蜆殼電器控股有限公司
SHELL ELECTRIC HOLDINGS LIMITED

ANNUAL REPORT 2018

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Mr. YUNG Kwok Kee, Billy *(Group Chairman and Chief Executive)*
Madam HSU Vivian
Mr. CHOW Kai Chiu, David
Madam LI Pik Mui, Cindy

BANKERS

The Hong Kong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
China Construction Bank (Asia) Corporation Limited

COMPANY SECRETARY

Fair Wind Secretarial Services Limited

REGISTERED OFFICE

Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda

HONG KONG OFFICE

1/F., Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants

HONG KONG TRANSFER AGENT

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

PROFIT FOR THE YEAR

The Group's audited consolidated profit attributable to the owners of the Company for the year ended 31 December 2018 amounted to HK$248 million. Basic earnings per share was HK47.3 cents.

FINAL DIVIDEND

The board of directors recommends a final dividend of HK0.5 cent per share for the year ended 31 December 2018 (2017: HK0.5 cent per share). The proposed final dividend, subject to approval by the members of the Company (the "Members") at the annual general meeting to be held on Thursday, 22 August 2019 (the "AGM"), would be payable on or before Monday, 4 November 2019 to the Members on the register of members of the Company on Monday, 2 September 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 19 August 2019 to Thursday, 22 August 2019 both days inclusive, during which period no transfer of shares will be effected for the purpose of ascertaining the Members' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Transfer Agent, Tricor Standard Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 16 August 2019.

The register of members of the Company will be closed from Thursday, 29 August 2019 to Monday, 2 September 2019, both days inclusive, during which period no transfer of shares will be effected for the purpose of ascertaining the Members' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Transfer Agent, Tricor Standard Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 28 August 2019.

BUSINESS REVIEW

Contract Manufacturing – Electric and Electronics

ODM business for electric and electronics products reported 18% increase in sales as compared to that of 2017. The sales from the Electric and Electronics business is expected to maintain encouraging performance in 2019.

Contract Manufacturing – Optics and Imaging

The Optics and Imaging Contract Manufacturing sales decreased in 2018 as compared to that of 2017 as some old models replaced by new models. Sales is expected to maintain in 2019 due to new project being implemented.

Electric Fans

The sales of electric fan business in 2018 slightly decreased as compared to that of 2017. However, sales went up in the Australia, Africa and the local market but Middle East is on the decline.

Vehicle Rental and Trading

Starting from 1 October 2018, new taxi in Guangzhou have to be pure electric vehicles only, resulting in an imminent increase in the cost of purchasing taxi in the short future. The era of fuel-engined taxi is progressively faded out in Guangzhou city. At present, there is shortage of charging stations in Guangzhou, and the taxi drivers need adaption to have full confidence to drive the pure electric vehicles. Tracking back to our results, the decrease in annual sales in 2018 as compared to that of 2017 is mainly due to the significant drop in sales of car derived from car leasing business with purchase option to lessee which was firstly introduced in 2017. Thus in 2018, the second year after roll-out, new cars leased out was comparatively lowered. We expect the business to improve as new models of electric taxi are expected to be cheaper and better in quality to attract more drivers.

Real Estate Investment and Development

PRC

Investment Properties

The Group's investment properties portfolio at Citic Plaza, Tianhe, Guangzhou maintained an average occupancy of approximately 94% in 2018. The upgrade of our office units is continuing. We expect the rental performance will keep improving.

Development Properties

The Group received 《建設工程規劃許可證》for our Guangzhou residential development site in Jan 2019, and will proceed with the application for 《工程施工許可證》.

Others
Litigations for re-possession of the Group's industrial land located at Guangshan Road, Tianhe North, is still in progress.

United States

In 2018, the Vineyard office complex leased out 13,948 square feet to new tenants (about 6% of total available space). In addition, 20,402 square feet were renewed from existing tenants (about 9% of total available space). While the overall market is still quite strong in the San Francisco Bay Area, the Tri-Valley office/flex space remains a challenge to market. Specifically, the vacancy rate in Livermore has almost been doubled in 2018 and even more available office/flex space (nearly 460,000 square feet) is expected to be available in Q1 2019. The Vineyard team is studying ways to remodel parts of the property to improve its attractiveness to tenants in 2019.

Hong Kong

Investment Properties
The Group continued to focus on refurbishing the Shell Industrial Building at 12 Lee Chung Street, Chai Wan, Hong Kong with a view to optimising the quality of the property and attract more quality tenants to enhance rental returns.

Another property of the Group, "Tak King Industrial building" (approximately 9,400 square feet) located at 27 Lee Chung Street of Chai Wan, we have signed a long term lease with a quality tenant and this lease has brought a steady rental income to the Group.

Development Properties
Construction works for the Group's two residential projects in Sheung Shui and Shek Kong are almost completed. Occupation permit for the Shek Kong project has been obtained in the first half of 2019 and related marketing campaign will be launched in parallel along with completion of the villa houses.

Technology Investment

Semiconductor Device Products

In the first half of 2018, the Group faced extremely tight EPI and foundry supply due to strong global demand for semiconductor materials. The Group had entered long term agreements with both EPI and foundry suppliers to ensure sufficient raw materials and capacity. For the second half of 2018, the market condition deteriorated dramatically due in part to the China-US trade war. As such, sales significantly decreased and inventories increased.

Certa Scale

Continuing the progress made in the previous year, Certa Scale, an enterprise kubernetes orchestration platform, started actively courting partners, SIs and VARs in China, Turkey and Baltic states in 2018. At the same time, the team continues to pioneer new groundbreaking technologies to help telecom, hosting companies and enterprise customers lay the foundation for their next generation, private container cloud.

Financial Investment

In 2018, the Group's financial investment activities recorded segment net profit of approximately HK$0.5 million and the market value of the Group's financial investment holdings as at 31 December 2018 amounted to about HK$355 million.

REVENUE AND OPERATING RESULTS

Revenue from the Group for the year ended 31 December 2018 recorded a drop about 9.5% to HK$1,163 million from HK$1,284 million for previous year, resulting mainly from lesser orders processed for Optics and Imaging under the contract manufacturing business.

Profit attributable to the owners of the Company for the year ended 31 December 2018 decreased from HK$268 million to HK$248 million, representing an decrease of HK$20 million or 7.6% over the corresponding period last year. The decrease in this profit by 7.6% was a net resultant predominantly from the following key changes: (i) drop in gross profit by HK$40 million; (ii) increase in fair value gain on investment properties of HK$92 million; (iii) upon deregistration of subsidiaries, there is a gain of HK$21 million released from reserves, write-back of payables and related deferred tax liabilities of HK$74 million and HK$116 million, respectively; (iv) new impairment losses mainly on other intangible assets totaling HK$67 million for the year; (v) absence of gain on disposal of investment properties of HK$54 million and the exceptional realised exchange gain of HK$101 million relating to intercompany balances settlement in 2017; and (vi) other miscellaneous changes like decrease in other income of HK$16 million, increase in operating expenses of HK$12 million, as well as change from fair value gain to loss of an aggregate HK$40 million loss impact on securities investment over two years (classified as financial assets at fair value through profit or loss in 2018 but as investments held for trading in 2017), absence of fair value loss of HK$18 million on derivative financial instruments recorded in 2017.

FINANCIAL RESOURCES AND LIQUIDITY

The Group was able to maintain a satisfactory financial position with its financial resources and liquidity position consistently monitored and put in place in a healthy state throughout the year under review. Given the current economic situation, the Group would constantly re-evaluate its operational and investment status with a view to improving its cash flow and minimising its financial risks.

As at 31 December 2018, the Group utilised certain long-term loans totaling HK$582 million (31 December 2017: HK$633 million). Apart from the above, all banking facilities of the Group were arranged on short-term basis.

The banking facilities of the Group were subject to a mix of fixed interest rates and floating interest rates. Interest cover of the Group for the year ended 31 December 2018, calculated as operating profit divided by total interest expenses net of interest income, stood at 11 times (Year ended 31 December 2017: 42 times).

FOREIGN EXCHANGE EXPOSURE

The Group's borrowings were mainly denominated in Hong Kong dollars and US dollars. The Group continued to conduct its sales mainly in US dollars and make payments either in US dollars or Hong Kong dollars. As the Group has staged on accumulation of investments in certain property leasing and land and property development projects in the PRC in the past few years, the hedging of the Renminbi and Hong Kong dollars would become further focus of the Group.

GEARING RATIO

The Group continued to adopt and follow its policy of maintaining a prudent gearing ratio. As at 31 December 2018, the Group recorded a 14.4% gearing ratio (31 December 2017: 12.8%), expressed as a percentage of total bank borrowings net of cash and bank balances and restricted bank deposit to total equity of the Group.

CAPITAL COMMITMENTS AND GUARANTEE

As at 31 December 2018, the Group had capital commitments totaling HK$207 million (31 December 2017: HK$204 million). In addition, the Company issued guarantees to the banks amounting to HK$778 million (31 December 2017: HK$762 million) to facilitate certain subsidiaries in obtaining banking facilities.

CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totaling HK$94 million during the year under review (Year ended 31 December 2017: HK$61 million).

As at 31 December 2018, the Group had charges on assets totaling HK$1,844 million (31 December 2017: HK$1,804 million) mainly for securing mortgage loans.

As at 31 December 2018 and 2017, respectively, the Group also pledged its 100% interest of the issued share capital of its subsidiary, China Dynasty Development Ltd. to a bank to secure a long-term loan granted to the Group.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

During the current year, the principal activities of the Company are investment holding and property leasing. The principal activities carried out by the Company and its subsidiaries (collectively, the "Group") mainly comprise investment holding, selling of electric fans, manufacturing and marketing of power discrete semiconductors as well as contract manufacturing of fusers, laser scanners, paper handling options and other electrical appliances and electronic components, property leasing, property investment and development, taxi and car rental, sales of cars and securities trading. Further discussion and analysis of these activities can be found in the Chairman's Statement. Details of the activities of its principal subsidiaries, associates and joint ventures are set out in note 55 to note 57 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 7 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated income statement on page 11.

Subject to the approval of shareholders at the forthcoming annual general meeting, the board of directors of the Company (the "Board") now recommends the payment of a final dividend of HK0.5 cent per share to the shareholders on the register of members on 2 September 2019, thus giving rise to a final dividend distribution amounting to HK$2,617,000.

SHARE CAPITAL

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

DONATIONS

During the year, the Group made charitable and other donations totalling HK$1,768,000 (2017: HK$2,592,000).

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

The Company has not purchased, sale or redeemed any of its shares during the year.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

The directors of the Company during the year and up to date of this report are as follows:

Mr. Yung Kwok Kee, Billy
Madam Hsu Vivian
Mr. Chow Kai Chiu, David
Madam Li Pik Mui, Cindy

In accordance with Bye-law 84 of the Bye-laws of the Company, Mr. Yung Kwok Kee, Billy and Madam Hsu Vivian shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Mr. Yung Kwok Kee, Billy and Mr. Chow Kai Chiu, David have personal interests in the share options granted under the share option scheme operated by a subsidiary of the Company, namely Netlink Assets Limited. Netlink Assets Limited operate the share option scheme for the purposes of providing incentives and rewards to eligible participants to contribute to the success of their operations. Further details of the share option schemes are disclosed in note 41 to the financial statements.

Save as disclosed above, at no time during the year was the Company, or any of its subsidiary, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

For the financial year ended 31 December 2018, the five largest customers accounted for approximately 56% of the total sales of the Group, of which 27% was attributable to the largest customer. Purchases from the Group's five largest suppliers accounted for approximately 26% of the total purchases for the year.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has an interest in the major suppliers or customers noted above.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors and their respective associates has any interest in a business or is interested in any business which competes or may compete either directly or indirectly with, or is similar to, the business of the Group as at 31 December 2018.

PERMITTED INDEMNITY PROVISIONS

The Bye-laws of the Company provides that the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their offices, provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty.

Save as disclosed above, at no time during the financial year and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company, which were not contract of service with any Director or any person engaged in full time employment of the Company, were entered into or existed during the year.

AUDITOR

The financial statements for the year ended 31 December 2018 were audited by BDO Limited ("BDO"). A resolution will be submitted to the forthcoming annual general meeting to re-appoint BDO as auditor of the Company.

On behalf of the Board

Mr. Yung Kwok Kee, Billy
Chairman

Hong Kong, 17 July 2019

The Company is firmly committed to maintaining a high standard corporate governance practices and adhering to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness.

The board of directors of the Company (the "Board") will continuously review and improve the corporate governance practices and standards of the Company to ensure that business and decision making processes are regulated in a proper and prudent manner.

BOARD OF DIRECTORS

The Board comprises four members and supervises the management of the business and affairs of the Group. It has established self-regulatory and monitoring mechanisms to ensure that effective corporate governance is being practised. There is a clear division of responsibilities between the Board and the management. The Board is responsible for overseeing the Group's overall strategic plans, approval of major funding and investment proposals and reviewing the financial performance of the Group. The day-to-day management, administration and operation of the Group are delegated to the Committee of the Directors comprising of two members, namely Mr. Yung Kwok Kee, Billy and Mr. Chow Kai Chiu, David.

The Board meets regularly and additional meetings are convened when deemed necessary by the Board. Board members are provided with complete, adequate and timely information to allow the Directors to fulfill their duties properly.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Yung Kwok Kee, Billy is the Group Chairman and the Chief Executive Officer. The Board considers that the structure is more conducive to the efficient formulation and implementation of the Company's strategies.

NOMINATION OF DIRECTORS

The Board has established a formal and transparent process for the Company in the appointment of new Directors and re-nomination and re-election of Directors at regular intervals.

In accordance with the provisions of the Bye-laws of the Company, any Director appointed by the Board during the year to fill casual vacancy shall retire and submit themselves for re-election immediately following his/her appointment at the first general meeting or at the next following annual general meeting of the Company in the case of an addition to the existing Board. Further, at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

As such, the Company considers that sufficient measures have been taken to ensure that the formal and transparent process for the nomination and appointment of Directors is maintained.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Board is charged with the responsibility of determining the specific remuneration packages of all Directors and senior management, including benefits-in-kind, pension rights, and compensation payments. In developing remuneration policies and making recommendation as to the remuneration of the Directors and key executives, the Board takes into account the performance of the Group as well as those individual Directors and key executives.

ACCOUNTABILITY AND AUDIT

The Directors have acknowledged by executing a management representation letter with the auditor that they bear the ultimate responsibility of preparing the Group's financial statements in accordance with statutory requirements and applicable accounting standards. The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 9 to 10.

The Board has reviewed with management and auditor of the Company the accounting principles and practices adopted by the Group and discussed the audited financial statements for the year ended 31 December 2018.

The Board has recommended that BDO Limited, Certified Public Accountants, be nominated for re-appointment as auditor of the Company at the forthcoming annual general meeting of the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

Management has implemented a system of internal controls to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records maintained, appropriate legislation and regulations complied with, reliable financial information provided for management and publication purposes and investment and business risks affecting the Group identified and properly managed. The Company's internal audit department is responsible for monitoring adherence to policies on the safekeeping of assets and effectiveness and efficiency of operational procedures. Periodical audit plan is prepared in determining the audit focus and frequencies.

The Group adopts a risk management framework which comprises the following processes:

- Identify significant risk in the Group's operation environment and evaluate the impact of those risks on the Group's businesses;
- Develop necessary measures to manage those risks; and
- Monitor and review the effectiveness of such measures.

The Board has conducted a review of the effectiveness of the system of the risk management and internal control. Such review will consider the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget. The Board considered the risk management and internal control system are effective to satisfaction.

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TO THE SHAREHOLDERS OF SHELL ELECTRIC HOLDINGS LIMITED
蜆壳電器控股有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Shell Electric Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 11 to 108, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

BDO Limited
香港立信德豪會計師事務所有限公司

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. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

- 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 directors 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.

BDO Limited
Certified Public Accountants
Lee Ming Wai
Practising Certificate no. P05682

Hong Kong, 17 July 2019

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue	6	**1,162,531**	1,284,437
Cost of sales and services provided		**(853,233)**	(935,427)
Gross profit		**309,298**	349,010
Other income	6	**47,929**	63,790
Selling and distribution expenses		**(7,395)**	(13,552)
Administrative expenses		**(208,528)**	(205,822)
Other operating expenses		**(66,609)**	(54,508)
Other gains or losses			
Fair value gain on investment properties	14	**154,547**	62,898
Gain on disposal of investment properties	14	**–**	53,874
Fair value loss on financial assets at fair value through profit or loss		**(8,915)**	–
Fair value gain on investments held for trading		**–**	30,774
Fair value loss on derivative financial instruments	9(c)	**–**	(17,734)
Gain on disposal of intangible assets	18	**–**	48
Gain arising from deregistration of subsidiaries	43(c)	**20,702**	–
Gain arising from disposal of subsidiaries	43(d)	**–**	703
Impairment loss on goodwill	17	**(4,415)**	–
Impairment loss on other intangible assets	18	**(55,433)**	–
Impairment loss on property, plant and equipment	15	**(6,941)**	–
Gain on disposal of available-for-sale financial assets	21	**–**	5,857
Write-back of payables	43(c)	**74,388**	–
Net foreign exchange (loss)/gain	9(b)	**(1,175)**	87,713
Others		**(3,740)**	(5,415)
Operating profit		**243,713**	357,636
Finance costs	8	**(36,044)**	(31,945)
Share of results of associates		**2,701**	14,577
Share of results of joint ventures		**10,956**	(4,690)
Profit before income tax	9	**221,326**	335,578
Income tax credit/(expense)	10	**21,609**	(62,702)
Profit for the year		**242,935**	272,876
Profit for the year attributable to:			
Owners of the Company		**247,588**	267,834
Non-controlling interests		**(4,653)**	5,042
		242,935	272,876
		HK Cents	HK Cents
Earnings per share	13		
– Basic		**47.3**	51.2
– Diluted		**47.3**	51.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Profit for the year		**242,935**	272,876
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange difference arising from translation of overseas operations			
– subsidiaries		**(126,177)**	185,652
– associates and joint ventures		**(6,660)**	8,351
Reclassification adjustment of translation reserve recycled to profit or loss upon			
– deregistration of subsidiaries	*43(c)*	**(20,702)**	–
– disposal of subsidiaries	*43(d)*	**–**	(223)
– settlement of intercompany balances that formed part of the net investment in a foreign operation	*9(b)*	**–**	(101,369)
Available-for-sale financial assets			
– Changes in fair value		**–**	33,688
– Reclassification adjustment for gain on disposal included in profit or loss	*21*	**–**	(938)
		(153,539)	125,161
Items that will not be reclassified to profit or loss			
Revaluation of land and buildings classified as property, plant and equipment	*15*		
– Changes in fair value		**18,500**	24,394
– Income tax effect		**4,631**	(3,134)
		23,131	21,260
Financial assets at fair value through other comprehensive income	*21*		
– Changes in fair value		**(96,929)**	–
– Income tax effect		**(843)**	–
		(97,772)	–
Other comprehensive income for the year, net of tax		**(228,180)**	146,421
Total comprehensive income for the year		**14,755**	419,297
Total comprehensive income attributable to:			
Owners of the Company		**22,058**	410,623
Non-controlling interests		**(7,303)**	8,674
		14,755	419,297

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	14	**2,588,139**	2,479,515
Property, plant and equipment	15	**476,795**	487,702
Prepaid lease rental on land	16	**30,275**	32,719
Deposit paid	27	**63,380**	63,380
Prepayments for acquisition of property, plant and equipment		**18,638**	14,113
Goodwill	17	**–**	4,393
Other intangible assets	18	**152,784**	216,512
Interests in associates	19	**155,621**	167,997
Interests in joint ventures	20	**12,616**	916
Financial assets at fair value through other comprehensive income	21	**302,347**	–
Available-for-sale financial assets	21	**–**	321,273
Other assets	22	**74,488**	71,550
Loans receivable	23	**51,259**	50,804
Finance lease receivables	24	**2,495**	4,967
Deferred tax assets	37	**1,669**	956
		3,930,506	3,916,797
Current assets			
Inventories of properties	25	**748,021**	729,477
Other inventories	26	**137,147**	140,655
Trade and other receivables, prepayments and deposits	27	**280,690**	300,341
Prepaid lease rental on land	16	**940**	985
Loans receivable	23	**653**	14,040
Finance lease receivables	24	**2,959**	2,609
Amounts due from joint ventures	28	**–**	11,039
Financial assets at fair value through profit or loss	29	**52,092**	–
Investments held for trading	29	**–**	75,290
Tax prepaid		**178**	197
Restricted bank deposit	30(a)	**22,377**	23,463
Cash and bank balances	30(b)	**489,185**	391,050
		1,734,242	1,689,146
Current liabilities			
Contract liabilities	31	**1,691**	–
Trade and other payables	32	**449,503**	510,337
Finance lease payable	33	**594**	593
Amounts due to associates	28	**122**	122
Amount due to a joint venture	28	**4,340**	2,981
Amount due to a related party	34	**291**	291
Amount due to a director	34	**38,460**	41,087
Government grants		**–**	327
Taxation liabilities		**52,272**	181,036
Bank borrowings	35	**489,076**	738,984
		1,036,349	1,475,758
Net current assets		**697,893**	213,388
Total assets less current liabilities		**4,628,399**	4,130,185

