related amounts not set off in the consolidated statement of financial position		Net amount
				Financial instruments	Collateral received*	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2019						
Assets						
Receivables arising from securities broking	**89,614**	**(133)**	**89,481**	**(10,045)**	**(79,228)**	**208**
Liabilities						
Payables arising from securities broking	**16,986**	**(133)**	**16,853**	**(5,638)**	**–**	**11,215**
As at 31 December 2018						
Assets						
Receivables arising from securities broking	100,341	(509)	99,832	(10,681)	(89,151)	–
Liabilities						
Payables arising from securities broking	20,154	(509)	19,645	(10,681)	–	8,964

* The item "collateral received" represents the securities pledged in the clients' account which are not recognised in the consolidated statements of financial position. The amounts are capped at the lower of the market value of securities and the net receivable amounts on a client by client basis.

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**20,072**	974
Investments in subsidiaries	**5,000,792**	5,000,792
Prepayments, deposits and other receivables	**4,903**	75,270
	5,025,767	5,077,036
CURRENT ASSETS		
Prepayments, deposits and other receivables	**606**	430
Amounts due from subsidiaries	**5,234,144**	4,499,110
Cash and cash equivalents	**23,396**	1,208
	5,258,146	4,500,748
CURRENT LIABILITIES		
Other payables and accruals	**5,738**	3,435
Amounts due to subsidiaries	**7,459,880**	4,642,946
Amounts due to related parties	**–**	22,644
Lease liabilities	**9,985**	–
	7,475,603	4,669,025
NET CURRENT LIABILITIES	**(2,217,457)**	(168,277)
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,808,310**	4,908,759
EQUITY		
Share capital	**143,821**	143,571
Reserves (note)	**1,966,576**	2,451,268
	2,110,397	2,594,839
NON-CURRENT LIABILITIES		
Loans from ultimate holding company	**687,688**	821,460
Promissory notes	**–**	1,492,460
Lease liabilities	**10,225**	–
	697,913	2,313,920
	2,808,310	4,908,759

53. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

The movement of the Company's reserves are as follows:

	Share premium HK$'000	Shares to be issued HK$'000	Share options reserve HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2018	594,347	20,441	19,319	–	(68,952)	565,155
Loss and total comprehensive expense for the year	–	–	–	–	(4,570)	(4,570)
Acquisition of assets through acquisition of subsidiaries	1,295,402	–	–	586,594	–	1,881,996
Issue of shares	8,768	(8,943)	–	–	–	(175)
Exercise of shares options	8,862	–	(4,265)	–	4,265	8,862
As at 31 December 2018 and 1 January 2019	**1,907,379**	**11,498**	**15,054**	**586,594**	**(69,257)**	**2,451,268**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(484,442)**	**(484,442)**
Issue of shares	**11,248**	**(11,498)**	**–**	**–**	**–**	**(250)**
As at 31 December 2019	**1,918,627**	**–**	**15,054**	**586,594**	**(553,699)**	**1,966,576**

54. PARTICULARS OF SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment registration and business	Issued ordinary share/ registered capital	Effective equity interest attributable to the Group (%)		Place of operation	Principal activity
			2019	2018		
Realord Asset Management Limited	Hong Kong	HK$10,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Citibest	BVI	US$50,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Realord Ventures Limited	BVI	US$1,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Manureen Ventures Limited	BVI	US$1,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Realord Investment Limited	BVI	US$1,000 ordinary shares	**100**	100	Hong Kong	Investment holding
Bright Success Inc. (note 42a)	BVI	US$1 ordinary share	**100**	–	Hong Kong	Investment holding
Capital Conference Services Limited	Hong Kong	HK$10,000 ordinary shares	**100**	100	Hong Kong	Provision of conference services
Capital Financial Press Limited	Hong Kong	HK$800,000 ordinary shares	**100**	100	Hong Kong	Commercial printing
Concept Star Corporation Limited	Hong Kong	HK$2 ordinary shares	**100**	100	Hong Kong	Property investment
Easy Bloom Investment Limited	Hong Kong	HK$1 ordinary share	**100**	100	Hong Kong	Property investment and investment holding

54. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment registration and business	Issued ordinary share/ registered capital	Effective equity interest attributable to the Group (%) 2019	2018	Place of operation	Principal activity
Qualiti Printing and Sourcing Limited	Hong Kong	HK$3,750,000 ordinary shares	**100**	100	Hong Kong	Trading of hangtags, labels and shirt paper boards
Realord Asia Pacific Securities Limited (Formerly known as Realord Manureen Securities Limited)	Hong Kong	HK$153,000,000 ordinary shares	**90.1**	100	Hong Kong	Provision of securities broking services and margin financing
Realord Vehicle Parts Limited	Hong Kong	HK$10,000 ordinary shares	**100**	100	Hong Kong	Distribution and sale of motor vehicle parts
Excellent Well (H.K.) Limited	Hong Kong	HK$1 ordinary share	**100**	100	Hong Kong	Property investment
Realord Environmental Protection	Hong Kong	HK$21,046,110 ordinary shares	**60.3**	60	Hong Kong	Investment holding and trading of scrap materials
Strabens Hall (Hong Kong) Limited	Hong Kong	HK$45,000,000 ordinary shares	**100**	100	Hong Kong	Provision of securities advisory and asset management services
Absolute Holdings Limited (note 42a)	Hong Kong	HK$1 ordinary share	**100**	–	Hong Kong	Property investment
Optima Capital (note 41a)	Hong Kong	HK$10,000,000 ordinary shares	**60**	–	Hong Kong	Provision of securities broking, securities advisory and financial advisory services

54. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment registration and business	Issued ordinary share/ registered capital	Effective equity interest attributable to the Group (%)		Place of operation	Principal activity
			2019	2018		
Manureen Finance Limited	Hong Kong	HK$10,000 ordinary shares	**100**	100	Hong Kong	Money lending
偉祿商業(深圳)有限公司	The PRC	Paid-up capital of HK$36,000,000	**100**	100	The PRC	Trading of electronic products and computer components/ property investment
深圳市偉祿商業控股有限公司	The PRC	Paid-up capital of RMB32,000,000	**100**	100	The PRC	Property investment
前海美林融資租賃(深圳)有限公司	The PRC	Paid-up capital of US$6,506,880	**100**	100	The PRC	Provision of financial leasing services
前海偉祿跨境電子商務(深圳)有限公司	The PRC	Paid-up capital of HK$115,000,000	**100**	100	The PRC	Development and sale of e-commerce platform/trading of products
冠彰電器(深圳)有限公司	The PRC	Paid-up capital of HK$30,000,000	**100**	100	The PRC	Property investment
廣西梧州市通寶再生物資有限公司	The PRC	Paid-up capital of HK$3,570,000	**60.3**	60	The PRC	Dismantling and trading of scrap materials
廣東偉祿汽車零件有限公司	The PRC	Paid-up capital of RMB40,000,000	**100**	100	The PRC	Distribution and sale of motor vehicle parts

54. PARTICULARS OF SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment registration and business	Issued ordinary share/ registered capital	Effective equity interest attributable to the Group (%)		Place of operation	Principal activity
			2019	2018		
深圳市偉祿科技控股有限公司	The PRC	Paid-up capital of RMB50,000,000	**100**	100	The PRC	Property investment and trading of scrap materials
深圳市夏浦光電技術有限公司	The PRC	Paid-up capital of RMB50,000,000	**100**	100	The PRC	Property investment
Shenzhen Yousheng (note 42b)	The PRC	Paid-up capital of RMB20,000,000	**51**	–	The PRC	Property development
Realord Environmental Protection Japan Co, Ltd.	Japan	JPY90,000,000 ordinary shares	**54.3**	–	Japan	Dismantling and trading of scrap materials

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

54. PARTICULARS OF SUBSIDIARIES (Continued)

The Group includes three subsidiaries (2018: one subsidiary) with material non-controlling interests ("NCI"), the details and the summarised financial information, before intragroup eliminations, are as follows:

Realord Environmental Protection

	2019 HK$'000	2018 HK$'000
Proportion of ownership interests and voting rights held by the NCI	**39.7%**	40%
Current assets	**591,192**	657,926
Non-current assets	**28,978**	27,607
Current liabilities	**443,415**	548,561
Non-current liabilities	**3,831**	2,027
Net assets	**172,924**	134,945
Carrying amount to NCI	**69,323**	53,978
Revenue	**525,003**	483,194
Expenses	**(494,684)**	(432,121)
Profit for the year	**30,319**	51,073
Other comprehensive income for the year	**1,536**	1,088
Total comprehensive income for the year	**31,855**	52,161
Profit attributable to NCI	**12,011**	20,429
Total comprehensive income attributable to NCI	**12,694**	20,864
Dividend paid to NCI	**–**	–
Net cash flows from operating activities	**32,628**	9,041
Net cash flows used in investing activities	**(9,274)**	(208,853)
Net cash flows from financing activities	**4,603**	177,313
Net increase/(decrease) in cash and cash equivalents	**27,957**	(22,499)

54. PARTICULARS OF SUBSIDIARIES (Continued)

Optima Capital

	2019 HK$'000
Proportion of ownership interests and voting rights held by the NCI	40%
Current assets	25,196
Non-current assets	46,799
Current liabilities	8,694
Non-current liabilities	12,634
Net assets	50,667
Carrying amount to NCI	20,267

	From 30 April 2019 (date of acquisition) to 31 December 2019 HK$'000
Revenue	25,241
Expenses	(24,502)
Profit and total comprehensive income for the year	739
Profit and total comprehensive income attributable to NCI	296
Dividend paid to NCI	–
Net cash flows used in operating activities	(109)
Net cash flows used in investing activities	(22)
Net cash flows from financing activities	87
Net decrease in cash and cash equivalents	(44)