	NOTES	**2018 HK$'000**	2017 HK$'000
Non-current liabilities			
Finance lease payable	*33*	**2,162**	2,888
Bank borrowings	*35*	**524,765**	116,000
Loan from non-controlling shareholder	*36*	**6,173**	6,098
Deferred tax liabilities	*37*	**597,635**	574,314
		1,130,735	699,300
Net assets		**3,497,664**	3,430,885
CAPITAL AND RESERVES			
Share capital	*38*	**82**	82
Reserves	*39*	**3,411,757**	3,362,636
Equity attributable to owners of the Company		**3,411,839**	3,362,718
Non-controlling interests	*40*	**85,825**	68,167
Total equity		**3,497,664**	3,430,885

On behalf of the directors

YUNG KWOK KEE, BILLY
Director

CHOW KAI CHIU, DAVID
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Equity attributable to owners of the Company												
	Share capital HK$'000	Capital reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Financial assets at fair value through other comprehensive income reserve HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Assets revaluation reserve HK$'000	Dividend reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018 as originally presented	82	273,360	44,091	–	1,290	47,154	209,832	2,617	6,790	2,777,502	3,362,718	68,167	3,430,885
Adjustment on initial adoption of HKFRS 9 *(note 2.1(a))*	–	–	(44,091)	44,091	–	–	–	–	–	–	–	–	–
Restated balance as at 1 January 2018	82	273,360	–	44,091	1,290	47,154	209,832	2,617	6,790	2,777,502	3,362,718	68,167	3,430,885
Profit for the year	–	–	–	–	–	–	–	–	–	247,588	247,588	(4,653)	242,935
Exchange difference arising from translation of overseas operations													
– subsidiaries	–	–	–	–	–	(123,527)	–	–	–	–	(123,527)	(2,650)	(126,177)
– associates and joint ventures	–	–	–	–	–	(6,660)	–	–	–	–	(6,660)	–	(6,660)
Release of translation reserve upon deregistration of subsidiaries *(note 43(c))*	–	–	–	–	–	(20,702)	–	–	–	–	(20,702)	–	(20,702)
Fair value adjustment on revaluation of land and buildings, net of tax effect *(note 15)*	–	–	–	–	–	–	23,131	–	–	–	23,131	–	23,131
Fair value changes on financial assets at fair value through other comprehensive income, net of tax effect *(note 21)*	–	–	–	(97,772)	–	–	–	–	–	–	(97,772)	–	(97,772)
Total comprehensive income for the year	–	–	–	(97,772)	–	(150,889)	23,131	–	–	247,588	22,058	(7,303)	14,755
Dividend paid *(note 12(b))*	–	–	–	–	–	–	–	(2,617)	–	–	(2,617)	–	(2,617)
Share-based payment expense of PFC Device Share Options granted by a subsidiary *(note 41(b))*	–	–	–	–	269	–	–	–	–	–	269	144	413
Issue of shares by a subsidiary upon exercise of PFC Device Share Options *(notes 41(b) and 43(a))*	–	–	–	–	(467)	(7)	–	–	–	736	262	1,324	1,586
Disposal of partial interest in a subsidiary *(note 43(b))*	–	–	–	–	(213)	(222)	–	–	–	29,584	29,149	23,493	52,642
Transfer between reserves													
Proposed final dividend *(note 12(a))*	–	–	–	–	–	–	–	2,617	–	(2,617)	–	–	–
Transfer to statutory reserve	–	–	–	–	–	–	–	–	3,337	(3,337)	–	–	–
Vested PFC Device Share Options forfeited *(note 41(b))*	–	–	–	–	(5)	–	–	–	–	5	–	–	–
Difference in depreciation provided based on historical cost and revalued amount of land and buildings *(note 15)*	–	–	–	–	–	–	(9,119)	–	–	9,119	–	–	–
At 31 December 2018	82	273,360	–	(53,681)	874	(103,964)	223,844	2,617	10,127	3,058,580	3,411,839	85,825	3,497,664

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Equity attributable to owners of the Company												
	Share capital HK$'000	Capital reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Financial assets at fair value through other comprehensive income reserve HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Assets revaluation reserve HK$'000	Dividend reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017	82	273,360	11,341	–	–	(41,616)	199,653	2,617	6,790	2,500,395	2,952,622	57,653	3,010,275
Profit for the year	–	–	–	–	–	–	–	–	–	267,834	267,834	5,042	272,876
Exchange difference arising from translation of overseas operations													
– subsidiaries	–	–	–	–	–	182,020	–	–	–	–	182,020	3,632	185,652
– associate and joint ventures	–	–	–	–	–	8,351	–	–	–	–	8,351	–	8,351
Release of translation reserve upon disposal of subsidiaries *(note 43(d))*	–	–	–	–	–	(223)	–	–	–	–	(223)	–	(223)
Release of translation reserve upon settlement of intercompany balances that formed part of the net investment in a foreign operation *(note 9(b))*	–	–	–	–	–	(101,369)	–	–	–	–	(101,369)	–	(101,369)
Fair value adjustment on revaluation of land and buildings, net of tax effect *(note 15)*	–	–	–	–	–	–	21,260	–	–	–	21,260	–	21,260
Fair value changes on available-for-sale financial assets	–	–	33,688	–	–	–	–	–	–	–	33,688	–	33,688
Reclassification adjustment for disposal of available-for-sale financial assets *(note 21)*	–	–	(938)	–	–	–	–	–	–	–	(938)	–	(938)
Total comprehensive income for the year	–	–	32,750	–	–	88,779	21,260	–	–	267,834	410,623	8,674	419,297
Dividend paid *(note 12(b))*	–	–	–	–	–	–	–	(2,617)	–	–	(2,617)	–	(2,617)
Share-based payment expense of PFC Device Share Options granted by a subsidiary *(note 41(b))*	–	–	–	–	1,793	–	–	–	–	–	1,793	748	2,541
Issue of shares by a subsidiary upon exercise of PFC Device Share Options *(note 41(b))*	–	–	–	–	(446)	–	–	–	–	446	–	1,389	1,389
Deemed disposal of partial interest in a subsidiary	–	–	–	–	(6)	(9)	–	–	–	312	297	(297)	–
Transfer between reserves													
Proposed final dividend *(note 12(a))*	–	–	–	–	–	–	–	2,617	–	(2,617)	–	–	–
Vested PFC Device Share Options forfeited *(note 41(b))*	–	–	–	–	(51)	–	–	–	–	51	–	–	–
Difference in depreciation provided based on historical cost and revalued amount of land and buildings *(note 15)*	–	–	–	–	–	–	(8,048)	–	–	8,048	–	–	–
Reclassification of asset revaluation reserve to retained profits upon disposal of investment property which were previously classified as property, plant and equipment *(note 14)*	–	–	–	–	–	–	(3,033)	–	–	3,033	–	–	–
At 31 December 2017	82	273,360	44,091	–	1,290	47,154	209,832	2,617	6,790	2,777,502	3,362,718	68,167	3,430,885

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Operating activities			
Profit before income tax		**221,326**	335,578
Adjustments for:			
Share of results of associates		**(2,701)**	(14,577)
Share of results of joint ventures		**(10,956)**	4,690
Depreciation and amortisation		**53,454**	52,427
Government grants		**(324)**	(475)
Share-based payment expense		**413**	2,541
Fair value gain on investment properties		**(154,547)**	(62,898)
Unrealised fair value change on financial assets at fair value through profit or loss		**8,118**	–
Unrealised fair value change of investments held for trading		**–**	(13,743)
Reversal of impairment on inventories of properties		**–**	(5,045)
Allowance/(Reversal of allowance) for other inventories		**1,258**	(6,358)
Impairment loss on financial assets at amortised cost/loans and receivables		**13,933**	2,437
(Reversal of impairment loss)/Impairment loss on prepayments and deposits		**(1,045)**	60
Write-off of financial assets at amortised cost/loans and receivables		**5**	250
Impairment loss on goodwill		**4,415**	–
Impairment loss on other intangible assets		**55,433**	–
Impairment loss on property, plant and equipment		**6,941**	–
Write-off of property, plant and equipment		**7**	3,744
Write-back of payables		**(74,388)**	–
Loss on disposal of property, plant and equipment		**3,349**	1,431
Gain on disposal of available-for-sale financial assets		**–**	(5,857)
Gain on disposal of investment properties		**–**	(53,874)
Gain on disposal of intangible assets		**–**	(48)
Gain arising from deregistration of subsidiaries		**(20,702)**	–
Gain arising from disposal of subsidiaries		**–**	(703)
Interest income		**(9,358)**	(18,415)
Interest expenses		**30,964**	26,890
Guarantee fee		**5,025**	4,913
Exchange differences		**(3,059)**	(98,595)
Operating cash flows before movements in working capital		**127,561**	154,373
Increase in inventories of properties		**(41,467)**	(38,503)
(Increase)/Decrease in other inventories		**(3,255)**	21,110
Decrease/(Increase) in trade and other receivables, prepayments and deposits		**17,179**	(35,683)
Decrease/(Increase) in amounts due from joint ventures		**11,039**	(12,177)
Decrease in amount due from an investee		**–**	370
Decrease/(Increase) in finance lease receivables		**1,322**	(5,269)
Decrease in investments held for trading		**–**	56,742
Decrease in financial assets at fair value through profit or loss		**15,080**	–
Changes in derivative financial instruments		**–**	5,059
Increase/(Decrease) in trade and other payables		**20,747**	(5,068)
Cash generated from operations		**148,206**	140,954
Income tax paid		**(50,687)**	(46,979)
Net cash from operating activities		**97,519**	93,975

For the year ended 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Investing activities			
Proceeds from disposal of available-for-sale financial assets		–	86,109
Proceeds from disposal of intangible assets		–	2,206
Proceeds from disposal of investment properties		–	82,023
Proceeds from disposal of property, plant and equipment		968	923
Net cash outflows from disposal of subsidiaries	43(d)	–	(1,696)
Net cash inflows from disposal of partial interest in a subsidiary	43(b)	52,642	–
Interest element of finance lease receivables		66	107
Interest received		9,484	20,545
Dividend income from an associate		8,059	–
Purchase of antiques and artworks		(2,558)	(5,360)
Purchase of property, plant and equipment		(53,656)	(48,157)
Purchase of investment properties		(38,174)	(1,450)
Decrease in loans receivable, net		1,950	3,675
Purchase of available-for-sale of financial assets		–	(102,933)
Purchase of financial assets at fair value through other comprehensive income		(85,139)	–
Decrease in bank deposits maturing beyond three months		–	34,732
Decrease in restricted bank deposit		7	5,343
Decrease in structured bank deposits		–	104,058
Capital injection in a joint venture		–	(1,752)
Net cash (used in)/from investing activities		(106,351)	178,373
Financing activities	44(b)		
New bank and other borrowings		1,210,356	501,042
Repayment of bank borrowings		(1,051,706)	(770,529)
Dividends paid		(2,617)	(2,617)
Interest paid		(30,808)	(26,876)
Interest element of finance lease payable		(156)	(14)
Advances from a director		–	2,739
Repayment to a director		(7,652)	(5,025)
Capital element of finance lease payable		(559)	(1,845)
Capital contribution from non-controlling interests		1,586	1,389
Net cash from/(used in) financing activities		118,444	(301,736)
Net increase/(decrease) in cash and cash equivalents		109,612	(29,388)
Cash and cash equivalents at 1 January		391,050	400,585
Effect of foreign exchange rate change		(11,477)	19,853
Cash and cash equivalents at 31 December		489,185	391,050
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		489,185	391,050

1. GENERAL INFORMATION

Shell Electric Holdings Limited (the "Company") was incorporated in Bermuda with limited liability. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda and the address of its principal place of business is 1/F., Shell Industrial Building, 12 Lee Chung Street, Chai Wan Industrial District, Hong Kong.

The principal activities of the Company are investment holding and property leasing. The principal activities carried out by the Company and its subsidiaries (hereinafter collectively referred as the "Group") mainly comprise investment holding, selling of electric fans, manufacturing and marketing of power discrete semiconductors, contract manufacturing of fusers, laser scanners, paper handling options and electrical appliances, property leasing, property investment and development, taxi and car rental, sales of motor vehicles and securities trading.

The shares of the Company's subsidiary, PFC Device Inc., engaging in manufacturing and sales of power discrete semiconductors business were listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 7 October 2016.

The financial statements on pages 11 to 108 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (including Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The financial statements for the year ended 31 December 2018 were approved and authorised for issue by the directors on 17 July 2019.

2. ADOPTION OF NEW OR REVISED HKFRSs

2.1 Adoption of new or revised HKFRSs – effective on 1 January 2018

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2018:

Annual improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28 Investments in Associates and Joint Ventures
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advanced Consideration

(a) HKFRS 9 Financial Instruments ("HKFRS 9")

HKFRS 9 replaces HKAS 39 *Financial Instruments: Recognition and Measurement* ("HKAS 39") for annual periods beginning on or after 1 January 2018, bringing together all three aspect of the accounting for financial instruments: (i) classification and measurement; (ii) impairment and (iii) hedge accounting. The adoption of HKFRS 9 from 1 January 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements. The new accounting policies are set out in note 4.13A below.

(i) Classification and measurement of financial instruments

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

2. ADOPTION OF NEW OR REVISED HKFRSs *(Continued)*

2.1 Adoption of new or revised HKFRSs – effective on 1 January 2018 *(Continued)*

(a) HKFRS 9 Financial Instruments ("HKFRS 9") *(Continued)*

(i) Classification and measurement of financial instruments (Continued)

Under HKFRS 9, except for certain trade receivables (trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost; (ii) financial assets at fair value through other comprehensive income; or (iii) financial assets at fair value through profit or loss. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed; and (ii) the contractual cash flow characteristics (the "solely payment of principal and interest" criterion). Under HKFRS 9, embedded derivatives are no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 January 2018 under HKAS 39 HK$'000	Carrying amount as at 1 January 2018 under HKFRS 9 HK$'000
Available-for-sale financial assets *(note (a))*	Available-for-sale financial assets (at fair value)	Financial assets at fair value through other comprehensive income	320,893	320,893
Available-for-sale financial assets *(note (b))*	Available-for-sale financial assets (at cost)	N/A	380	–
Financial assets at fair value through profit or loss *(note (c))*	Investments held for trading	Financial assets at fair value through profit or loss	75,290	75,290
Trade and other receivables *(note (d))*	Loans and receivables	Financial assets at amortised cost	261,643	261,643
Loans receivable *(note (d))*	Loans and receivables	Financial assets at amortised cost	64,844	64,844
Finance lease receivables *(note (d))*	Loans and receivables	Financial assets at amortised cost	7,576	7,576
Amounts due from joint ventures *(note (d))*	Loans and receivables	Financial assets at amortised cost	11,039	11,039
Restricted bank deposit *(note (d))*	Loans and receivables	Financial assets at amortised cost	23,463	23,463
Cash and bank balances *(note (d))*	Loans and receivables	Financial assets at amortised cost	391,050	391,050

2. ADOPTION OF NEW OR REVISED HKFRSs *(Continued)*

2.1 Adoption of new or revised HKFRSs – effective on 1 January 2018 *(Continued)*

(a) HKFRS 9 Financial Instruments ("HKFRS 9") *(Continued)*

(i) Classification and measurement of financial instruments (Continued)

Notes:

(a) As of 1 January 2018, the Group's investments in listed and unlisted equity securities were reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income. The Group intends to hold these equity investments for long term strategic purposes. Under HKFRS 9, the Group has irrevocably designated these equity investments at the date of initial application as measured at fair value through other comprehensive income. As a result, financial assets with a fair value of HK$320,893,000 were reclassified from available-for-sale financial assets at fair value to financial assets at fair value through other comprehensive income and the fair value gains of HK$44,091,000 were reclassified from the available-for-sale financial assets revaluation reserve to the financial assets at fair value through other comprehensive income reserve on 1 January 2018.

(b) The Group's club membership were previously classified as available-for-sale financial assets measured at cost. Upon initial application of HKFRS 9, the club membership have been reclassified as other assets on 1 January 2018 and measured at cost less accumulated losses, if any.

(c) The investments held for trading, being the listed equity securities, were previously measured at fair value through profit or loss under HKAS 39. Upon adoption of HKFRS 9, these investments are classified as financial assets at fair value through profit or loss and continue to be measured at fair value with changes in fair value being recognised in profit or loss.

(d) The Group's trade and other receivables, loans receivable, finance lease receivables, amounts due from joint ventures, restricted bank deposit and cash and bank balances were previously classified as loans and receivables and measured at amortised cost under HKAS 39. These financial assets meet the "solely payments of principal and interest" criterion and it is the Group's business model to hold these financial assets to collect their contractual cash flows. Accordingly, they are classified as financial assets at amortised cost and continue to be subsequently measured at amortised cost upon adoption of HKFRS 9.

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts (see note 4.13A(vi)). The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial adoption of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at fair value through profit or loss at 1 January 2018.

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECL") model. HKFRS 9 requires the Group to recognise loss allowance for ECL for trade receivables and other financial assets at amortised cost earlier than HKAS 39. Restricted bank deposit and cash and bank balances are also subject to ECL model but the impairment is immaterial for the current period as the counterparties are reputable banks.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (i) 12-month ECL, these are the ECL that result from possible default events within the 12 months after the reporting date; and (ii) lifetime ECL (these are ECL that result from all possible default events over the expected life of a financial instrument).

Measurement of ECL
ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

For other financial assets at amortised cost, the ECL are based on the 12-month ECL. The 12-month ECL is a portion of the lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the loss allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effect. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

2. ADOPTION OF NEW OR REVISED HKFRSs *(Continued)*

2.1 Adoption of new or revised HKFRSs – effective on 1 January 2018 *(Continued)*

(a) HKFRS 9 Financial Instruments ("HKFRS 9") *(Continued)*

(ii) Impairment of financial assets (Continued)

Presentation of ECL

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investments at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income, instead of reducing the carrying amount of the assets.

Impact of the ECL model

The initial adoption of HKFRS 9 has no material impact on the Group's loss allowance for trade receivables and other financial assets at amortised cost as at 1 January 2018. For further details of the Group's accounting policy for accounting for credit losses, see note 4.13A(ii).

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECL requirement, if any, are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the consolidated statement of financial position as at 1 January 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9, if any, are recognised in retained profits and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirement of HKFRS 9 but rather those of HKAS 39 and thus, certain comparative information may not be comparable to the current period.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9, i.e. 1 January 2018:

– The determination of the business model within which a financial asset is held; and

– The designation of certain equity investments not held for trading as financial assets at fair value through other comprehensive income.

In addition, if an investment in a debt investment had low credit risk at the date of initial application, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

(b) HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* ("HKAS 18") and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange of transferring goods and services to a customer.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim at enabling users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has adopted HKFRS 15 using the cumulative effect method without practical expedients. The Group has recognised the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits at the date of initial application, i.e. 1 January 2018. As a result, the financial information presented for 2017 has not been restated.

2. ADOPTION OF NEW OR REVISED HKFRSs *(Continued)*

2.1 Adoption of new or revised HKFRSs – effective on 1 January 2018 *(Continued)*

(b) HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") *(Continued)*

(i) Timing of revenue recognition

Previously, revenue arising from sales of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers whereas revenue from provision of services was recognised over time. Under HKFRS 15, revenue is recognised when the customer obtain control of the promised goods or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised goods or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) When the entity's performance does not create an asset with alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these three situations, then under HKFRS 15 the entity recognises revenue for the sale of that goods or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

In respect of sales of electrical appliances and power discrete semiconductors, the Group's contracts with customers generally include one performance obligation, which is satisfied at a point in time when the customers obtain control of the goods and it is usually when the goods are delivered and accepted by the customers.

In respect of provision of services, including product engineering services, handling services and management services, the Group's contracts with customers generally include one performance obligation, which is satisfied over time. The Group normally issues bill to customers for payment along when the services are delivered.

In respect of taxi and car rental business, the Group derives rental income from leasing taxi under operating lease arrangement and revenue from sales of car under finance lease arrangement. In respect of property leasing business, the Group derives rental income from leasing properties under operating lease arrangement. HKFRS 15 does not apply to lease contracts that are within the scope of HKAS 17 *Leases* ("HKAS 17"). Accordingly, rental income from leasing taxi and properties as well as interest income from sales of car under lease arrangements falls outside the scope of HKFRS 15 and is determined based on the guidance contained in HKAS 17.

Based on the above assessment, the adoption of HKFRS 15 does not have material impact on the timing and amounts of revenue recognised in the reporting periods. For further details of the Group's accounting policy for revenue recognition, see note 4.20A.

(ii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect the change in presentation, receipt in advance from customers amounting to HK$4,142,000 as at 1 January 2018 previously included in "Trade and other payables" were reclassified to "Contract liabilities" upon the adoption of HKFRS 15.

2. ADOPTION OF NEW OR REVISED HKFRSs *(Continued)*

2.1 Adoption of new or revised HKFRSs – effective on 1 January 2018 *(Continued)*

(b) HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") *(Continued)*

(ii) Presentation of contract assets and liabilities (Continued)

The following table summarise the impact of adoption of HKFRS 15 on the Group's consolidated statement of financial position as at 1 January 2018. The table shows only those line items impacted by HKFRS 15.

	Under HKAS 18 HK$'000	Impact on adoption of HKFRS 15 HK$'000	Under HKFRS 15 HK$'000
Current liabilities			
Contract liabilities	–	4,142	4,142
Trade and other payables	510,337	(4,142)	506,195
Total current liabilities	510,337	–	510,337

The adoption of HKFRS 15 has no material impact on the opening balance of retained profits at 1 January 2018 in the consolidated statement of changes in equity and the amounts recognised in the consolidated income statement and the consolidated statement of comprehensive income.

The following table summarises the impact of adopting HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018. There was no material impact on the Group's consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended 31 December 2018.

	HK$'000
Current liabilities	
Contract liabilities	**1,691**
Trade and other payables	**449,503**
Total current liabilities	**451,194**

Save the above, the adoption of other new or revised HKFRSs has no material impact on the Group's consolidated financial statements.

2.2 New or revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendment to HKFRS 3 Business Combinations; HKFRS 11 Joint Arrangements; HKAS 12 Income Taxes; and HKAS 23 Borrowing Costs[1]

1. Effective for annual periods beginning on or after 1 January 2019
2. Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period
3. Effective for annual periods beginning on or after 1 January 2020
4. The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred or removed. Early application of the amendments continues to be permitted

2. ADOPTION OF NEW OR REVISED HKFRSs *(Continued)*

2.2 New or revised HKFRSs that have been issued but are not yet effective *(Continued)*

The directors anticipate that all of the relevant pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Those new or revised HKFRSs that are expected to have a material impact on the Group's accounting policies and/or financial statements are set out below.

HKFRS 16 Leases ("HKFRS 16")
HKFRS 16, which upon the effective date will supersede HKAS 17 and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and present them in the consolidated statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group leases certain of its manufacturing plants, office properties and operating site under operating lease arrangements, which are currently accounted for operating lease as set out in note 4.11. As at 31 December 2018, the Group has non-cancellable operating lease commitment of approximately HK$8,340,000 (note 47). These arrangement meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding lease liability in respect of these leases upon adoption of HKFRS 16. The lease liabilities of leases previously classified as operating leases will be recognised on the date of initial application at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use assets will be measured on the date of initial application at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the consolidated statement of financial position immediately before the date of initial application.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16. The cumulative effect of initial application will be recognised as an adjustment to the opening balance of equity at 1 January 2019 and the Group will not restate the comparative information.

HK(IFRIC) – Int 23 Uncertainty over Income Tax Treatments
The Interpretation supports the requirements of HKAS 12 *Income Taxes* by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

3. BASIS OF PREPARATION

3.1 Basis of measurement

These financial statements have been prepared under historical cost basis except for investment properties, land and buildings classified as property, plant and equipment and certain financial instruments which are measured at fair value. Disposal groups and non-current assets held for sale (other than investment properties) are stated at the lower of their carrying amounts and fair values less cost to sell. The measurement bases are fully described in the accounting policies below.

Accounting estimates and assumptions have been used in preparing these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

3.2 Functional and presentation currency

The financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated.

4.1 Business combination and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see note 4.2 below) made up to 31 December each year. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases. All inter-company transactions, balances and unrealised gains and losses on transactions within the Group are eliminated on consolidation. Unrealised losses resulting from inter-company transaction are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group in exchange for control of the acquiree. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. If the business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments, in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to the fair value of the contingent consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss. If the contingent consideration is classified as equity, it will not be remeasured.

Goodwill arising on business combination is measured according to the policies in note 4.4.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest, and also the cumulative translation differences recorded in equity. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present:

– power over the investee;

– exposure, or rights, to variable returns from the investee; and

– the ability to use its power to affect those variable returns.

Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.3 Associates and joint arrangements

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

– joint ventures: where the Group has rights to only the net assets of the joint arrangement; or

– joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangement, the Group considers:

– the structure of the joint arrangement;

– the legal form of joint arrangements structured through a separate vehicle;

– the contractual terms of the joint arrangement agreement; and

– any other facts and circumstances (including any other contractual arrangements).

Associates and joint ventures are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' and joint ventures' net assets except that losses in excess of the Group's interest in the associates and joint ventures are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates and joint ventures are recognised only to the extent of unrelated investors' interests in the associate and joint venture. The investor's share in the associate's and joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the associate and joint venture. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for investment in an associate and a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in associate and joint venture. Where there is objective evidence that the investment in an associate and a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Joint operations are accounted for by recognising the Group's share of assets, liabilities, revenue and expenses in accordance with its contractually conferred rights and obligations.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 Goodwill

Goodwill arising from the acquisition of subsidiaries, associates and joint ventures represents the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the Group's interest in the fair value of the identifiable assets acquired and liabilities assumed including contingent liabilities as at the date of acquisition.

Goodwill arising on acquisition is initially recognised in the consolidated statement of financial position as an asset at cost and subsequently measured at cost less any accumulated impairment losses. In case of associates and joint ventures, goodwill is included in the carrying amount of the interests in associates and joint ventures respectively, rather than recognised as a separate asset in the consolidated statement of financial position.

Goodwill is reviewed for impairment annually at the end of the reporting period or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired (note 4.12). On the subsequent disposal of a subsidiary, associate or joint venture, the carrying amount of goodwill relating to the entity sold is included in determining the amount of gain or loss on disposal.

4.5 Bargain purchases in business combinations

Any excess of the Group's interest in the fair value of the acquirees' net identifiable assets, liabilities and contingent liabilities over the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree is recognised immediately in profit or loss.

4.6 Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose.

Investment property is initially stated at cost, including directly attributable costs, and subsequently stated at fair value as determined by external professional valuers to reflect the prevailing market conditions at the end of each reporting period. Any gain or loss resulting from either a change in the fair value or disposal of an investment property is immediately recognised in profit or loss. Rental income from investment properties is accounted for as described in note 4.20A(iv).

4.7 Property, plant and equipment

Except for freehold land which is not depreciated, property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5 (note 4.8).

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Land and buildings are stated at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. The revaluation surplus is recognised in equity. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in value arising on revaluation are recognised in other comprehensive income and accumulated in equity under assets revaluation reserve. Decreases in value arising on revaluation are first offset against increases on earlier valuations in respect of the same property and thereafter recognised in profit or loss. Any subsequent increases are recognised in profit or loss up to the amount previously charged and thereafter to the assets revaluation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Property, plant and equipment *(Continued)*

Depreciation is provided to write off the cost or valuation of each item of property, plant and equipment less its residual value, if applicable, over its estimated useful life on a straight-line basis at the following rates per annum:

Category of property, plant and equipment	Annual rates
Freehold land	Not depreciated
Land and building *(note 4.11)*	2% to 5%
Plant, machinery, tools, moulds and equipment	10% to 33.33%
Furniture, fixtures and office equipment	10% to 33.33%
Motor vehicles (including taxi)	20% to 25%

An annual transfer from assets revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued amount of an asset and the depreciation based on the asset's original cost.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the item and is recognised in profit or loss. When land and buildings are derecognised upon disposal, the relevant portion of the revaluation surplus will be directly transferred to retained profits.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets, where shorter, the term of the relevant lease.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount (note 4.12).

4.8 Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups. Non-current assets and disposal groups (other than investment properties) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

4.9 Intangible assets (Other than goodwill)

Intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are amortised over the economic useful life and assessed for impairment (note 4.12) whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortised but reviewed for impairment at least annually either individually or at cash-generating unit level. The useful life of an intangible asset with indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Taxi licences
Cost incurred in the acquisition of permanent taxi operating licences, which have indefinite useful lives, are carried at cost less any impairment losses and are not amortised.

Taxi licences which are granted for free are amortised over their estimated useful life of five years.

Small passenger car quota
Cost incurred in the acquisition of small passenger car quotas, which have indefinite useful lives, are carried at cost less any impairment losses and are not amortised.

Patent, trademark and copyright
Separately acquired patent is shown at historical cost less any impairment losses. Patent, trademark and copyright acquired in a business combination is recognised at fair value at the acquisition date. Patent, trademark and copyright have finite useful lives and are carried at cost less accumulated amortisation less any impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of patent, trademark and copyright over their estimated useful lives of five to eight years.

Research and development costs
Expenditure on the research phase of internal projects and development costs not satisfying the capitalisation criteria are recognised in profit or loss as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Other assets

Other assets represent antiques and art works held for long-term investment purposes and include club membership from 1 January 2018. Other assets are stated at cost less accumulated impairment losses.

4.11 Leases

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

The Group as lessor

Assets leased by the Group under operating leases are included in non-current assets, and rental receivable under the operating leases are credited to profit or loss on a straight-line basis over the lease terms.

Amounts due from lessees under finance leases are recorded 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.

The Group as lessee

Rentals payable under operating leases, net of any incentives received or receivable, are charged to profit or loss on a straight-line basis over the lease terms. Prepaid lease rental on land are up-front prepayments made for the leasehold land and land use rights which are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in cost of land and buildings as a finance lease in property, plant and equipment (note 4.7).

When the Group's interests in leasehold land and buildings are in the course of development for sales in the ordinary course of business, the leasehold land component is included in properties under development.

4.12 Impairment of non-financial assets

Goodwill, other intangible assets, property, plant and equipment, prepaid lease rental on land, interests in subsidiaries, associates and joint ventures and other assets are subject to impairment testing. Goodwill, other intangible assets and other assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units to which goodwill has been allocated are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value-in-use, if determinable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Impairment of non-financial assets *(Continued)*

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised.

A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

4.13 Financial instruments

A. Accounting policies applicable from 1 January 2018

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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

Financial assets with embedded derivatives are considered at their entirely when determining whether their cash flows are solely payments principal and interest on the principal outstanding.

Debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

– Amortised cost

  Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gain or losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

– Fair value through other comprehensive income

  Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the financial assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income is calculated using the effective interest method, foreign exchange gains or losses and impairment are recognised in profit or loss. Other net gains or losses are recognised in other comprehensive income. On derecognition, gains or losses accumulated in other comprehensive income are reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Financial instruments *(Continued)*

A. Accounting policies applicable from 1 January 2018 *(Continued)*

(i) Financial assets *(Continued)*

Debt instruments (Continued)

– Fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On the initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains or losses are recognised in other comprehensive income and are not reclassified to profit or loss. On disposal of equity investment classified as financial assets at fair value through other comprehensive income, the amount accumulated in financial assets at fair value through other comprehensive income reserve (non-cycling) is transferred to retained profits. All other equity instruments are classified as financial assets at fair value through profit or loss and are subsequently measure at fair value, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECL on debt instruments carried at amortised cost (including trade receivables, loans receivable, finance lease receivables, other receivables, amounts due from joint ventures, bank balances including restricted bank deposit) and debt investments measured at fair value through other comprehensive income. ECL are measured on either of the following bases: (i) 12-month ECL: these are the ECL that result from possible default events within the 12 months after the reporting date; or (ii) lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured at 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. The shortfall is then discounted at an approximation to the financial assets' original effective interest rate.

The Group measures loss allowances for trade receivables and lease receivables using simplified approach and has calculated ECL based on lifetime ECL. The Group has estimated a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the Group applies the general approach to measure ECL, that is to recognise a loss allowance based on 12-month ECL. However, when there has been a significant increase in credit risk since initial recognition, the loss allowance will be based on lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Financial instruments *(Continued)*

A. Accounting policies applicable from 1 January 2018 *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, such as past due status and credit risk ratings.

The Group presumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group assesses whether a financial asset is credit-impaired at the end of the reporting period. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Group considers a financial asset to be in default when: (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the 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.

The Group recognises an impairment gain or loss in profit or loss for financial instruments carried at amortised cost by adjusting their carrying amount through the use of a loss allowance account.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

For investments in debt instruments that are measured at fair value through other comprehensive income, impairment loss is recognised in other comprehensive income and accumulated in the fair value reserve without reducing the carrying amounts of those debt instruments.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Financial instruments *(Continued)*

A. Accounting policies applicable from 1 January 2018 *(Continued)*

(iii) Financial liabilities *(Continued)*

Financial liabilities at fair value through profit or loss *(Continued)*
Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Company's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost
Financial liabilities at amortised cost including trade payables, other payables and accruals, finance lease payable, refundable deposits received, amounts due to related parties, loan from non-controlling shareholder and bank borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (note 4.23).

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in note 4.13A (ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Financial instruments *(Continued)*

B. Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Financial assets

Management determines the classification of the financial assets at initial recognition depending on the purpose for which the financial assets were acquired and, where allowed and appropriate, re-evaluates this designation at the end of each reporting period.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract when the analysis shows that the economic characteristics and the risks of the embedded derivatives are not closely related to those of the host contract.

Regular way purchases and sales of financial assets are recognised and derecognised on trade date. Regular way purchases or sales are purchases or sales of financial assets under a contract whose terms require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are measured initially at fair value.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading which are classified as "Investments held for trading" in the consolidated statement of financial position and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss in the period in which they arise. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividends or interests earned on these financial assets. Interests or dividends earned on these financial assets are recognised in profit or loss in accordance with the policies set out in notes 4.20B(ii) and 4.20B(iii).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Financial instruments *(Continued)*

B. Accounting policies applied until 31 December 2017 *(Continued)*

(i) Financial assets *(Continued)*

Loans and receivables

Loans and receivables including amounts due from related parties are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently measured at amortised cost using the effective interest method, less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as any other categories of financial assets. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income and accumulated in equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in profit or loss and removed from equity. Interests or dividends earned on these financial assets are recognised in profit or loss in accordance with the policies set out in notes 4.20B(ii) and 4.20B(iii).

The fair value of available-for-sale monetary assets denominated in foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

When the fair value of unlisted equity securities cannot be reliably measured because the variability in the range of reasonable fair value estimates is significant for that investment or the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial assets at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

(ii) Impairment loss on financial assets

At the end of each reporting period, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that come to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– granting concession to a debtor because of debtor's financial difficulty;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Financial instruments *(Continued)*

B. Accounting policies applied until 31 December 2017 *(Continued)*

(ii) Impairment loss on financial assets *(Continued)*

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data include but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

Financial assets carried at amortised cost
If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of impairment loss is recognised in profit or loss of the period in which the impairment occurs. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

Available-for-sale financial assets
If there is objective evidence that an available-for-sale financial asset is impaired, an amount comprising the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss on that asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss. Impairment losses in respect of debt instruments are reversed through profit or loss if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised.

Financial assets carried at cost
If there is objective evidence that an impairment loss on an unquoted investment that is not carried at fair value has been incurred, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 4.23).

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Financial instruments *(Continued)*

B. Accounting policies applied until 31 December 2017 *(Continued)*

(iii) Financial liabilities *(Continued)*

Financial liabilities at amortised cost

Borrowings and trade and other payables including amounts due to related parties are financial liabilities at amortised cost which are recognised initially at fair value (net of transaction costs incurred for borrowings) and subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through amortisation process.

Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

(iv) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(v) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

(vi) Derecognition

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

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

4.14 Inventory of properties

Inventory of properties represent properties under development. Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Inventory of properties are stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost to completion and estimated selling expenses. The costs of inventory of properties consist of land held under operating lease (note 4.11), development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties.

4.15 Other inventories

Other inventories are stated at the lower of cost, computed using weighted average method, and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.16 Trade and other receivables (policies applicable from 1 January 2018)

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as contract assets. Receivables are stated as amortised cost using the effective interest method (note 4.13A(i)) less allowance for credit losses (note 4.13A(ii)).

4.17 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.

4.18 Trade and other payables (policies applicable from 1 January 2018)

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 4.13A(vi), trade and other payables are subsequently stated at amortised cost (note 4.13(A)(iii)) unless the effect of discounting would be immaterial, in which case they are stated at cost.

4.19 Contract assets and contract liabilities (policies applicable from 1 January 2018)

Contract assets represent 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. A contract asset is recognised when the Group recognises revenue (see note 4.20A) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are reclassified to receivables when the right to the consideration has become unconditional (note 4.16).

Contract assets are assessed for ECL in accordance with the policy set out in note 4.13A(ii). Loss allowance for contract assets is measured at an amount equal to lifetime ECL.

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 liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 4.20A). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

4.20 Recognition of revenue and other income

Income is classified by the Group as revenue when it arises from the sales of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

A. Policies applicable from 1 January 2018

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point of time. Control of the goods or service is transferred over time if:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

– the Group's performance creates or 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 Recognition of revenue and other income *(Continued)*

A. Policies applicable from 1 January 2018 *(Continued)*

If the control of the goods or services is transferred over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point of time when the customer obtain control of the goods or service.

When the contract contains a financing component which provides a significant financing benefit to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

The Group recognises revenue and other income on the following basis:

(i) Revenue from sales of goods is recognised at a point in time when the customers obtain control of the goods. This is usually taken at the time when the goods are delivered to and accepted by customers, taking into account any sales returns, discounts and rebates allowed by the Group. In general, the contracts in relation to sales of goods contain one performance obligation. No element of significant financing is deemed to be as the sales are made with credit terms of 30 days to 60 days while certain customers are granted with credit period up to 180 days, which is consistent with the market practice.

(ii) Interest income is accrued on a time basis using the effective interest method by applying applicable interest rate on (i) the amortised cost (i.e. gross carrying amount less loss allowance for credit-impaired financial assets; or (ii) the gross carrying amount for non-credit impaired financial assets).

(iii) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(iv) Rental income under operating lease is recognised on a straight-line basis over the term of the relevant lease.

(v) Taxi and car rental income is recognised in accordance with the substance of the licence agreement when the holders' right to receive payment has been established and the relevant services are delivered.

(vi) Handling fee income and other service income is recognised over time as those services are provided.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 Recognition of revenue and other income *(Continued)*

B. Policies applicable until 31 December 2017

Revenue and other income are recognised when it is probable that the economic benefits will flow to the Group and when the income can be measured reliably on the following bases:

(i) Sales of goods are recognised as revenue when goods are delivered and title has been passed.

(ii) Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

(iii) Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(iv) Rental income is recognised on a straight-line basis over the periods of the respective tenancies.

(v) Taxi and car rental income is recognised in accordance with the substance of the licence agreement when the holders' right to receive payment has been established and the relevant services are delivered. Income received in advance which is attributable to the whole licensing contract arrangement is recognised as deferred income under current liabilities and amortised over the period of the licence contract.

(vi) Handling fee income and service income is recognised on an appropriate basis over the relevant period in which the services are rendered.

4.21 Foreign currencies

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. In the separate financial statements of the group entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the rates ruling at the end of the reporting period are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined.

The functional currencies of certain entities of the Group are currencies other than HK$. For the purpose of the consolidated financial statements, assets and liabilities of those entities at the end of the reporting period are translated into HK$ at exchange rate prevailing at the end of the reporting period. Income and expense items are translated into HK$ at the average exchange rate for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the Group's translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognised in the translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.22 Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of the reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 *Investment Property*. Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the end of the reporting period. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average rates that are expected to apply to the taxable profit or tax loss of the periods in which the temporary differences are expected to reverse. The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse; and (ii) the amount of taxable income in those years. The estimate of future taxable income includes income or loss excluding reversals of temporary differences; and reversals of existing temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4.23 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 be ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

4.24 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.24 Employee benefits *(Continued)*

Defined contribution retirement plans

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

Termination benefits

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

4.25 Share-based payment transactions

The Group operates equity-settled share-based compensation plans for remuneration of its employees and others providing similar services. All employee services received in exchange for the grant of financial instruments, for example, share options are measured at their fair values. The cost of equity-settled share-based compensation is measured by reference to the fair value of the equity instruments at the date on which they are granted. In determining the fair value, no account is taken of any non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based compensation is ultimately recognised as an expense in profit or loss unless it qualifies for recognition as asset with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

The fair value of the share options granted is recognised in profit or loss with a corresponding increase in share option reserve. Upon exercise of the share options, the relevant amount in the share option reserve is transferred to share premium or retained profits as appropriate. In case the vested share options are forfeited, the amount in the share option reserve is released directly to retained profits.

4.26 Provisions and contingent liabilities

Provision is recognised when the Group has a present obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. When the effect of discounting is material, provision is stated at the present value of the expenditure expected to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss. All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.27 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within equity, until they have been approved by the shareholders in a general meeting. When these dividends are approved and declared, they are recognised as a liability. Interim dividends are simultaneously proposed and declared and consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.28 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. When the grants relate to cost items, they are recognised as income on a systematic basis over the periods that the related costs for which the grants are intended to compensate are recognised as expenses. Government grants related to income are presented under other income.