54. PARTICULARS OF SUBSIDIARIES (Continued)

Shenzhen Yousheng

	2019 HK$'000
Proportion of ownership interests and voting rights held by the NCI	49%
Current assets	1,623,680
Non-current assets	122
Current liabilities	33,837
Net assets	1,589,965
Carrying amount to NCI	772,289

	From 22 May 2019 (date of acquisition) to 31 December 2019 HK$'000
Revenue	–
Expenses	(3,888)
Loss for the year	(3,888)
Other comprehensive expense for the year	(496)
Total comprehensive expense for the year	(4,384)
Loss attributable to NCI	(1,905)
Total comprehensive expense attributable to NCI	(2,148)
Dividend paid to NCI	–
Net cash flows from operating activities	5,379
Net increase in cash and cash equivalents	5,379

55. EVENTS AFTER REPORTING PERIOD

Subsequent to 31 December 2019, the Group has the following significant events:

(i) After the outbreak of Coronavirus Disease 2019 (the "COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the regions in which the Group has business operations. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

(ii) On 3 April 2020, a subsidiary of the Company entered into a facility agreement with an independent third party, pursuant to which the Group has agreed to grant a loan of HK$80,000,000 to the independent third party. The loan is unsecured, interest-bearing at fixed rate of 10% per annum and repayable after eighteen months from the drawdown date.

FIVE YEAR FINANCIAL HIGHLIGHTS

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements are summarized below. The 2015 figures were restated upon the reclassification of property segment as reportable operating segment.

	Year ended 31 December				
	2019	2018	2017	2016	2015
Results	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**828,898**	811,039	762,959	209,784	207,732
(Loss)/Profit before income tax	**(430,745)**	555,949	166,281	208,175	48,346
Income tax credit/(expense)	**26,056**	(172,238)	(55,060)	(128,078)	(15,707)
(Loss)/Profit for the year	**(404,689)**	383,711	111,221	80,097	32,639
(Loss)/Profit attributable to:					
Owners of the Company	**(415,529)**	363,282	93,254	80,097	32,427
Non-Controlling interests	**10,840**	20,429	17,967	–	212
	(404,689)	383,711	111,221	80,097	32,639

	As at 31 December				
	2019	2018	2017	2016	2015
Assets and Liabilities	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**9,504,662**	9,409,334	1,513,429	1,248,567	680,463
Current assets	**3,078,285**	2,012,335	662,063	359,279	456,574
Total assets	**12,582,947**	11,421,669	2,175,492	1,607,846	1,137,037
Current liabilities	**819,864**	933,835	461,501	299,181	236,550
Non-current liabilities	**8,543,793**	7,555,408	609,993	410,568	46,075
Total liabilities	**9,363,657**	8,489,243	1,071,494	709,749	282,625
Net assets	**3,219,290**	2,932,426	1,103,998	898,097	854,412
Equity attributable to owners of the Company	**2,345,095**	2,878,448	1,070,392	898,097	854,412
Non-controlling interests	**874,195**	53,978	33,606	–	–
	3,129,290	2,932,426	1,103,998	898,097	854,412

MAJOR PROPERTIES HELD AS AT 31 DECEMBER 2019

Particulars of the major properties held by the Group at the end of the reporting period are as follows:

Location	Use/Status	Type	Tenure	Attributable interest of the Group
Hong Kong				
House No.25, Villa Bel-Air, Bel-Air on the Peak, Island South, No.25 Bel-Air Peak Rise, Hong Kong	Self-use	Residential	Medium term lease	100%
House No.8, Villa Bel-Air, Bel-Air on the Peak, Island South, No. 8 Bel-Air Peak Rise, Hong Kong	Vacant	Residential	Medium term lease	100%
Mainland China				
The industrial complex at No. 5 Fuye Road, Zhangkengjing Community, Guanlan Jie Dao, Longhua District, Shenzhen, the PRC	Rental	Industrial	Medium term lease	100%
The Properties located in Qiankeng Industrial Zone, Fumin Community, Guanlan Jie Dao, Longhua District, Shenzhen, the PRC	Rental	Industrial	Medium term lease	100%

MAJOR PROPERTIES HELD AS AT 31 DECEMBER 2019

Location	Use/Status	Type	Tenure	Attributable interest of the Group
A block of commercial/ apartment building, all retail shops and car parking spaces of Realord Villas, Luhu Community, Guanlan Jie Dao, Longhua District, Shenzhen, the PRC	Rental	Mix of residential and commercial	Long term lease	100%
Realord Technology Park, Dongzhou Community, Guangming Jie Dao, Guangming District, Shenzhen, the PRC	Vacant	Commercial	Medium term lease	100%