When the Group receives a non-monetary grant, the asset and the grant are recorded at the fair value of the non-monetary asset. The grant is recognised as deferred income which is released to profit or loss over the expected useful life of the relevant asset by equal annual installments.

4.29 Related parties

For the purpose of these 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 that person:

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

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

- (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (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) both entities 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 the employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (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 Company's parent.

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 and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

4.30 Business information

Business segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the chief operating decision-maker i.e. the most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgment used in preparing financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value of properties

As disclosed in notes 14 and 15, the fair value of the investment properties and land and buildings classified as property, plant and equipment as at the end of the reporting period were estimated by the directors with reference to property valuation conducted by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might differ significantly from the actual results. In making the judgment, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

Please refer to notes 14 and 15 for more detailed information in relation to the fair value measurement of the investment properties and land and buildings.

Fair value of unlisted equity investments

The fair value of the unlisted equity investments has been estimated by management with reference to valuations conducted by independent professional valuer. The valuation requires the Group to make estimates and assumptions that are subject to uncertainty. The fair value of the unlisted equity investments as at 31 December 2018 was HK$141,521,000 (2017: HK$142,360,000) (note 21).

Impairment of non-financial assets

The Group reviews at least annually and assesses whether goodwill, taxi licences and small passenger car quotas with indefinite useful lives have suffered any impairment. The recoverable amounts of these cash-generating units have been determined based on value-in-use calculation which requires the use of estimates including expected future cash flows of the cash-generating units and discount rates adopted to calculate the present value of those cash flows. Based on the annual impairment assessment of goodwill, the recoverable amount of the cash-generating unit to which goodwill is allocated, which is determined on a value-in-use basis, is lower than its carrying amount and impairment loss is recognised as to HK$4,415,000 and HK$3,464,000 for goodwill and the relevant property, plant and equipment respectively. In addition, based on the annual impairment assessment of taxi licences, under other intangible assets, the recoverable amount of the cash-generating unit to which taxi licences belong to which is determined on value-in-use basis, is lower than its carrying amount and impairment loss is recognised as to HK$55,433,000 and HK$3,477,000 for taxi licences and the relevant property, plant and equipment, respectively. Details about the estimates used in assessing the impairment of goodwill, taxi licences and property, plant and equipment are set out in notes 17, 18 and 15 respectively.

Loss allowance on financial assets

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgment and estimation, in particular, the assessment of a significant increase in credit risk and credit-impaired balance as well as the estimation of the amount and timing of future cash flows when determining impairment losses. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At the end of each reporting period, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over their expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Details of the key assumptions and inputs used are set out in note 54.3.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

5.1 Key sources of estimation uncertainty *(Continued)*

Allowance for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable values. A considerable amount of judgment is required in determining such allowance. If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required.

Estimation of net realisable value of inventories of properties

Management reviews the recoverable amount of inventories of properties at the end of each reporting period. The recoverable amount is the estimated selling price of the properties less estimated costs to completion and estimated costs to sell. Management has made significant estimation in determining the recoverable amount of the inventories of properties.

Estimates of current tax and deferred tax

The Group is subject to taxation in various jurisdictions. Significant judgment is required in determining the amount of the provision for taxation, the timing of payment of the related taxation and the implementation of these taxes varies amongst various cities in the People's Republic of China (the "PRC") and the countries in which the Group operates. The Group recognised income tax and other taxes based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the tax expense in the period in which the tax calculations are finalised with the local tax authorities.

5.2 Critical judgments in applying accounting policies

Distinction between investment properties and owner-occupied properties

Some properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in marking its judgment.

Joint arrangement

As at 31 December 2018, the Group held equity interest and voting right of a joint arrangement (note 20). The contractual agreement entered into by the Group and other equity partners confer joint control over the relevant activities of the joint arrangement to the Group and one of the equity partners. In addition, the joint arrangement is structured as a limited company and provides the Group and the parties to the arrangement with rights to the net assets of the limited company under the arrangement. Therefore, based on the judgment of the management, the arrangement is classified as a joint venture.

6. REVENUE AND OTHER INCOME

The principal activities of the Group are disclosed in note 1. Revenue from the Group's principal activities recognised during the year is as follows:

	2018 **HK$'000**	2017 HK$'000
Revenue from contracts with customers		
Sales of goods	**985,160**	1,115,557
Revenue from other sources		
Taxi and car rental income	**64,726**	70,825
Property rental income	**112,370**	98,055
Interest element of financial lease of motor vehicles *(note 24)*	**275**	–
	177,371	168,880
	1,162,531	1,284,437

The Group's sales contracts for electrical appliances and power discrete semiconductors generally have an original expected duration of one year or less and accordingly, the Group has applied the practical expedient in HKFRS 15 not to disclose the transaction price allocated to the remaining performance obligations for the existing contracts.

Other income of the Group recognised during the year is as follows:

	2018 **HK$'000**	2017 HK$'000
Interest income on:		
Bank deposits	**6,040**	5,471
Interest element of finance lease of LED light tubes *(note 24)*	**66**	107
Others, including loans receivable	**3,252**	12,837
Total interest income	**9,358**	18,415
Dividends from financial assets at fair value through profit or loss	**1,550**	–
Dividends from investments held for trading	**–**	1,383
Dividends from financial assets at fair value through other comprehensive income	**11,401**	–
Dividends from available-for-sale financial assets	**–**	7,951
Other rental income	**307**	1,704
Handling fee income	**5,266**	3,453
Recharge of materials and freight costs to customers	**7,746**	7,805
Product engineering services to customers	**3,585**	2,040
Management fee received from joint ventures	**1,117**	7,450
Government grants *(note)*	**1,023**	6,900
Sundry income	**6,576**	6,689
	47,929	63,790

Note:

During the current year, the Group recognised government grants of HK$1,023,000 (2017: HK$4,012,000), which mainly represented government subsidies received from municipal and district levels of the PRC Government as reward to recognise the Group's contribution in enhancing the level of industry development in the district, rewards for innovation of high-tech products as well as employing the disabled person. In addition, amount for the year ended 31 December 2017 included a reward amounting to HK$2,888,000 for the floatation of the Group's power discrete semiconductors business which is in line with the strategies advocated by the municipal and district government. There were no unfulfilled conditions and other contingencies attached to these subsidies.

7. BUSINESS INFORMATION

The following business segments are reported in a manner consistent with the way in which information is reported internally to the Group's most senior management for the purposes of resource allocation and assessment of segment performance.

Electrical appliances	This segment designs, manufactures and trades electrical appliances. Electrical appliances include electric fans, vacuum cleaners, LED lighting products, paper handling options, fuser, laser and scanner. The Group's manufacturing facilities are located in the PRC and products are mainly sold to customers in the PRC and overseas such as North America and European countries.
Power discrete semiconductors	This segment manufactures and trades power discrete semiconductors. The manufacturing facilities are located in the PRC and products are mainly sold to customers in the PRC and Taiwan.
Property leasing	This segment leases industrial, commercial and residential properties in Hong Kong, other regions of the PRC and the United States (the "USA") to generate rental income and gain from appreciation in the properties' value in long-term. Part of the business is carried out through an associate.
Property investment and development	This segment constructs commercial and residential properties in Hong Kong and other regions of the PRC for external customers.
Securities investment	This segment mainly invests in debt and equity securities and other instruments to generate gain from appreciation in those securities and other instruments.
Taxi and car rental	This segment carries on taxi and car rental operations in the PRC and generates rental income; and engages in sale of motor vehicles business.
Other segments	These comprise trading of computer software which generate revenue from sales of goods, as well as direct investments which derive gain from holding investments in enterprises engaging in high-tech business.

Revenue and expenses are allocated to the business segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment profit/loss includes the Group's share of profit/loss arising from the activities of the Group's associates and joint ventures. Segment profit/loss excludes corporate income and expenses from the Group's profit/loss before income tax. Corporate income and expenses are income and expenses incurred by corporate headquarters which are not allocated to the business segments. Each of the business segments is managed separately as the resources requirement of each of them is different.

Segment assets include all assets with the exception of tax assets and corporate assets, including certain bank balances and cash, club membership and other assets which are not directly attributable to the business activities of business segments as these assets are managed on a group basis.

Segment liabilities include trade and other payables, finance lease payable, amounts due to related parties, bank borrowings and other liabilities directly attributable to the business activities of business segments and exclude tax liabilities, corporate liabilities and liabilities that are managed on a group basis.

7. BUSINESS INFORMATION *(Continued)*

Disaggregation of revenue by timing of revenue recognition is set out as follows:

	Electrical appliances HK$'000	Power discrete semiconductors HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities investment HK$'000	Taxi and car rental HK$'000	Other segments HK$'000	Consolidated HK$'000
Year ended 31 December 2018								
Revenue from contracts with customers disaggregated by timing of revenue recognition								
– Goods transferred at a point in time	**800,431**	**182,889**	**–**	**–**	**–**	**1,554**	**286**	**985,160**
Revenue from other sources								
– Taxi and car rental income	**–**	**–**	**–**	**–**	**–**	**64,726**	**–**	**64,726**
– Property rental income	**–**	**–**	**112,370**	**–**	**–**	**–**	**–**	**112,370**
– Interest element of financial lease of motor vehicles	**–**	**–**	**–**	**–**	**–**	**275**	**–**	**275**
	–	**–**	**112,370**	**–**	**–**	**65,001**	**–**	**177,371**
	800,431	**182,889**	**112,370**	**–**	**–**	**66,555**	**286**	**1,162,531**

	Electrical appliances HK$'000	Power discrete semiconductors HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities investment HK$'000	Taxi and car rental HK$'000	Other segments HK$'000	Consolidated HK$'000
Year ended 31 December 2017								
Revenue from contracts with customers disaggregated by timing of revenue recognition								
– Goods transferred at a point in time	873,781	215,059	–	–	–	9,096	17,621	1,115,557
Revenue from other sources								
– Taxi and car rental income	–	–	–	–	–	70,825	–	70,825
– Property rental income	–	–	98,055	–	–	–	–	98,055
	–	–	98,055	–	–	70,825	–	168,880
	873,781	215,059	98,055	–	–	79,921	17,621	1,284,437

7. BUSINESS INFORMATION *(Continued)*

Information regarding the Group's business segments including revenue, profit or loss, assets and liabilities by business segments and other information about the business segments are as follows:

	Electrical appliances HK$'000	Power discrete semiconductors HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities investment HK$'000	Taxi and car rental HK$'000	Other segments HK$'000	Consolidated HK$'000
Year ended 31 December 2018								
Revenue	800,431	182,889	112,370	–	–	66,555	286	1,162,531
Profit/(Loss)	79,493	(7,048)	221,947	(8,022)	496	(36,779)	(50,790)	199,297
Write-back of payables								74,388
Corporate income								25,583
Corporate expenses								(77,942)
Profit before income tax								221,326
As at 31 December 2018								
Assets	580,509	221,881	2,835,621	755,185	355,166	223,912	95,892	5,068,166
Property, plant and equipment								166,621
Other assets								74,488
Tax assets								1,847
Other corporate assets								353,626
Total consolidated assets								5,664,748
As at 31 December 2018								
Liabilities	260,311	21,542	505,706	34,645	84,025	29,998	24,133	960,360
Bank borrowings								370,538
Tax liabilities								649,907
Other corporate liabilities								186,279
Total consolidated liabilities								2,167,084

7. BUSINESS INFORMATION *(Continued)*

	Electrical appliances HK$'000	Power discrete semiconductors HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities investment HK$'000	Taxi and car rental HK$'000	Other segments HK$'000	Corporate HK$'000	Consolidated HK$'000
Other information:									
Year ended 31 December 2018									
Interest income	4,110	28	570	17	7	2,839	433	1,629	9,633
Finance costs	3,377	21	16,960	–	3,055	–	–	12,631	36,044
Depreciation and amortisation	12,710	13,893	195	–	–	15,859	4,630	6,167	53,454
Fair value gain on investment properties	–	–	154,547	–	–	–	–	–	154,547
Impairment loss on financial assets recognised in profit or loss	11,700	–	1,815	–	–	423	–	–	13,938
Reversal of impairment on prepayments and deposits	1,045	–	–	–	–	–	–	–	1,045
(Reversal of allowance)/Allowance for other inventories	(1,077)	2,335	–	–	–	–	–	–	1,258
Impairment loss on goodwill	–	4,415	–	–	–	–	–	–	4,415
Impairment loss on other intangible assets	–	–	–	–	–	55,433	–	–	55,433
Impairment loss on property, plant and equipment	–	3,464	–	–	–	3,477	–	–	6,941
Write-off of property, plant and equipment	–	–	–	–	–	7	–	–	7
Write-back of payables	–	–	–	–	–	–	–	74,388	74,388
Share of profit of associates	–	–	2,701	–	–	–	–	–	2,701
Share of profit of joint ventures	–	–	–	–	–	–	10,956	–	10,956
Capital expenditure^	3,020	21,950	38,737	–	–	21,705	4,976	3,342	93,730
As at 31 December 2018									
Interests in associates	–	–	155,621	–	–	–	–	–	155,621
Interests in joint ventures	–	–	–	–	–	–	12,616	–	12,616

7. BUSINESS INFORMATION *(Continued)*

	Electrical appliances HK$'000	Power discrete semiconductors HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities investment HK$'000	Taxi and car rental HK$'000	Other segments HK$'000	Consolidated HK$'000
Year ended 31 December 2017								
Revenue	873,781	215,059	98,055	–	–	79,921	17,621	1,284,437
Profit/(Loss)	96,061	7,783	190,013	(7,251)	35,965	26,736	(43,413)	305,894
Exchange gain on settlement of intercompany balances *(note 9(b))*								101,369
Corporate income								4,573
Corporate expenses								(76,258)
Profit before income tax								335,578
As at 31 December 2017								
Assets	614,627	249,037	2,767,963	743,225	424,613	301,198	70,337	5,171,000
Property, plant and equipment								160,489
Other assets								71,550
Available-for-sale financial assets								380
Tax assets								1,153
Other corporate assets								201,371
Total consolidated assets								5,605,943
As at 31 December 2017								
Liabilities	268,646	33,726	526,640	34,625	42,025	26,540	13,161	945,363
Bank borrowings								287,000
Tax liabilities								755,350
Other corporate liabilities								187,345
Total consolidated liabilities								2,175,058

7. BUSINESS INFORMATION *(Continued)*

	Electrical appliances HK$'000	Power discrete semiconductors HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities investment HK$'000	Taxi and car rental HK$'000	Other segments HK$'000	Corporate HK$'000	Consolidated HK$'000
Other information:									
Year ended 31 December 2017									
Interest income	1,789	21	423	65	9,271	3,115	338	3,393	18,415
Finance costs	1,621	107	16,576	–	1,211	–	–	12,430	31,945
Depreciation and amortisation	11,119	13,155	121	3	–	15,927	5,910	6,192	52,427
Fair value gain on investment properties	–	–	62,898	–	–	–	–	–	62,898
Impairment loss/(Reversal of impairment loss) on financial assets recognised in profit or loss	1,410	–	117	1,253	–	(93)	–	–	2,687
Impairment loss on prepayments and deposits	60	–	–	–	–	–	–	–	60
Reversal of impairment loss on inventories of properties	–	–	–	5,045	–	–	–	–	5,045
(Reversal of allowance)/Allowance for other inventories	(7,615)	1,257	–	–	–	–	–	–	(6,358)
Write-off of property, plant and equipment	–	30	–	–	–	–	3,559	155	3,744
Share of profit of associates	–	–	14,577	–	–	–	–	–	14,577
Share of loss of joint ventures	–	–	–	–	–	–	4,690	–	4,690
Capital expenditure^	6,862	15,023	1,687	–	–	23,425	6,745	7,204	60,946
As at 31 December 2017									
Interests in associates	–	–	167,997	–	–	–	–	–	167,997
Interests in joint ventures	–	–	–	–	–	–	916	–	916

^ Capital expenditure includes additions to investment properties, property, plant and equipment, prepaid lease rental on land, deposits paid, prepayments for acquisition of property, plant and equipment, goodwill, other intangible assets and other assets but excluding reclassification or transfer among these items.

An analysis of the Group's revenue by geographical location, determined based on (i) location of customers or location to which the goods are delivered; or (ii) location of properties in case of rental income, is as follows:

	2018 **HK$'000**	2017 HK$'000
Hong Kong (Place of domicile)	**28,450**	24,457
Other regions of the PRC	**338,654**	377,678
Taiwan	**374,979**	447,142
Other Asian countries	**61,596**	80,322
Australia	**56,234**	55,937
North America (comprising Canada and the USA)	**112,224**	120,748
Europe	**179,340**	169,151
Others	**11,054**	9,002
	1,162,531	1,284,437

7. BUSINESS INFORMATION *(Continued)*

An analysis of the Group's non-current assets excluding financial instruments and deferred tax assets by geographical locations, determined based on location of the assets or location of operations in case of goodwill and interests in associates and joint ventures, is as follows:

	2018	2017
	HK$'000	HK$'000
Hong Kong	**718,734**	667,025
Other regions of the PRC	**2,558,592**	2,618,093
Asia, other than the PRC	**65,365**	71,582
North America	**193,791**	167,414
United Kingdom	**36,254**	14,683
	3,572,736	3,538,797

Revenue derived from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

	2018	2017
	HK$'000	HK$'000
Customer A	**309,929**	372,304
Customer B	**141,231**	154,500
Customer C	**110,657**	131,023

The revenue derived from the above major customers is reported under the segment "Electrical appliances".

8. FINANCE COSTS

	2018	2017
	HK$'000	HK$'000
Interest charges on:		
Bank loans and overdrafts	**30,564**	26,267
Finance lease payable	**156**	14
Other liabilities	**244**	609
Total interest expense	**30,964**	26,890
Bank charges and arrangement fee	**5,080**	5,055
	36,044	31,945

9. PROFIT BEFORE INCOME TAX

	2018 **HK$'000**	2017 HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Total amortisation and depreciation:		
Amortisation of prepaid lease rental on land	**975**	934
Amortisation of other intangible assets#	**324**	904
Depreciation of property, plant and equipment	**52,155**	50,589
	53,454	52,427
Auditors' remuneration:		
Current year	**2,316**	2,039
Under-provision in prior year	**9**	235
Cost of sales and services provided comprise:		
Amount of inventories recognised as expense	**744,995**	821,159
Allowance/(Reversal of allowance) for other inventories	**1,258**	(6,358)
Reversal of impairment loss on inventories of properties *(note (a))*	**–**	(5,045)
Directors' emoluments	**23,374**	21,197
Donations	**1,768**	2,592
Loss on disposal of property, plant and equipment	**3,349**	1,431
Impairment loss on financial assets at amortised cost/loans and receivables	**13,933**	2,437
Write-off of financial assets at amortised cost/loans and receivables	**5**	250
(Reversal of impairment loss)/Impairment loss on prepayments and deposits	**(1,045)**	60
Write-off of property, plant and equipment	**7**	3,744
Net foreign exchange loss/(gain) *(note (b))*	**1,175**	(87,713)
Outgoings in respect of investment properties	**31,280**	23,238
Net rental income from investment properties	**(81,090)**	(74,817)
Operating lease charge on land and buildings	**4,019**	5,046
Research and development cost^	**34,347**	34,974
Staff costs *(note 11)*	**162,077**	185,804

included in "Cost of sales and services provided" in the consolidated income statement

^ including depreciation of property, plant and equipment and staff costs of HK$4,515,000 (2017: HK$4,823,000) and HK$2,751,000 (2017: HK$4,487,000) respectively

Notes:

(a) Impairment provision of HK$5,045,000 made in previous years against the carrying amount of inventories of properties had been reversed during the year ended 31 December 2017. This reversal arose due to an increase in the fair value of the respective property projects as assessed by the directors of the Company with reference to valuation conducted by independent professional valuers.

(b) Net foreign exchange gain of HK$87,713,000 for the year ended 31 December 2017 included a gain of HK$101,369,000 which arose from settlement of the intercompany balances due by a subsidiary to another group company during 2017. The exchange differences arising in the past were dealt with in translation reserve as the intercompany balances form part of the net investment in that subsidiary. Upon settlement of the intercompany balances in 2017, such exchange gain accumulated in the translation reserve were reclassified from translation reserve to the consolidated income statement.

(c) In previous years, the Group entered into foreign exchange forward contracts for investment purposes. The amount to be received/settled by the Group depends on the exchange rate of US$ against RMB on the settlement dates as stipulated in the contract. The Group recognised a loss in respect of these contracts amounting to HK$17,734,000 in aggregate in the consolidated income statement for the year ended 31 December 2017.

10. INCOME TAX CREDIT/EXPENSE

	2018 HK$'000	2017 HK$'000
Income tax (credit)/expense comprise:		
Current tax for the year		
Hong Kong profits tax	**7,435**	4,561
Other regions of the PRC – Enterprise Income Tax ("EIT")	**30,078**	46,996
Other regions of the PRC – Land Appreciation Tax ("LAT")	**–**	2,691
Others	**751**	1,236
	38,264	55,484
(Over)/Under-provision in prior years		
Hong Kong profits tax	**1,337**	(116)
Other regions of the PRC	**(115,545)**	(3,909)
Others	**–**	2
	(114,208)	(4,023)
Deferred tax *(note 37)*		
PRC LAT	**57,670**	528
Other income tax	**(3,335)**	10,713
	54,335	11,241
Income tax (credit)/expense	**(21,609)**	62,702

For the year ended 31 December 2017, Hong Kong profits tax was calculated at 16.5% on the estimated assessable profits for the year. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill became law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying entities will be taxed at 8.25% whereas profits above HK$2 million will be taxed at 16.5%. The profits of entities not qualifying for the two-tiered profit tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to a nominated qualifying entity in the Group for its annual reporting periods beginning on or after 1 January 2018.

EIT arising from other regions of the PRC is calculated at 10% to 25% (2017: 10% to 25%) on the estimated assessable income for the year.

PRC LAT is levied at progressive rates from 30% to 60% on the estimated appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

Overseas tax is calculated at the rates applicable in the respective jurisdictions.

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

The income tax (credit)/expense for the year can be reconciled to the profit before income tax in the consolidated income statement at applicable tax rates as follows:

	2018 HK$'000	2017 HK$'000
Profit before income tax	**221,326**	335,578
Tax on profit at the rates applicable to profits in the jurisdictions concerned	**2,223**	78,927
Expenses not deductible for tax purpose	**76,148**	21,546
Income not taxable for tax purpose	**(63,389)**	(42,932)
Share of results of associates and joint ventures	**(3,508)**	(1,329)
Utilisation of tax losses and other temporary differences previously not recognised	**(3,450)**	(3,911)
Tax losses not recognised	**13,362**	8,749
Over-provision in prior years	**(114,208)**	(4,023)
Effect of withholding tax on distributable profits of the Company's PRC subsidiaries	**11,949**	10,871
PRC LAT	**57,670**	3,219
Others	**1,594**	(8,415)
Income tax (credit)/expense	**(21,609)**	62,702

11. STAFF COSTS

Staff costs (including directors' emoluments) comprise:

	2018 HK$'000	2017 HK$'000
Salaries, allowances and other benefits	**151,804**	173,033
Retirement fund contributions *(note 45)*	**9,764**	9,335
Equity-settled share-based payment expense *(note 41(b))*	**413**	2,541
Termination benefits	**96**	895
	162,077	185,804

12. DIVIDENDS

(a) Dividend payable to owners of the Company attributable to the year

	2018 HK$'000	2017 HK$'000
Proposed final dividend — HK$0.005 (2017: HK$0.005) per ordinary share	**2,617**	2,617

The final dividend of HK$0.005 (2017: HK$0.005) per ordinary share, amounting to HK$2,617,000 (2017: HK$2,617,000), has been proposed by the directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

12. DIVIDENDS *(Continued)*

(b) Dividend payable to owners of the Company attributable to previous financial year

	2018 HK$'000	2017 HK$'000
Final dividend in respect of previous financial year, approved and paid during the year of HK$0.005 (2017: HK$0.005) per ordinary share	**2,617**	2,617

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK$247,588,000 (2017: HK$267,834,000) and the weighted average number of ordinary shares in issue during the year of 523,485,000 (2017: 523,485,000)

Diluted earnings per share for the year ended 31 December 2018 is same as the basic earnings per share as the exercise of the options granted by certain subsidiaries (note 41) had an anti-dilutive effect on the basic earnings per share.

The calculation of diluted earnings per share for the year ended 31 December 2017 was based on the profit attributable to owners of the Company for the purposes of calculating basic earnings per share amounting to HK$267,834,000, adjusted for the dilutive effect on profit attributable to owners of the Company assuming the exercise of the outstanding share options granted by PFC Device Inc. (note 41(b)) which amounted to HK$5,000 and the weighted average number of ordinary shares in issue during the year ended 31 December 2017 of 523,485,000.

14. INVESTMENT PROPERTIES

	2018 HK$'000	2017 HK$'000
Carrying amount at 1 January	**2,479,515**	2,326,942
Translation adjustment	**(84,097)**	116,374
Additions	**38,174**	1,450
Disposal *(note)*	**–**	(28,149)
Increase in fair value*	**154,547**	62,898
Carrying amount at 31 December	**2,588,139**	2,479,515

* disclosed as "Fair value gain on investment properties" in the consolidated income statement

Note: During the year ended 31 December 2017, the Group disposed of certain investment properties which are situated in the PRC with aggregate carrying value of HK$28,149,000 at net disposal proceeds of HK$82,023,000 and thus recognised a gain on disposal of investment properties amounted to HK$53,874,000. The disposed properties were previously classified as property, plant and equipment with revaluation surplus amounting to HK$3,033,000 being recognised and accumulated in asset revaluation reserve. Upon the disposal, the Group reclassified the revaluation surplus recognised in respect of these disposed properties from asset revaluation reserve to retained profits.

The Group's investment properties are measured at fair value on a recurring basis. The fair values of the investment properties as at 31 December 2018 and 2017 were assessed by the directors with reference to valuations carried out at those dates conducted by independent professional valuers. Valuation of investment properties which are situated in Hong Kong, other regions of the PRC and the United Kingdom were carried out by Knight Frank Petty Limited and Knight Frank LLP. In respect of the investment properties situated in the USA, valuation as at 31 December 2018 and 2017 were carried out by Newmark Knight Frank Valuation & Advisory, LLC. Knight Frank Petty Limited, Knight Frank LLP and Newmark Knight Frank Valuation & Advisory, LLC are independent firms of professionally qualified valuers and have appropriate qualifications and recent experience in the valuation of similar properties in nearby locations.

The fair value measurement of the Group's investment properties has been categorised into the three-level fair value hierarchy as defined in HKFRS 13 *Fair Value Measurement* ("HKFRS 13"). All of the fair values of the investment properties as at 31 December 2018 and 2017 are level 3 recurring fair value measurement, which use significant unobservable inputs in arriving at fair value. There were no transfers between level 1 and level 2, or transfers into or out of level 3 during the year and in prior year.

14. INVESTMENT PROPERTIES *(Continued)*

Below is a summary of the valuation techniques and key inputs to the valuations as at the end of the reporting period:

Properties	Location	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Industrial premises	Hong Kong	Direct Comparison Approach	Unit price per square foot ("sq.ft.")	HK$4,122 (2017: HK$3,824) per sq. ft.	The higher the unit price, the higher the fair value
Industrial premises	Hong Kong	Income Capitalisation Approach	Monthly rent per sq. ft.	HK$42.5 (2017: HK$38) per sq. ft.	The higher the market rent, the higher the fair value
			Capitalisation rate	3.8% (2017: 3.8%)	The higher the capitalisation rate, the lower the fair value
Commercial complex	PRC	Income Capitalisation Approach	Daily rent per square metre ("sq.m.")	Renminbi ("RMB") 6.2 (2017: RMB6.1) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	5.75% (2017: 6%)	The higher the capitalisation rate, the lower the fair value
Commercial premise	PRC	Income Capitalisation Approach	Monthly rent per sq. m.	RMB210 (2017: RMB200) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	5.75% (2017: 6%)	The higher the capitalisation rate, the lower the fair value
Residential premise	PRC	Income Capitalisation Approach	Monthly rent per sq. m.	RMB181 (2017: RMB185) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	2.45% (2017: 2.5%)	The higher the capitalisation rate, the lower the fair value
Industrial complex	PRC	Direct Comparison Approach	Unit rate per sq. m.	RMB7,800 (2017: RMB7,400) per sq. m.	The higher the unit rate, the higher the fair value
Residential premises	United Kingdom	Sales Comparison Approach	Unit price per sq. ft.	British Pound Sterling ("GBP") 1,603 to GBP 1,819 (2017: GBP1,630) per sq. ft.	The higher the unit price, the higher the fair value

14. INVESTMENT PROPERTIES *(Continued)*

Below is a summary of the valuation techniques and key inputs to the valuations as at the end of the reporting period: (Continued)

Properties	Location	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Commercial complex	USA	Income Capitalisation Approach – Discounted cash flow method	Monthly rent per sq. ft.	United States Dollars ("US$") 1.1 to US$1.4 (2017: US$0.8 to US$1.3) per sq. ft.	The higher the market rent, the higher the fair value
			Terminal capitalisation rate	5.2% to 9.6% (2017:7.0% to 8.0%)	The higher the terminal capitalisation rate, the lower the fair value
			Internal rate of return	10.0% to 11.5% (2017:10.0% to 11.5%)	The higher the internal rate of return, the lower the fair value

The fair value measurement is based on the highest and best use of the investment properties, which does not differ from their actual use.

Under Sales Comparison Approach or Direct Comparison Approach, fair value is assessed by reference to market comparable transactions available in the relevant market.

Under Income Capitalisation Approach, fair value is assessed on the basis of capitalisation of net income.

Under Income Capitalisation Approach – Discounted cash flow method, fair value is assessed by discounting cash flow series associated with the properties using risk-adjusted discounted rates.

The investment properties are leased to third parties under operating leases to earn rental income, further details of which are included in note 47.

In securing the bank borrowings, the Group has undertaken, under a negative pledge clause, to obtain prior written consent from the relevant banks regarding the transfer, sales or disposal of certain investment properties with carrying amount of HK$528,300,000 (2017: HK$486,800,000) as at 31 December 2018.

Certain investment properties of the Group are pledged as further detailed in note 46.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Plant and machinery HK$'000	Tools and moulds HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 January 2017	282,697	150,746	73,167	70,070	90,837	667,517
Translation adjustment	8,912	10,490	4,290	3,478	5,497	32,667
Additions	789	11,036	2,080	9,806	24,736	48,447
Disposals	–	(57)	–	(106)	(17,667)	(17,830)
Disposal of subsidiaries *(note 43(d))*	–	–	–	(1,673)	–	(1,673)
Write-off	–	(44)	–	(4,238)	(264)	(4,546)
Revaluation adjustment	11,639	–	–	–	–	11,639
At 31 December 2017	**304,037**	**172,171**	**79,537**	**77,337**	**103,139**	**736,221**
Translation adjustment	**(6,285)**	**(8,615)**	**(2,759)**	**(1,871)**	**(4,164)**	**(23,694)**
Additions	**–**	**21,638**	**713**	**4,257**	**21,865**	**48,473**
Disposals	**–**	**(1)**	**–**	**(14)**	**(22,711)**	**(22,726)**
Write-off	**–**	**–**	**(1,839)**	**(1,751)**	**–**	**(3,590)**
Revaluation adjustment	**4,714**	**–**	**–**	**–**	**–**	**4,714**
At 31 December 2018	**302,466**	**185,193**	**75,652**	**77,958**	**98,129**	**739,398**
DEPRECIATION AND IMPAIRMENT						
At 1 January 2017	–	46,223	69,300	46,909	50,745	213,177
Translation adjustment	289	3,677	4,002	2,489	3,299	13,756
Depreciation provided	12,466	14,647	1,743	5,486	16,247	50,589
Disposals	–	(5)	–	(15)	(14,189)	(14,209)
Disposal of subsidiaries *(note 43(d))*	–	–	–	(1,237)	–	(1,237)
Write-off	–	(14)	–	(672)	(116)	(802)
Revaluation adjustment	(12,755)	–	–	–	–	(12,755)
At 31 December 2017	**–**	**64,528**	**75,045**	**52,960**	**55,986**	**248,519**
Translation adjustment	**–**	**(3,462)**	**(2,653)**	**(1,032)**	**(2,087)**	**(9,234)**
Depreciation provided	**13,786**	**15,635**	**1,544**	**5,277**	**15,913**	**52,155**
Disposals	**–**	**(1)**	**–**	**(2)**	**(18,406)**	**(18,409)**
Write-off	**–**	**–**	**(1,839)**	**(1,744)**	**–**	**(3,583)**
Impairment	**–**	**3,091**	**–**	**373**	**3,477**	**6,941**
Revaluation adjustment	**(13,786)**	**–**	**–**	**–**	**–**	**(13,786)**
At 31 December 2018	**–**	**79,791**	**72,097**	**55,832**	**54,883**	**262,603**
NET CARRYING AMOUNT						
At 31 December 2018	**302,466**	**105,402**	**3,555**	**22,126**	**43,246**	**476,795**
At 31 December 2017	304,037	107,643	4,492	24,377	47,153	487,702

The Group's land and buildings classified as property, plant and equipment are stated at revalued amount less any subsequent accumulated depreciation and impairment losses with effect from 31 December 2014. As at 31 December 2018, the Group recorded a net increase in fair value for land and buildings of HK$18,500,000 (2017: HK$24,394,000). The net increase in fair value net of the resulting income tax credit of HK$4,631,000 (2017: income tax expense of HK$3,134,000) which amounted to HK$23,131,000 (2017: HK$21,260,000) is dealt with in assets revaluation reserve in equity.

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The difference in depreciation provided based on the original cost and revalued amount of the land and buildings for the year ended 31 December 2018 amounting to HK$9,119,000 (2017: HK$8,048,000) was reclassified from assets revaluation reserve to retained profits.

The fair values of the land and buildings classified as property, plant and equipment as at 31 December 2018 and 2017 were assessed by the directors with reference to valuations carried out at those dates conducted by independent professional valuers. Valuation of the land and buildings situated in Hong Kong and other regions of the PRC were conducted by Knight Frank Petty Limited whereas valuation of the land and buildings situated in Thailand were carried out by Knight Frank Chartered (Thailand) Company Limited. Both Knight Frank Petty Limited and Knight Frank Chartered (Thailand) Company Limited are independent firms of professionally qualified valuers and have appropriate qualifications and recent experience in the valuation of similar properties in nearby locations.

The fair value measurement of the Group's land and buildings have been categorised into the three-level fair value hierarchy as defined in HKFRS 13. All the fair values of land and buildings as at 31 December 2018 and 2017 are level 3 recurring fair value measurement, which uses significant unobservable inputs in arriving at fair value. There were no transfers between level 1 and level 2, or transfers into or out of level 3 during the year and in prior year.

Below is a summary of the valuation techniques and key inputs to the valuations of land and buildings as at the end of the reporting period:

Properties	Location	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Industrial premises	Hong Kong	Direct Comparison Approach	Unit price per sq. ft.	HK$2,700 – HK$4,122 (2017: HK$2,450 – HK$3,824) per sq. ft.	The higher the unit price, the higher the fair value
Industrial premises	PRC	Income Capitalisation Approach	Monthly rent per sq. m.	RMB13 (2017: RMB13) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	6.75% (2017: 6.75%)	The higher the capitalisation rate, the lower the fair value
Residential premises	PRC	Direct Comparison Approach	Unit rate per sq. m.	RMB3,300 (2017: RMB5,500) per sq. m.	The higher the unit rate, the higher the fair value
Commercial complex	PRC	Income Capitalisation Approach	Daily rent per sq. m.	RMB6.2 (2017: RMB6.1) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	5.75% (2017: 6.0%)	The higher the capitalisation rate, the lower the fair value
Commercial premises	PRC	Income Capitalisation Approach	Monthly rent per sq. m.	RMB173 (2017: RMB170) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	5.25% (2017: 5.25%)	The higher the capitalisation rate, the lower the fair value
Commercial premises	PRC	Direct Comparison Approach	Unit rate per sq. m.	RMB58,000 (2017: RMB58,000) per sq. m.	The higher the unit rate, the higher the fair value
Residential premises	Thailand	Direct Comparison Approach	Unit price per sq. m.	US$3,371 (2017: US$3,370) per sq. m.	The higher the unit price, the higher the fair value

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The fair value measurement is based on the highest and best use of the properties, which does not differ from their actual use.

Under Direct Comparison Approach, fair value is assessed by reference to market comparable transactions available in the relevant market. Under Income Capitalisation Approach, fair value is assessed on the basis of capitalisation of net income.

Had the revalued properties been measured on cost model, their net carrying amount would have been HK$94,198,000 (2017: HK$101,628,000).

During the year ended 31 December 2018, impairment provision was made for certain property, plant and equipment which are being deployed by the business segments of power discrete semiconductors and taxi and car rental, which amounted to HK$3,464,000 and HK$3,477,000 respectively. Details of the impairment assessment are set out in notes 17 and 18.

In securing the bank borrowings, the Group has undertaken under a negative pledge clause, to obtain prior written consent from the relevant banks regarding the transfer, sales or disposal of certain property, plant and equipment with carrying amount of HK$234,618,000 (2017: HK$236,052,000) as at 31 December 2018.

Certain property, plant and equipment of the Group are pledged as further detailed in note 46.

16. PREPAID LEASE RENTAL ON LAND

	2018	2017
	HK$'000	HK$'000
Carrying amount at 1 January	**33,704**	32,399
Translation adjustment	**(1,514)**	2,239
Amortisation charged	**(975)**	(934)
Carrying amount at 31 December	**31,215**	33,704
Analysed into:		
Non-current portion included in non-current assets	**30,275**	32,719
Current portion included in current assets	**940**	985
	31,215	33,704

Certain of the Group's interest in prepaid lease rental on land are pledged as further detailed in note 46.

17. GOODWILL

	2018	2017
	HK$'000	HK$'000
At 1 January	**4,393**	4,393
Translation adjustment	**22**	–
Provision for impairment	**(4,415)**	–
At 31 December	**–**	4,393

For the purpose of impairment assessment, goodwill is allocated to the cash-generating unit of manufacturing and sales of power discrete semiconductors within the segment of "Power discrete semiconductors" and is tested for impairment, together with other assets, mainly the property, plant and equipment, by the management by estimating the recoverable amount of this cash-generating unit based on value-in-use calculations. The calculations comprise cash flow projections based on the financial budgets approved by the management. The period covered by the financial budgets is three years. Cash flows beyond the three-year period are extrapolated using an estimated growth rate of 3% (2017: 3%).

Key assumptions used by the management in the value-in-use calculations of this cash-generating unit include:

	2018	2017
Discount rate (pre-tax)	**17.4%**	18%
Gross profit margin	**16%–18%**	23%–24%

These assumptions have been determined based on past performance and management's expectations in respect of the market conditions as well as the economy and political changes which have impact on the business in which this cash-generating unit is engaged. Sales are forecasted with reference to the annual sale plan provided by customers. Gross profit margin is forecasted based on the gross profit margin achieved in prior year adjusted for the expected change in market conditions and taking into account the annual sale plan of customers. The pre-tax discount rate used reflects the specific risks relating to the business and industry in which this cash-generating unit is engaged.

Based on the annual impairment assessment, the recoverable amount of the cash-generating unit of power discrete semiconductors business as at 31 December 2018 is estimated to be lower than its carrying amount by HK$7,879,000 and accordingly, the entire amount of goodwill as at 31 December 2018 of HK$4,415,000 was impaired during the year. The remaining amount of shortfall of HK$3,464,000 was allocated to write down the carrying amount of the property, plant and equipment (note 15). The impairment loss recognised for the year of HK$7,879,000 is mainly due to decrease in revenue and financial performance of power discrete semiconductors business over the forecast periods as a result of volatility of global economy, in particular, the China-US trade tension; and oversupply of semiconductor parts in the market.

As the carrying amount of the cash-generating unit of power discrete semiconductors business has been reduced to its recoverable amount, any adverse change in the key assumptions would result in further impairment losses.

18. OTHER INTANGIBLE ASSETS

	Taxi licences HK$'000	Small passenger car quotas HK$'000	Patent, trademark and copyrights HK$'000	Total HK$'000
COST				
At 1 January 2017	249,236	1,844	12,181	263,261
Translation adjustment	17,401	130	72	17,603
Disposal	–	–	(2,588)	(2,588)
Write-off	(2,175)	–	–	(2,175)
At 31 December 2017	**264,462**	**1,974**	**9,665**	**276,101**
Translation adjustment	**(12,072)**	**(91)**	**23**	**(12,140)**
Write-off	**(2,428)**	**–**	**–**	**(2,428)**
At 31 December 2018	**249,962**	**1,883**	**9,688**	**261,533**
AMORTISATION AND IMPAIRMENT				
At 1 January 2017	48,299	–	9,594	57,893
Translation adjustment	3,326	–	71	3,397
Amortisation charged	474	–	430	904
Disposal	–	–	(430)	(430)
Write-off	(2,175)	–	–	(2,175)
At 31 December 2017	**49,924**	**–**	**9,665**	**59,589**
Translation adjustment	**(4,192)**	**–**	**23**	**(4,169)**
Amortisation charged	**324**	**–**	**–**	**324**
Write-off	**(2,428)**	**–**	**–**	**(2,428)**
Impairment	**55,433**	**–**	**–**	**55,433**
At 31 December 2018	**99,061**	**–**	**9,688**	**108,749**
NET CARRYING AMOUNT				
At 31 December 2018	**150,901**	**1,883**	**–**	**152,784**
At 31 December 2017	214,538	1,974	–	216,512

Taxi Licences

During the year ended 31 December 2012, the PRC government granted to the Group 20 taxi licences for free (the "Free Taxi Licences"), which entitle the licence holders to operate the taxi vehicles during a fixed period of time in a day for a five-year period and was expired on 1 March 2017. During the year ended 31 December 2013, the PRC government granted another 15 Free Taxi Licences to the Group which entitle the licence holders to operate the taxi vehicles during the specified time period in a day for a five-year period and was expired in August 2018. The useful life of these Free Taxi Licences is therefore five years.

18. OTHER INTANGIBLE ASSETS *(Continued)*

Taxi Licences *(Continued)*

The Group recognised these Free Taxi Licences as intangible assets with a corresponding amount recognised as deferred government grants in accordance with the accounting policies set out in note 4.28. The fair value of the Free Taxi Licences on initial recognition amounting to HK$4,987,000 in aggregate was determined based on value-in-use calculations. Free Taxi Licences are subsequently measured at cost less amortisation and impairment. The Free Taxi Licences were fully amortised as at 31 December 2018 whereas the carrying amount of the Free Taxi Licences as at 31 December 2017 was HK$327,000.

In the opinion of the directors, the taxi licences except for the Free Taxi Licences ("Other Taxi Licences"), have indefinite useful life as there is no foreseeable limit on the period of time on which Other Taxi Licences are expected to generate cash flows.

Other Taxi Licences with net carrying amount of HK$204,362,000 as at 31 December 2018 (2017: HK$214,211,000) together with the relevant property, plant and equipment which form the cash-generating unit of taxi rental within the taxi and car rental business segment are tested for impairment by the management by estimating its recoverable amount based on value-in-use calculations. The calculations use cash flow projections based on the financial budgets approved by the management. The financial budgets prepared for current year's impairment assessment are up to year 2053 and cash flows beyond the budget period are extrapolated using an estimated growth rate of 3%. It is assumed that the Group is able to extend the business period of the PRC subsidiary engaging in taxi rental operation upon expiry in year 2033 on the ground that the application made to the relevant PRC government authority for extending business period in previous years were successful and without encountering significant difficulty.

Other key assumptions used by management in the value-in-use calculations of Other Taxi Licences have been determined based on past performance and its expectations for the market development. Key assumptions underlying the cash flow projections include (i) the number of Other Taxi Licences held by the Group remains the same throughout the forecast period, and (ii) taxi rental income is determined based on the fee income to be received pursuant to the existing rental agreements, adjusted by the expected market development. The pre-tax discount rate applied to the cash flow projections is 16% (2017: 13%) which reflects specific risks relating to the taxi rental operation in the PRC.

Based on the result of the annual impairment assessment, the recovering amount of the cash-generating unit of taxi rental business as at 31 December 2018 was estimated to be lower than its carrying amount by HK$58,910,000 and accordingly, impairment provision was made as to HK$55,433,000 for the taxi licences and HK$3,477,000 (note 15) for the relevant property, plant and equipment. Such impairment is mainly due to the expected higher capital and operating costs as a result of the government requirements imposed on new purchase of taxi which must be electric instead of fuel-engined vehicles in operating the taxi rental business since October 2018.

As the carrying amount of the cash-generating unit of taxi rental business has been reduced to its recoverable amount, any adverse change in the key assumptions would result in further possible impairment losses.

Small Passenger Car Quotas

Balances as at 31 December 2018 and 2017 represented the net carrying amount of 22 small passenger car quotas (the "Car Quotas") acquired by the Group in 2015 at aggregate consideration of approximately HK$1,969,000.

The Car Quotas entitle the holders to apply for licence plates for small passenger cars in Guangzhou, the PRC under specific rules and regulations for an unspecified period. Based on the existing available rules and regulations made available to the Group, the directors are of the opinion that these Car Quotas carry indefinite useful life.

Patent, Trademark and Copyrights

During the year ended 31 December 2017, the Group disposed of certain trademark with net carrying amount of HK$2,158,000 to a joint venture at cash consideration of HK$2,206,000, resulting a disposal gain of HK$48,000.

19. INTERESTS IN ASSOCIATES

	2018 HK$'000	2017 HK$'000
Share of net assets	**155,621**	167,997

Details of the Group's principal associates as at 31 December 2018 are set out in note 56.

The following illustrates the summarised financial information in relation to the Group's associates as at 31 December 2018 with comparative information extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group:

	2018 HK$'000	2017 HK$'000
Year ended 31 December		
Revenue	**91,493**	80,660
Profit for the year	**13,505**	72,885
Other comprehensive income	**(30,222)**	43,080
Total comprehensive income	**(16,717)**	115,965
Dividend received from associates	**8,059**	–
As at 31 December		
Current assets	**121,998**	146,563
Non-current assets	**1,385,761**	1,423,474
Current liabilities	**(125,444)**	(129,926)
Non-current liabilities	**(604,211)**	(600,126)
Net assets	**778,104**	839,985
Carrying amount of the Group's interest in the net assets of the associates	**155,621**	167,997

20. INTERESTS IN JOINT VENTURES

	2018 HK$'000	2017 HK$'000
Share of net assets	**12,616**	916

Details of the Group's principal joint ventures as at 31 December 2018 are set out in note 57.

20. INTERESTS IN JOINT VENTURES *(Continued)*

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2018 HK$'000	2017 HK$'000
Year ended 31 December		
Share of the joint ventures' profit/(loss) for the year	**10,956**	(4,690)
Share of the joint ventures' other comprehensive income for the year	**(616)**	(265)
Share of the joint ventures' total comprehensive income for the year	**10,340**	(4,955)

	2018 HK$'000	2017 HK$'000
As at 31 December		
Aggregate carrying amount of the Group's interests in joint ventures	**12,616**	916

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 HK$'000	2017 HK$'000
Financial assets at fair value through other comprehensive income		
Equity securities, listed in Hong Kong	**160,826**	–
Equity securities, unlisted in the PRC	**141,521**	–
	302,347	–
Available-for-sale financial assets		
Unlisted investments:		
Club debentures (note)	**–**	380
Equity securities, listed in Hong Kong, at fair value	**–**	178,533
Equity securities, unlisted in the PRC, at fair value	**–**	142,360
	–	321,273

Note: As at 31 December 2018 and 2017, the Group held certain listed and unlisted equity securities for strategic purposes and also, a club membership. Prior to 1 January 2018, the Group's investments in these equity securities were classified as available-for-sale financial assets and measured at fair value whereas the club membership was classified as available-for-sale financial assets and stated at cost less impairment loss. Upon adoption of HKFRS 9 on 1 January 2018, the Group has irrevocably designated the investments in the aforementioned equity securities as financial assets at fair value through other comprehensive income and reclassified the club membership as other assets (See note 2.1(a)(i)).

For the year ended 31 December 2018, the Group recorded a decrease in fair value for investments in equity securities of HK$96,929,000. The decrease in fair value net of the resulting income tax of HK$843,000 which amounted to HK$97,772,000 (deficit) is dealt with in financial assets at fair value through other comprehensive income reserve in equity.

During the year ended 31 December 2017, the Group disposed of all the debt securities of HK$81,190,000 at aggregate consideration of HK$86,109,000 and recognised gain on disposal of HK$5,857,000, of which HK$938,000 was reclassified from other comprehensive income to consolidated income statement.

Certain equity securities are pledged as further detailed in note 46.

22. OTHER ASSETS

Other assets mainly represent antiques and art works held by the Group for long-term investment purposes. Upon adoption of HKFRS 9 on 1 January 2018, the Group has reclassified club membership with carrying value of HK$380,000 as other assets, which are stated at cost less impairment, if any (see 2.1(a)(i)).

Antiques and art works are reviewed for impairment by the management with reference to the valuation conducted by an independent professional valuer whereas club membership is assessed with reference to price quoted by certain agents and taking into account latest market conditions. In the opinion of the directors, the antiques, art works and club membership worth at least their carrying values at the end of the reporting period.

23. LOANS RECEIVABLE

	2018	2017
	HK$'000	HK$'000
Loans receivable from:		
Investee *(note (a))*	**–**	12,382
Associates *(note (b))*	**71,941**	72,057
Others *(note (c))*	**12,819**	15,313
	84,760	99,752
Less: Impairment *(notes (a), (b) and (c))*	**(32,848)**	(34,908)
	51,912	64,844
Analysed into:		
Amounts receivable in more than one year included in non-current assets	**51,259**	50,804
Amounts receivable within one year included in current assets	**653**	14,040
	51,912	64,844

Notes:

(a) The loan to an investee as at 31 December 2017 was unsecured, interest-bearing at 4.10% per annum and repayable on demand. At 31 December 2017, management assessed that the entire loans could not be recovered and accordingly, full impairment provision of HK$12,382,000 had been made. During the year ended 31 December 2018, the gross amount of this loan and the associated impairment provision have been written off.

(b) Loans to associates as at 31 December 2018 amounting to HK$51,259,000 (2017: HK$50,284,000) are unsecured and interest-free. The amortised cost of the loan at the end of the reporting period is calculated at the present value of the expected settlement from the associate in accordance with the business plan of the respective associate, discounted at the rate of return of similar financial assets. The loans are expected not to be repayable within twelve months from the end of the reporting period and accordingly, they are classified as non-current assets.

The remaining balance of HK$20,682,000 as at 31 December 2018 (2017: HK$21,773,000) is unsecured, interest-bearing at 8.50% (2017: 8.50%) per annum and repayable on demand. As at 31 December 2018, management assessed that the loan of HK$20,682,000 is unlikely to be recovered and accordingly, full impairment provision of HK$20,682,000 (2017:HK$21,773,000) has been made.

23. LOANS RECEIVABLE *(Continued)*

Notes: (Continued)

(c) Loans to others as at 31 December 2018 are unsecured and composed of the followings:

- balance amounting to HK$11,413,000 (2017: HK$11,963,000) is interest-bearing at 18.0% (2017: 17.0%) per annum. The loan was originally scheduled to be repaid in October 2017 and as at 31 December 2017, management expected that the amount would be recovered within one year. As at 31 December 2018, management assessed that the loan is unlikely to be recovered and accordingly, full impairment provision of HK$11,413,000 (2017: nil) has been made.

- balance amounting to HK$653,000 (2017: HK$2,597,000) is interest-bearing at 2.0% (2017: 2.0% to 7.0%) and repayable within one year (2017: on demand or within one to four years).

- the remaining balance of HK$753,000 (2017: HK$753,000) is interest-bearing at 1.50% (2017: 1.50%) per month and repayable on demand. As at 31 December 2018, management assessed that the loan is unlikely to be recovered and accordingly, full impairment provision of HK$753,000 (2017: HK$753,000) has been made.

The movements in the allowance for impairment of loans receivable are as follows:

	2018	2017
	HK$'000	HK$'000
At 1 January	**34,908**	39,312
Translation adjustment	**(1,512)**	2,953
Impairment losses recognised	**11,834**	753
Amounts written off as uncollectible	**(12,382)**	(8,110)
At 31 December	**32,848**	34,908

The Group recognises impairment loss on loans receivable for the years ended 31 December 2018 and 2017 respectively based on the accounting policies stated in notes 4.13A(ii) and 4.13B(ii). Further details of the Group's credit policy and credit risk arising from loans receivable and the loss allowance for loans receivable are set out in note 54.3.

24. FINANCE LEASE RECEIVABLES

The Group entered into agreements with customers for replacing the light tubes of their properties by the LED light tubes produced by the Group under energy saving projects. In return, the Group is entitled to monthly income for a period of five to eight years which is arrived at on a pre-determined basis. Under the agreements, the Group is also responsible for free maintenance and replacement of LED light tubes. The agreements constitute finance leases of LED light tubes. Accordingly, sales are recognised when the LED light tubes are installed in the properties. Costs related to the sales transactions are recognised in the same period. Sales revenue recognised at the commencement of the leases represents the present value of the minimum lease payments receivable from the customers over the lease period, computed at a market rate of interest.

The Group commenced the business of sales of motor vehicles in 2017, which is part of the Group's ordinary course of business. The Group entered into agreements with customers for leasing of motor vehicles with Car Quotas attached for a period of three years in return for monthly income. The Car Quotas entitle the motor vehicles to be legally permitted to be used on the public road during the lease period. The agreements constitute finance leases of motor vehicles which have estimated useful life of three years. Accordingly, sales revenue is recognised at the commencement of the lease term whereas cost of sale is recognised in the same period. Sales revenue is the present value of the minimum lease payments receivable from the customers over the lease term, computed at a market rate of interest.

Finance income arising from the aforesaid finance lease arrangements is allocated over the lease period on a systematic basis reflecting a constant periodic return on the Group's net investment in the finance leases.

24. FINANCE LEASE RECEIVABLES *(Continued)*

The analysis of the finance lease receivables is as follows:

	Total minimum lease payments receivable		Present value of minimum lease payments receivable	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts receivable:				
Not later than one year	**3,443**	2,959	**3,213**	2,609
Later than one year and not later than five years	**2,809**	5,199	**2,609**	4,839
Later than five years	**44**	184	**30**	128
	6,296	8,342	**5,852**	7,576
Future finance income	**(444)**	(766)	**–**	–
Finance lease receivables, gross	**5,852**	7,576	**5,852**	7,576
Less: Impairment	**(398)**	–	**(398)**	–
Finance lease receivables, net	**5,454**	7,576	**5,454**	7,576

	2018	2017
	HK$'000	HK$'000
Analysed into:		
Amounts receivable in more than one year included in non-current assets	**2,495**	4,967
Amounts receivable within one year included in current assets	**2,959**	2,609
	5,454	7,576

The movements in the allowance for impairment of finance lease receivables are as follows:

	2018	2017
	HK$'000	HK$'000
At 1 January	**–**	–
Translation adjustment	**(14)**	–
Impairment losses recognised	**412**	–
At 31 December	**398**	–

The Group recognises impairment loss on finance lease receivables for the years ended 31 December 2018 and 2017 based on the accounting policies stated in notes 4.13A(ii) and 4.13B(ii) respectively. Further details of the Group's credit policy and credit risk arising from finance lease receivables and the loss allowance for finance lease receivables are set out in note 54.3.

25. INVENTORIES OF PROPERTIES

	2018	2017
	HK$'000	HK$'000
Properties under development	**748,021**	729,477

As at 31 December 2018, properties under development amounting to HK$672,614,000 (2017: HK$729,477,000) are not expected to be recovered within twelve months from the end of the reporting period.

26. OTHER INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	**89,046**	72,852
Work-in-progress	**16,178**	24,556
Finished goods	**31,923**	43,247
	137,147	140,655

27. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2018 HK$'000	2017 HK$'000
Trade receivables *(note (a))*	**235,774**	253,619
Less: Impairment on trade receivables *(note (b))*	**(8,153)**	(6,320)
Trade receivables, net	**227,621**	247,299
Other receivables	**28,755**	25,927
Less: Impairment on other receivables *(note (c))*	**(10,897)**	(11,583)
Other receivables, net	**17,858**	14,344
Prepayments and deposits *(note (d))*	**98,591**	102,078
	344,070	363,721
Analysed into:		
Non-current assets *(note (e))*	**63,380**	63,380
Current assets	**280,690**	300,341
	344,070	363,721

Notes:

(a) The Group maintains a defined credit policy. For sales of goods, the Group normally allows a credit period of 30 days to 60 days to its trade customers while certain customers are granted with credit period up to 180 days. Rental receivable from tenants is payable on presentation of invoices. For taxi and car rental income, the drivers are generally required to pay monthly rental not later than the fifth of each month. Further details on the Group's credit policy on trade receivables are set out in note 54.3.

(b) The movements in the allowance for impairment of trade receivables are as follows:

	2018 HK$'000	2017 HK$'000
At 1 January	**6,320**	4,898
Translation adjustment	**(85)**	67
Impairment losses recognised	**2,269**	1,706
Impairment losses reversed	**–**	(93)
Amounts written off as uncollectible	**(351)**	(258)
At 31 December	**8,153**	6,320

The Group recognises impairment loss on trade receivables for the years ended 31 December 2018 and 2017 based on the accounting policies stated in notes 4.13(A)(ii) and 4.13(B)(ii) respectively. Further details of the Group's credit risk arising from trade receivables and the loss allowance arising from ECL are set out in note 54.3.

27. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS *(Continued)*

Notes: (Continued)

(c) The movements in the allowance for impairment of other receivables are as follows:

	2018	2017
	HK$'000	HK$'000
At 1 January	**11,583**	11,363
Translation adjustment	**(104)**	149
Impairment losses recognised	**–**	677
Impairment losses reversed	**(582)**	(606)
At 31 December	**10,897**	11,583

The Group recognises impairment loss on other receivables for the years ended 31 December 2018 and 2017 based on the accounting policies stated in notes 4.13(A)(ii) and 4.13(B)(ii) respectively. Further details of the Group's credit risk arising from other receivables and the loss allowance arising from ECL are set out in note 54.3.

(d) Balances as at 31 December 2017 include temporary payment made to an associate amounting to HK$2,770,000 in relation to the trading transactions as disclosed in note 50(a). These balances were unsecured and interest-free.

(e) Balances as at 31 December 2018 and 2017 include a deposit amounting to RMB50,000,000 (equivalent to HK$63,380,000) paid for acquisition of land parcels in Shunde, the PRC through acquisition of equity interest in an entity established in the PRC for holding the interest in those land parcels. The procedures for transferring the land titles are still in progress at the end of the reporting period and accordingly, the amount paid is classified as "Deposit paid" under non-current assets in the consolidated statement of financial position.

28. AMOUNTS DUE FROM/TO ASSOCIATES/JOINT VENTURES

The amounts due are unsecured, interest-free and repayable on demand.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/INVESTMENTS HELD FOR TRADING

	2018	2017
	HK$'000	HK$'000
Financial assets at fair value through profit or loss		
Listed equity securities, at fair value	**52,092**	–
Investments held for trading		
Listed equity securities, at fair value	**–**	75,290

As at 31 December 2018 and 2017, the Group held certain listed equity securities for trading purpose. Investments held for trading were reclassified to financial assets at fair value through profit or loss upon adoption of HKFRS 9 on 1 January 2018 (See note 2.1(a)).

The fair values of the listed equity securities are determined based on quoted market prices available on the relevant stock exchanges. Certain equity securities are pledged as further detailed in note 46.

30. RESTRICTED BANK DEPOSIT/CASH AND BANK BALANCES

(a) Restricted bank deposit

Restricted bank deposit represents a deposit placed in a designated bank account pursuant to the agreements entered by the Group in relation to the acquisition of land and buildings located in Guangzhou, the PRC (the "GZ Property").

On 30 October 2013, the Group entered into a sale and purchase agreement (the "Master Agreement") with an independent third party vendor (the "Vendor") and a bank to which the GZ Property had been mortgaged (the "Mortgage Bank") for acquiring the GZ Property at consideration of RMB60,000,000. The GZ Property had been pledged by the Vendor to the Mortgage Bank before the Master Agreement was entered into. Pursuant to the Master Agreement and the supplementary agreements signed on the same date, the Group placed a deposit into the designated bank account operated by the Mortgage Bank which amounted to RMB89,000,000 (equivalent to HK$113,199,000) as at 31 December 2013. Funds deposited to this designated bank account are subject to monitoring by the Mortgage Bank. Upon completion of transferring the legal title of GZ Property to the Group and settling the mortgage loan by the fund deposited into this designated bank account, the Mortgage Bank released the charge on the GZ Property.

The legal title of the GZ Property was transferred to the Group in September 2014. As at 31 December 2018, the deposit outstanding in the designated bank account amounted to RMB19,607,000, equivalent to HK$22,377,000 (2017: RMB19,613,000, equivalent to HK$23,463,000) which is requested by the Mortgage Bank for securing the potential liabilities arising from the litigation in relation to the GZ Property (note 49(b)).

(b) Cash and bank balances

Cash and bank balances include the following:

	2018	2017
	HK$'000	HK$'000
Cash at banks, in hand and deposited with financial institutions	**489,185**	379,003
Short-term bank deposits	**–**	12,047
	489,185	391,050

Cash at banks earns interest at floating rates based on daily bank deposits rates.

Short-term time deposits are made for period depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates.

The Group's short-term bank deposits amounting to HK$12,047,000 as at 31 December 2017 were placed with banks with original maturity of three months and earn interest income at interest rate of 1.4% per annum.

As at 31 December 2018, cash balances and deposits of the Group denominated in RMB amounted to approximately HK$372,823,000 (2017: HK$252,835,000). RMB is not freely convertible into other currencies.

31. CONTRACT LIABILITIES

	2018 HK$'000	2017 HK$'000
Contract liabilities arising from		
– Sales of goods	**1,691**	–

The Group may request the customers to pay certain percentage of the contract sum upon placing orders as deposit. The deposit received by the Group is recognised as contract liabilities until the production activity is completed and the customers take possession of the products and title has been passed. In addition, the Group may receive advances from the customers during the course of the production activities and this also gives rise to contract liabilities. Movements in contract liabilities during the year ended 31 December 2018 are as follows:

	2018 HK$'000
Balance as at 1 January *(note 2.1(b)(ii))*	**4,142**
Translation adjustment	**(7)**
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(4,140)**
Increase in contract liabilities as a result of receiving deposits and advances during the year of which the orders are still outstanding	**1,696**
Balance as at 31 December	**1,691**

32. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables *(note (a))*	**121,836**	121,475
Temporary receipts *(notes (b) and (c))*	**162,258**	152,322
Other payables and accruals	**111,389**	183,153
Deposits received and receipt in advance *(note (d))*	**54,020**	53,387
	449,503	510,337

Notes:

(a) Balances as at 31 December 2018 included payables to an associate amounting to HK$4,176,000 (2017: HK$3,337,000) which arose from the trading transactions as disclosed in note 50(a). These balances are unsecured, interest-free and due for settlement pursuant to the payment terms of the respective orders.

(b) Upon the adoption of HKFRS 15 on 1 January 2018, temporary receipts from customers amounting of HK$4,142,000 on that date previously included in "Temporary receipts" under "Trade and other payables" were reclassified to "Contract liabilities" (note 31).

(c) Balances as at 31 December 2018 and 31 December 2017 included a temporary receipt of HK$124,936,000 received from a third party in relation to a proposed disposal of equity interest in a subsidiary of the Company. The transaction is subject to further negotiation with the third party at the end of the reporting period.

(d) Balances as at 31 December 2018 and 31 December 2017 included an amount of HK$25,680,000 received from a third party in relation to a proposed disposal of land parcels. Further details of the transaction are set out in note 49(c).

33. FINANCE LEASE PAYABLE

In 2017, the Group entered into a retrofit agreement for the mechanical ventilation and air-conditioning ("MVAC") system of the Group's manufacturing plant located in the PRC. Under the agreement, the contractor is responsible for the retrofit work and maintenance of the MVAC system and in return, the contractor is entitled to monthly income for a period of about five years which is arrived at according to a pre-determined basis. The agreement constitutes a finance lease arrangement.

The analysis of the finance lease payables is as follows:

	Total minimum lease payments payable		**Present value of minimum lease payments payable**	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Not later than one year	**715**	750	**594**	593
Later than one year and not later than five years	**2,344**	3,000	**2,162**	2,682
Later than five years	**–**	207	**–**	206
	3,059	3,957	**2,756**	3,481
Future finance costs	**(303)**	(476)	**–**	–
Finance lease payable	**2,756**	3,481	**2,756**	3,481

	2018	2017
	HK$'000	HK$'000
Analysed into:		
Amounts payable in more than one year included in non-current liabilities	**2,162**	2,888
Amounts payable within one year included in current liabilities	**594**	593
	2,756	3,481

34. AMOUNT DUE TO A RELATED PARTY/DIRECTOR

The amounts due are unsecured, interest-free and repayable on demand.

35. BANK BORROWINGS

	2018 HK$'000	2017 HK$'000
Bank borrowings		
Current liabilities	**489,076**	738,984
Non-current liabilities	**524,765**	116,000
	1,013,841	854,984

	2018 HK$'000	2017 HK$'000
Bank borrowings		
Secured *(note 46)*	**582,471**	632,993
Unsecured	**431,370**	221,991
	1,013,841	854,984

The maturity of bank borrowings is as follows:

	2018 HK$'000	2017 HK$'000
Current liabilities		
Due within one year *(note)*	**489,076**	738,984
Non-current liabilities		
Due after one year but within two years	**115,706**	29,000
Due after two years but within five years	**409,059**	87,000
	524,765	116,000
	1,013,841	854,984

Note: Included in bank borrowings as at 31 December 2017 was a term loan of HK$487,993,000. The loan agreement contains a clause that provides the bank with unconditional right to demand repayment at any time at its own discretion after the committed period, which was expire on 31 January 2018. In February 2018, the Group refinanced this term loan by a new term loan granted by the bank with principal sum of HK$488,000,000, which is repayable by 19 equal quarterly instalments with final settlement in March 2023. The new loan is subject to repayment on demand clause after the committed period, which will expire in May 2019. On 20 December 2018, the bank has extended the committed period to 13 March 2020. Subsequently, the Group negotiated with the bank to increase the banking facilities due to financing needs of the Group. The term loans under the new facilities letter issued in June 2019 are subject to repayment on demand clause.

The carrying amounts of the bank borrowings are denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
HK$	**836,718**	816,993
US$	**177,123**	37,991
	1,013,841	854,984

Among the Group's bank borrowings as at 31 December 2018, HK$431,370,000 (2017: HK$221,991,000) were arranged at fixed annual interest rates of 3.10%–4.20% (2017: 2.10%–3.13%). The remaining balance of the Group's bank borrowings of HK$582,471,000 (2017: HK$632,993,000) were arranged at floating rates of 4.02%–4.25% (2017: 2.91%–3.66%) per annum.

The Group's interest-bearing bank borrowings are carried at amortised cost.

As at 31 December 2018, the Group's bank borrowings amounted to HK$898,763,000 (2017: HK$790,166,000) were secured by personal guarantee provided by the director, Mr. Yung Kwok Kee, Billy ("Mr. Yung").

36. LOAN FROM NON-CONTROLLING SHAREHOLDER

The loan is unsecured, interest-free and not repayable within 12 months from the end of the reporting period.

37. DEFERRED TAX

Details of the deferred tax liabilities and assets recognised and movements thereon during the current and prior years are as follows:

	Accelerated tax depreciation and impairment of property, plant and equipment HK$'000	Amortisation and impairment of intangible assets HK$'000	Allowance on receivables HK$'000	Revaluation of properties HK$'000	Withholding tax HK$'000	Others HK$'000	Total HK$'000
At 1 January 2017	724	47,613	(603)	474,616	–	–	522,350
Translation adjustment	–	3,379	–	33,011	304	(61)	36,633
(Credited)/Charged to profit or loss *(note 10)*	(723)	–	603	997	10,871	(507)	11,241
Charged to other comprehensive income *(note 15)*	–	–	–	3,134	–	–	3,134
At 31 December 2017 and 1 January 2018	**1**	**50,992**	**–**	**511,758**	**11,175**	**(568)**	**573,358**
Translation adjustment	**31**	**(1,851)**	**–**	**(25,585)**	**(520)**	**(14)**	**(27,939)**
(Credited)/Charged to profit or loss *(note 10)*	**(870)**	**(13,858)**	**–**	**69,177**	**870**	**(984)**	**54,335**
(Credited)/Charged to other comprehensive income *(notes 15 and 21)*	**–**	**–**	**–**	**(4,631)**	**–**	**843**	**(3,788)**
At 31 December 2018	**(838)**	**35,283**	**–**	**550,719**	**11,525**	**(723)**	**595,966**

Represented by:

	2018 HK$'000	2017 HK$'000
Deferred tax assets	**(1,669)**	(956)
Deferred tax liabilities	**597,635**	574,314
	595,966	573,358

As at 31 December 2018, the Group has unused tax losses of approximately HK$365,807,000 (2017: HK$320,371,000) available for offset against future profits. No deferred tax assets in respect of these tax losses have been recognised in the financial statements due to the unpredictability of future profit streams.

The tax losses of the subsidiaries in Hong Kong may be carried forward indefinitely. The tax losses of the subsidiaries in other regions of the PRC and the USA may be carried forward for five years and twenty years respectively from the financial year when the corresponding loss was incurred.

As at 31 December 2018, deferred tax liabilities of approximately HK$11,525,000 (2017: HK$11,175,000) have been recognised in respect of the undistributed earnings of certain PRC subsidiaries amounted to approximately HK$199,294,000 (2017: HK$111,746,000). Deferred tax liabilities of approximately HK$3,349,000 (2017: HK$12,308,000) have not been established for withholding taxation that would be payable on the remaining unremitted earnings of the relevant PRC subsidiaries as at 31 December 2018, as in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. Such unremitted earnings amounted to approximately HK$38,029,000 as at 31 December 2018 (2017: HK$200,003,000).

For the purposes of presentation of the financial statements, deferred tax assets and liabilities have been offset as they are related to income taxes levied by the same tax authority and the assets and liabilities are intended to be settled in net, or settled/realised simultaneously.

38. SHARE CAPITAL

	2018 Number of shares '000	2018 Nominal value	2017 Number of shares '000	2017 Nominal value
Authorised				
Ordinary share of US$0.00002 each				
Balance at the beginning and end of the year	**600,000**	**US$12,000**	600,000	US$12,000
Issued and fully paid				
Ordinary share of US$0.00002 each				
Balance at the beginning and end of the year	**523,485**	**US$10,470**	523,485	US$10,470
Shown in the financial statements as		**HK$82,000**		HK$82,000

All shares are equally eligible to receive dividends and to the repayment of capital and each share is entitled to one vote at shareholders' meeting of the Company.

39. RESERVES

The Group

Details of the movements in the Group's reserves are set out in the consolidated statement of changes in equity. The nature and purpose of the reserves are as follows:

Capital reserve

Capital reserve of the Group represents the capital contributions from the shareholders of the Company.

Financial assets at fair value through other comprehensive income reserve

Financial assets at fair value through other comprehensive income reserve comprises the cumulative net changes in the fair value of equity instruments designated at financial assets at fair value through other comprehensive income under HKFRS 9 that are held at the end of the reporting period and is dealt with in accordance with the accounting policies in note 4.13(A)(i).

Available-for-sale financial assets revaluation reserve

Available-for-sale financial assets revaluation reserve comprises the cumulated net changes in the fair value of available-for-sale financial assets and is dealt with in accordance with the accounting policies in notes 4.13B(i) and 4.13B(ii).

Share option reserve

Share option reserve comprises the cumulative expenses recognised on granting of share options over the vesting period and is dealt with in accordance with the accounting policies in note 4.25.

39. RESERVES *(Continued)*

The Group *(Continued)*

Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy in note 4.21.

Assets revaluation reserve

Assets revaluation reserve has been set up in accordance with the accounting policies in note 4.7.

Statutory reserve

In accordance with the relevant PRC rules and regulations, certain subsidiaries of the Company are required to appropriate certain percentages of their profits after tax to the respective statutory reserves. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to make good previous years' losses, if any, or to increase the paid-up capital of the respective subsidiaries, and may be used for capital expenditure on staff welfare facilities, as appropriate.

The Company

Details of the movements in the Company's reserve during the current and prior years are as follows:

	Dividend reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2017	2,617	896,524	418,156	1,317,297
Loss and total comprehensive income for the year	–	–	(17,807)	(17,807)
Dividend paid *(note 12(b))*	(2,617)	–	–	(2,617)
Proposed final dividend *(note 12(a))*	2,617	–	(2,617)	–
At 31 December 2017 and 1 January 2018	**2,617**	**896,524**	**397,732**	**1,296,873**
Profit and total comprehensive income for the year	**–**	**–**	**601,736**	**601,736**
Dividend paid *(note 12(b))*	**(2,617)**	**–**	**–**	**(2,617)**
Proposed final dividend *(note 12(a))*	**2,617**	**–**	**(2,617)**	**–**
At 31 December 2018	**2,617**	**896,524**	**996,851**	**1,895,992**

Contributed surplus

Contributed surplus of the Company represents the capital contributions from the shareholders of the Company.

40. NON-CONTROLLING INTERESTS

The total non-controlling interests as at 31 December 2018 was HK$85,825,000 (2017: HK$68,167,000), which is attributed to certain subsidiaries that are not 100% owned by the Group.

In the opinion of the directors, the non-controlling interests of PFC Device Inc. as at 31 December 2018 are material whereas as at 31 December 2017, the non-controlling interests of PFC Device Inc. and Shunde Hua Feng Stainless Steel Welded Tubes Ltd. ("Shunde Hua Feng") were considered to be material.

Summarised financial information of PFC Device Inc., before intra-group eliminations, is presented below:

	2018	2017
	HK$'000	HK$'000
Year ended 31 December		
Revenue	**183,068**	215,226
(Loss)/Profit for the year	**(8,543)**	4,357
Total comprehensive income for the year	**(15,300)**	16,525
(Loss)/Profit for the year attributable to non-controlling interests	**(4,269)**	1,303
Total comprehensive income for the year attributable to non-controlling interests	**(6,815)**	4,888
Dividend paid to non-controlling interests	**–**	–
Cash flows from operating activities	**13,180**	1,867
Cash flows used in investing activities	**(22,249)**	(14,829)
Cash flows used in financing activities	**(462)**	(31,079)
Net cash outflow	**(9,531)**	(44,041)
As at 31 December		
Current assets	**120,930**	144,018
Non-current assets	**81,518**	83,123
Current liabilities	**(22,936)**	(34,327)
	179,512	192,814
Accumulated non-controlling interests	**75,546**	57,401

40. NON-CONTROLLING INTERESTS *(Continued)*

Summarised financial information of Shunde Hua Feng, before intra-group eliminations, is presented below:

	2018	2017
	HK$'000	HK$'000
Year ended 31 December		
Revenue	**–**	–
(Loss)/Profit for the year	**(3,874)**	37,769
Total comprehensive income for the year	**(4,921)**	38,242
(Loss)/Profit for the year attributable to non-controlling interests	**(384)**	3,739
Total comprehensive income for the year attributable to non-controlling interests	**(488)**	3,786
Dividend paid to non-controlling interests	**–**	–
Cash flows from/(used in) operating activities	**263**	(82,048)
Cash flows from investing activities	**1**	82,056
Net cash inflow	**264**	8
As at 31 December		
Current assets	**83,215**	98,916
Current liabilities	**(5)**	(11,550)
Non-current liabilities	**(62,357)**	(61,593)
	20,853	25,773
Accumulated non-controlling interests	**10,279**	10,766

41. SHARE OPTION SCHEMES

The share option schemes adopted by the subsidiaries are detailed as follows:

(a) Netlink Assets Limited

Netlink Assets Limited ("Netlink"), a wholly-owned subsidiary of the Company, operates a share option scheme (the "Netlink Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of Netlink's operations. Eligible participants of the Netlink Scheme include the directors, employees and consultants of Netlink and any of its parent or subsidiaries. Netlink Scheme was adopted on 20 August 2014 and will continue in effect for a term of 10 years from the later of (a) the effective date of Netlink Scheme, or (b) the earlier of the most recent approval from the board or shareholder of an increase in the number of shares received for issuance under Netlink Scheme.

The maximum aggregate number of shares of Netlink ("Netlink Shares") that may be subject to the grant of options under Netlink Scheme is 13,100,000 shares. The exercise price per Netlink Share to be issued pursuant to the exercise of the option will be determined by the administrator, but will be not less than 100% of the fair market value of the applicable Netlink Shares on the date of grant and subject to certain conditions specified in Netlink Scheme.

The exercise period and the vesting schedule of the options is determined by the administrator.

The movements of the share options granted under Netlink Scheme during the current and prior years are as follows:

				Number of options			
Grantee	**Date of grant**	**Exercisable period**	**Exercise price**	**As at 1 January 2018**	**Granted during the year**	**Forfeited during the year**	**As at 31 December 2018**
Mr. Yung	20 August 2014	From the date of vesting to 20 August 2024	US$1	**2,648,233**	**–**	**–**	**2,648,233**
Mr. Chow Kai Chiu, David ("Mr. Chow")	20 August 2014	From the date of vesting to 20 August 2024	US$1	**529,647**	**–**	**–**	**529,647**
				3,177,880	**–**	**–**	**3,177,880**

				Number of options			
Grantee	Date of grant	Exercisable period	Exercise price	As at 1 January 2017	Granted during the year	Forfeited during the year	As at 31 December 2017
Mr. Yung	20 August 2014	From the date of vesting to 20 August 2024	US$1	2,648,233	–	–	2,648,233
Mr. Chow	20 August 2014	From the date of vesting to 20 August 2024	US$1	529,647	–	–	529,647
				3,177,880	–	–	3,177,880

During the year ended 31 December 2018, no share option under Netlink Scheme was granted (2017: nil). No share option expense was recognised in profit or loss for the current and prior years.

41. SHARE OPTION SCHEMES *(Continued)*

(a) Netlink Assets Limited *(Continued)*

The fair values of the options granted in prior years were estimated at the dates of grant using Black Scholes Model taking into accounts the terms and conditions which the options were granted. The following shows the significant inputs used in the model:

Date of grant	25 June 2015	20 August 2014
Dividend yield	0%	0%
Historical volatility	46.56%	45.57%
Risk-free interest rate	1.801%	1.859%
Expected life of option	10 years	10 years

The volatility of a combination of companies of similar nature and size were used to estimate the expected volatility of Netlink Shares. The expected life of the option is based on the historical data and is not indicative of the exercise patterns that may occur.

No option were exercised during the current and prior years. As at 31 December 2018, there were 3,177,880 (2017: 3,177,880) outstanding share options under Netlink Scheme. The weighted average remaining contractual life of the outstanding options was six years (2017: seven years). Out of the total number of options outstanding as at 31 December 2018, 3,177,880 (2017: 3,177,880) options were vested and exercisable. The exercise in full of the outstanding share options would, under the present capital of Netlink, result in issue of additional 3,177,880 (2017: 3,177,880) Netlink Shares.

(b) PFC Device Inc.

Pursuant to resolutions passed by the shareholder of PFC Device Inc. on 19 September 2016, the adoption of the share option scheme of PFC Device Inc. (the "PFC Device Option Scheme") was approved to enable PFC Device Inc. to grant options to eligible persons as incentives or rewards for their contributions or potential contribution to PFC Device Inc. and its subsidiaries ("PFC Group"). Eligible participants of PFC Device Option Scheme include the directors, employees, executives or officers of PFC Group and any suppliers, consultants, agents, advisers and related entities to PFC Group.

The PFC Device Option Scheme shall be valid and effective for a period of ten years commencing from the date on which the PFC Device Option Scheme becomes unconditional. The subscription price shall be such price as the board of directors of PFC Device Inc. in its absolute discretion shall determine, provided that such price will not be less than the highest of: (a) the closing price of the shares of PFC Device Inc. as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for a business of dealing in securities; (b) the average of the official closing prices of the shares of PFC Device Inc. as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a share of PFC Device Inc.

The total number of shares of PFC Device Inc. which may be issued upon exercise of all options under the PFC Device Option Scheme must not in aggregate exceed 10% of the total number of shares of PFC Device Inc. in issue at the time dealings in the shares first commence on the Stock Exchange which amounts to 160,000,000 shares.

On 22 March 2017, options to subscribe for an aggregate of 41,794,191 shares of PFC Device Inc. were granted under PFC Device Option Scheme to certain directors, senior management, employees and consultants of PFC Device Inc. which shall vest based on the vesting schedules specified in the offer documents of the respective grantees. Share options granted to non-employee participants are for their contributions to the PFC Group in respect of providing services similar to those rendered by its employees.

The fair value of the share options granted by PFC Device Inc. under the PFC Device Option Scheme (the "PFC Device Share Options") on 22 March 2017 was HK$3,271,000. The fair value was estimated by independent professional valuer at the date of grant using the Binomial Model taking into account the terms and conditions of the options granted.

The following table shows the significant inputs used in the model:

Dividend yield	0%
Historical volatility	43.032%
Risk-free interest rate	1.636%
Expected life of option	10 years

The historical volatility of a combination of companies of similar nature was used to estimate the historical volatility of the shares of PFC Device Inc.

During the year ended 31 December 2018, share-based payment expense of HK$413,000 (2017: HK$2,541,000) was charged to profit or loss. The fair value of PFC Device Share Options granted attributable to owners of the Company amounting to HK$269,000 (2017: HK$1,793,000) was credited to share option reserve.

41. SHARE OPTION SCHEMES *(Continued)*

(b) PFC Device Inc. *(Continued)*

The movements of the share options granted under PFC Device Option Scheme during the current and prior years are as follows:

			Number of options			
Grantee	**Date of grant**	**Exercise price**	**As at 1 January 2018**	**Exercised during the year**	**Forfeited during the year**	**As at 31 December 2018**
Directors of PFC Device Inc.	22 March 2017	HK$0.165	**8,208,343**	**–**	**–**	**8,208,343**
Employees	22 March 2017	HK$0.165	**20,105,848**	**(9,472,277)**	**(573,750)**	**10,059,821**
Consultants	22 March 2017	HK$0.165	**2,100,000**	**(140,000)**	**–**	**1,960,000**
			30,414,191	**(9,612,277)**	**(573,750)**	**20,228,164**

			Number of options				
Grantee	Date of grant	Exercise price	As at 1 January 2017	Granted during the year	Exercised during the year	Forfeited during the year	As at 31 December 2017
Directors of PFC Device Inc.	22 March 2017	HK$0.165	–	8,208,343	–	–	8,208,343
Employees	22 March 2017	HK$0.165	–	31,335,848	(8,270,000)	(2,960,000)	20,105,848
Consultants	22 March 2017	HK$0.165	–	2,250,000	(150,000)	–	2,100,000
			–	41,794,191	(8,420,000)	(2,960,000)	30,414,191

The closing price of the shares of PFC Device Inc. immediately before the date of grant of share options was HK$0.172. The share options granted on 22 March 2017 are valid and effective for a period of ten years from date of acceptance on 1 April 2017 subject to vesting requirements that the options shall be vested by stages which last for nine months to 3.25 years.

During the year, options to subscribe for 9,612,277 (2017: 8,420,000) shares of PFC Device Inc. were exercised which resulted in the issue of 9,612,277 (2017: 8,420,000) new ordinary shares of PFC Device Inc. at aggregate consideration of HK$1,586,000 (2017: HK$1,389,000). The weighted average closing price of the shares of PFC Device Inc. immediately before the date on which the share options were exercised was HK$0.263 (2017: HK$0.210). The fair value of those exercised PFC Device Share Options at the date of grant attributable to owners of the Company was HK$460,000 (2017: HK$446,000).

During the year, options to subscribe for 573,750 shares (2017: 2,960,000 shares) of PFC Device Inc. were forfeited upon the resignation of the relevant senior management and employees of PFC Group. The fair value of those forfeited and vested PFC Device Share Options at the date of grant attributable to owners of the Company was HK$5,000 (2017: HK$51,000).

As at 31 December 2018, there were 20,228,164 (2017: 30,414,191) shares options outstanding under PFC Device Option Scheme. The weighted average remaining contractual life of these options was 8.25 years (2017: 9.25 years). Out of the total options outstanding as at 31 December 2018, options to subscribe for 13,992,241 (2017: 15,980,143) shares vested and were exercisable by the grantees by giving notice in writing to PFC Device Inc.. The exercise in full of these outstanding share options would, under the present capital structure of PFC Device Inc., result in the issue of 20,228,164 (2017: 30,414,191) additional ordinary shares of PFC Device Inc..

No option under PFC Device Option Scheme was granted during the year.

42. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	NOTES	**As at 31 December 2018 HK$'000**	As at 31 December 2017 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**111,500**	100,600
Property, plant and equipment		**4,239**	4,568
Interests in subsidiaries		**9,191**	9,191
Deposit paid		**63,380**	63,380
Available-for-sale financial assets		**–**	380
Other assets		**74,488**	71,550
		262,798	249,669
Current assets			
Other receivables, prepayment and deposits		**11,630**	5,852
Amounts due from subsidiaries		**2,736,325**	2,657,637
Amount due from a joint venture		**–**	7,450
Cash and bank balances		**40,502**	32,644
		2,788,457	2,703,583
Current liabilities			
Other payables and accruals		**150,326**	149,804
Amounts due to subsidiaries		**57,386**	660,413
Amount due to a director		**26,460**	29,087
Bank borrowings		**396,244**	700,993
		630,416	1,540,297
Net current assets		**2,158,041**	1,163,286
Non-current liabilities			
Bank borrowings		**524,765**	116,000
Net assets		**1,896,074**	1,296,955
CAPITAL AND RESERVES			
Share capital	*38*	**82**	82
Reserves	*39*	**1,895,992**	1,296,873
Total equity		**1,896,074**	1,296,955

On behalf of the directors

YUNG KWOK KEE, BILLY
Director

CHOW KAI CHIU, DAVID
Director

43. DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY/DEREGISTRATION OF SUBSIDIARIES/DISPOSAL OF SUBSIDIARIES

(a) Deemed disposal of partial interest in a subsidiary

As mentioned in note 41(b), during the current year, PFC Device Inc. issued 9,612,277 new ordinary shares as a result of the exercise of 9,612,277 PFC Device Share Options by the option holders and the Group's equity interest in PFC Device Inc. was diluted by 0.4%.

	2018 HK$'000
Proceeds from the issue of shares upon exercise of PFC Device Share Options received by the Group	1,586
Deemed disposal of net assets of PFC Device Inc. arising from dilution of equity interest	(1,324)
Difference on deemed disposal of PFC Device Inc.	262

PFC Device Inc. remains a subsidiary of the Company and the difference arising from the dilution of equity interest in PFC Device Inc. as a result of the share transactions is accounted for as equity transaction.

	2018 HK$'000
Net consideration received during the year	1,586
Net inflow of cash and cash equivalents in respect of the share transactions included in cash flows from investing activities	1,586

(b) Disposal of partial interest in a subsidiary

During the year ended 31 December 2018, the Group entered into certain share transactions in connection with PFC Device Inc., including disposal of an aggregate of 202,520,000 shares of PFC Device Inc. at aggregate consideration of HK$54,718,000 and acquisition of an aggregate of 10,020,000 shares of PFC Device Inc. at aggregate consideration of HK$1,943,000 (the "Share Transactions").

As a result of the Share Transactions, the Group equity interest in PFC Device Inc. was diluted to 57.92% as at 31 December 2018.

	2018 HK$'000
Net proceeds from the Share Transactions	52,642
Disposal of net assets of PFC Device Inc. arising from dilution of equity interest	(23,493)
Difference on disposal of PFC Device Inc.	29,149

PFC Device Inc. remains a subsidiary of the Company and the difference arising from the dilution of equity interest in PFC Device Inc. as a result of the Share Transactions is accounted for as equity transaction.

	2018 HK$'000
Net consideration received during the year	52,775
Less: Transaction costs	(133)
Net inflow of cash and cash equivalents in respect of the Share Transactions included in cash flows from investing activities	52,642

43. DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY/DEREGISTRATION OF SUBSIDIARIES/DISPOSAL OF SUBSIDIARIES *(Continued)*

(c) Deregistration of subsidiaries

During the year ended 31 December 2018, two wholly-owned subsidiaries of the Company, namely 業盈置業(深圳) 有限公司 ("Ye Ying"), a company established in the PRC, and SMC LED N.V. ("SMC LED"), a company incorporated in the Curacao, Netherlands Antilles, were deregistered.

The gain on deregistration of Ye Ying and SMC LED is included in "Other gains or losses – Gain arising from deregistration of subsidiaries" in the consolidated income statement and is calculated as follows:

	2018
	HK$'000
Release of transaction reserve upon deregistration of Ye Ying and SMC LED, net	**20,702**
Gain on deregistration	**20,702**

In addition, upon completion of the deregistration of Ye Ying, the Group has written back certain payables and taxation liabilities amounting to HK$74,388,000 and HK$115,586,000 respectively, which were included in "Other gains or losses – Write-back of payables" and income tax expense in the consolidated income statement.

(d) Disposal of subsidiaries

On 29 December 2017, the Group entered into a share transfer agreement in relation to the disposal of 100% equity interest in Appeon Corporation (HK) Limited ("Appeon Corporation"). The consideration of the disposal is approximately US$210,000, equivalent to approximately HK$1,637,000.

The gain arising from the disposal of Appeon Corporation of HK$703,000 was included in "Other gains or losses – Gain arising from disposal of subsidiaries" in the consolidated income statement and was calculated as follows:

	2017
	HK$'000
Consideration pursuant to agreement	1,637
Net assets disposed of	(1,157)
Release of translation reserve upon disposal of Appeon Corporation	223
Gain on disposal	703

43. DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY/DEREGISTRATION OF SUBSIDIARIES/DISPOSAL OF SUBSIDIARIES *(Continued)*

(d) Disposal of subsidiaries *(Continued)*

The net assets of Appeon Corporation on the date of disposal were as follows:

	2017 HK$'000
Property, plant and equipment	436
Trade and other receivables	217
Cash and bank balances	1,696
Trade and other payables	(1,192)
	1,157

	2017 HK$'000
Consideration settled during the year	–
Cash and bank balances disposed of	(1,696)
Net outflow of cash and cash equivalents arising from the disposal included in cash flows from investing activities	(1,696)

The consideration for the disposal remained unsettled as at 31 December 2017 and was included in "Other receivables" in the consolidated statement of financial position. The outstanding consideration of HK$1,637,000 was settled in June 2018.

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

As mentioned in note 33, during the year ended 31 December 2017, the Group entered into a finance lease arrangement in relation to the retrofit work and maintenance of the MVAC system of the Group's manufacturing plant located in the PRC. The capital value of the MVAC system at the inception of the lease was HK$5,326,000. As at 31 December 2017, the net carrying amount of the aforesaid MVAC system was HK$5,237,000.

In addition, during the year ended 31 December 2017, the Group invested in a joint venture with investment cost of HK$5,871,000, of which HK$1,752,000 was settled by cash. During the year ended 31 December 2018, the Group further invested in the joint venture with investment cost of HK$1,360,000 which was not yet settled and as at 31 December 2018, the aggregate amount of outstanding investment cost payable was HK$5,478,000.

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities is as follows:

	Bank borrowings HK$'000 *(note 35)*	Finance lease payables HK$'000 *(note 33)*	Amount due to a director HK$'000 *(note 34)*	Loan from non-controlling shareholder HK$'000 *(note 36)*
At 1 January 2017	1,123,668	–	38,460	5,369
Changes from cash flows:				
Proceeds of new bank loans	501,042	–	–	–
Repayment of bank loans	(770,529)	–	–	–
Advances received	–	–	2,739	–
Repayment of advances	–	–	(5,025)	–
Payment of capital element of finance lease	–	(1,845)	–	–
Payment of interest element of finance lease	–	(14)	–	–
Other borrowing costs paid	(26,876)	–	–	–
Total changes from financing cash flows	(296,363)	(1,859)	(2,286)	–
Exchange adjustments	803	–	–	729
Other changes:				
Interest expenses	26,876	–	–	–
Finance charge on finance lease payable	–	14	–	–
Service fee to a director *(note 50(a))*	–	–	4,913	–
New finance lease	–	5,326	–	–
	26,876	5,340	4,913	–
At 31 December 2017	**854,984**	**3,481**	**41,087**	**6,098**
Changes from cash flows:				
Proceeds of new bank loans	**1,210,356**	**–**	**–**	**–**
Repayment of bank loans	**(1,051,706)**	**–**	**–**	**–**
Repayment of advances	**–**	**–**	**(7,652)**	**–**
Payment of capital element of finance lease	**–**	**(559)**	**–**	**–**
Payment of interest element of finance lease	**–**	**(156)**	**–**	**–**
Other borrowing costs paid	**(30,808)**	**–**	**–**	**–**
Total changes from financing cash flows	**127,842**	**(715)**	**(7,652)**	**–**
Exchange adjustments	**207**	**(166)**	**–**	**75**
Other changes:				
Interest expenses	**30,808**	**–**	**–**	**–**
Finance charge on finance lease payable	**–**	**156**	**–**	**–**
Service fee to a director *(note 50(a))*	**–**	**–**	**5,025**	**–**
	30,808	**156**	**5,025**	**–**
At 31 December 2018	**1,013,841**	**2,756**	**38,460**	**6,173**

45. RETIREMENT BENEFITS SCHEME

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme is a defined contribution retirement benefits scheme and contributions to the scheme are made based on percentage of the employees' relevant income and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

The total expenses recognised in profit or loss of HK$9,764,000 (2017: HK$9,335,000) represent contributions paid/payable to these schemes by the Group in the current year.

46. PLEDGE OF ASSETS

Other than the negative pledges disclosed in notes 14 and 15, the Group has pledged the following assets and assigned rental income from leasing of its investment properties to secure for the general banking and other loan facilities granted to the Group:

	2018 **HK$'000**	2017 HK$'000
Investment properties	**1,700,046**	1,666,769
Property, plant and equipment	**2,625**	2,632
Prepaid lease rental on land	**6,798**	7,403
Financial assets at fair value through profit or loss	**51,200**	—
Investments held for trading	**—**	59,100
Financial assets at fair value through other comprehensive income	**83,954**	—
Available-for sale financial assets	**—**	68,480
Bank balances	**108**	—
	1,844,731	1,804,384

The issued share capital of a subsidiary held by the Company were pledged to banks to secure for the banking facilities granted to the Group. The aggregate net asset value of the subsidiary as at 31 December 2018 was approximately HK$1,239 million (2017: HK$1,190 million).

47. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its manufacturing plants, office properties and operating site under operating leases arrangements. Leases of these properties are negotiated for period ranging from one to three years (2017: one to four years), and rental are fixed over the contracted period. At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises payable as follows:

	2018 **HK$'000**	2017 HK$'000
Within one year	**3,428**	3,412
In the second to fifth year, inclusive	**4,912**	1,305
	8,340	4,717

47. OPERATING LEASE ARRANGEMENTS *(Continued)*

As lessor

The Group leases its investment properties (note 14) under operating lease arrangements with leases negotiated for period ranging from one year to twenty-four years (2017: one year to twenty-four years). At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments receivable as follows:

	2018	2017
	HK$'000	HK$'000
Within one year	**116,633**	89,001
In the second to fifth year, inclusive	**145,740**	94,731
Over five years	**92,965**	25,493
	355,338	209,225

48. OTHER COMMITMENTS

At the end of the reporting period, the Group had other significant commitments as follows:

	2018	2017
	HK$'000	HK$'000
Contracted for but not provided in the financial statements:		
Acquisition of property, plant and equipment	**4,364**	4,538
Acquisition of equity interest	**171,195**	179,445
Property development	**31,803**	19,883
	207,362	203,866

49. CONTINGENT LIABILITIES

(a) A lawsuit brought by a party (the "Party") in 2014 alleging that the registration of the legal titles of the GZ Property passed to the Group as mentioned in note 30(a) being illegal and requesting the PRC land bureau to revoke the certificates of the GZ Property issued by it to the Group. The lawsuit is still in progress at the date of this report. Based on the advice from a PRC legal counsel, the transfer and the registration of the titles of the GZ Property are proper and the Group has legal titles and all relevant rights over the GZ Property since the transfer of titles is completed. Accordingly, the directors are of the opinion that the lawsuit would not result in significant financial impact to the Group.

(b) The Group has undertaken to bear the legal and professional fees as well as any economic obligation arising from the lawsuit initiated by the Mortgage Bank as referred to in note 30(a) against the Party as mentioned in note (a) above regarding the termination of the sale and purchase agreement entered into by the Mortgage Bank and the Party in 2007. A deposit amounting to RMB19,607,000 (equivalent to HK$22,377,000) as at 31 December 2018 (2017: RMB19,613,000 (equivalent to HK$23,463,000)) has been placed by the Group in the bank account designated by the Mortgage Bank to secure for the undertaking. Based on the advice from the PRC legal counsel, the directors are of the opinion that such undertaking would not result in significant financial impact to the Group.

49. CONTINGENT LIABILITIES *(Continued)*

(c) During the year ended 31 December 2015, the Group entered into sale and purchase agreement with an independent third party to dispose of certain land parcels in Hong Kong which had been held by the Group for property development. The consideration for the disposal of those land parcels amounted to HK$26,600,000. However, the directors had come to know that there might have potential legality issue in respect of the titles of those land parcels which may therefore render the sale and purchase agreement ineffective. As assessed by the directors, it was uncertain as to when the legality issue of those land titles can be addressed. Accordingly, the Group had written down the net carrying amount of the concerned land parcels during the year ended 31 December 2015 which amounted to HK$17,417,000 and recorded the consideration paid by the buyer as deposit received under "Trade and other payables". Consideration paid by the buyer amounted to HK$25,680,000 as at 31 December 2018 (2017: HK$25,680,000). Based on the current assessment of the directors, it is still uncertain as to when potential legality issue of the land parcels can be addressed, which is subject to latest development of government policies and related legislation. As assessed by the directors, claims, if any, arising from this potential land legality issue would not result in material effect to the financial statements to the Group.

50. RELATED PARTY TRANSACTIONS

Transactions between the entities among the Group have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties including key management personnel are disclosed below.

(a) Save as disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties:

	2018 **HK$'000**	2017 HK$'000
Service fee paid to a director *(note)*	**5,025**	4,913
Goods sold to an associate	**–**	2
Raw materials and goods purchased from an associate	**40,035**	41,791
Interest income from an associate	**1,826**	1,849
Management fee received from joint ventures	**1,117**	7,450

Note:

Service fee was paid to Mr. Yung, director of the Company, for providing personal guarantee to banks in respect of the banking facilities granted to the Group, which is charged at the rate of 0.38% (2017: 0.38%) on the amount of facilities granted.

(b) During the year ended 31 December 2018, the Group acquired a residential property from Mr. Yung, director and beneficial owner of the Company, at consideration of HK$28,402,000. This residential property is situated in the United Kingdom and classified as investment properties by the Group.

(c) The remuneration of members of key management were as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries, allowance and other benefits	**33,749**	34,174
Equity-settled share-based payment expense	**58**	155
Contributions to defined contribution retirement plan	**1,034**	833
	34,841	35,162

51. EVENTS AFTER THE REPORTING PERIOD

On 28 January 2019, the management submitted listing application to the Stock Exchange to apply for the listing of the business unit engaging in manufacturing and selling of electric tools and sourcing and selling of electric fans which is within the electrical appliances business segment (the "Listing"). The listing application is under detailed vetting process carried out by the Stock Exchange. Management is in the process of making an assessment of the spin-off and the Listing and is not yet in a position to state whether it will have material impact of the Group's financial performance and financial position.

52. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to support the Group's financial stability and growth.

The Group monitors its capital structure on the basis of gearing ratio i.e. net debt to equity. Net debt includes borrowings less cash and bank balances and restricted bank deposit. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The gearing ratios of the Group as at 31 December 2018 and 2017 were as follows:

	2018 **HK$'000**	2017 HK$'000
Debts	**1,013,841**	854,984
Less: Cash and bank balances and restricted bank deposit	**(511,562)**	(414,513)
Net debts	**502,279**	440,471
Capital represented by total equity	**3,497,664**	3,430,885
Gearing ratio	**14.4%**	12.8%

The Group targets to maintain a gearing ratio of not higher than 50% which is in line with the expected changes in economic and financial conditions. The Group's overall strategy on capital management remains unchanged throughout the current year.

53. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

53.1 Categories of financial instruments

	2018 **HK$'000**	2017 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	**52,092**	–
Investments held for trading	**–**	75,290
Financial assets at fair value through other comprehensive income	**302,347**	–
Available-for-sale financial assets	**–**	321,273
Financial assets measured at amortised cost#	**814,407**	–
Loans and receivables#	**–**	759,615
Financial liabilities		
Financial liabilities at amortised cost^	**1,451,520**	1,278,696

including trade receivables, loans receivable, finance lease receivables, other receivables, amount due from joint ventures, bank balances including restricted bank deposit.

^ *including trade payables, other payables and accruals, finance lease payable, refundable deposits received, amounts due to associates, a joint venture, a related party and a director, bank borrowings and loan from non-controlling shareholder.*

53. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY
(Continued)

53.2 Financial results by financial instruments

	2018 HK$'000	2017 HK$'000
Fair value (loss)/gain on:		
Financial assets at fair value through profit or loss	**(8,915)**	–
Investment held for trading	**–**	30,774
Derivative financial instruments	**–**	(17,734)
(Decrease)/Increase in fair value of:		
Financial assets at fair value through other comprehensive income	**(96,929)**	–
Available-for-sale financial assets (recognised in other comprehensive income)	**–**	33,668
Interest income or (expenses) on:		
Financial assets at amortised cost	**9,633**	–
Loans and receivables	**–**	3,673
Financial assets at fair value through profit or loss	**–**	9,126
Available-for-sale financial assets	**–**	5,616
Financial liabilities at amortised cost	**(30,964)**	(26,890)
Dividend income from:		
Financial assets at fair value through profit or loss	**1,550**	–
Investment held for trading	**–**	1,383
Financial assets at fair value through other comprehensive income	**11,401**	–
Available-for-sale financial assets	**–**	7,951
Impairment loss on:		
Financial assets at amortised cost	**13,938**	–
Loans and receivables	**–**	2,747
Gain on disposal:		
Available-for-sale financial assets (recognised in profit or loss, including HK$938,000 recycled from other comprehensive income)	**–**	5,857

53. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY
(Continued)

53.3 Fair value of financial instruments

(a) Financial instruments measured at fair value

The following table presents the carrying value of financial instruments measured at fair value as at 31 December 2018 and 2017 across the three levels of the fair value hierarchy defined in HKFRS 13, with the fair value of each financial instruments categorised in its entirety based on the lowest level of input that is significant to the fair value measurement. The levels are defined as follows:

Level 1 (highest level):	fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
Level 2:	fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
Level 3 (lowest level):	fair values measured using valuation techniques in which any significant input is not based on observable market data

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2018				
Financial assets				
Financial assets at fair value through other comprehensive income				
– Listed equity securities	**160,826**	**–**	**–**	**160,826**
– Unlisted equity securities	**–**	**–**	**141,521**	**141,521**
Financial assets at fair value through profit or loss				
– Listed equity securities	**52,092**	**–**	**–**	**52,092**
As at 31 December 2017				
Financial assets				
Available-for-sale financial assets				
– Listed equity securities	178,533	–	–	178,533
– Unlisted equity securities	–	–	142,360	142,360
Investments held for trading				
– Listed equity securities	75,290	–	–	75,290

During the years ended 31 December 2018 and 2017, there were no transfer between instruments in Level 1, Level 2 and Level 3.

53. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

53.3 Fair value of financial instruments *(Continued)*

(a) Financial instruments measured at fair value *(Continued)*

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (i.e. Level 3), being unlisted equity securities, are as follows:

	2018	2017
	HK$'000	HK$'000
Unlisted equity securities		
At 1 January	**142,360**	133,813
Translation difference	**(6,756)**	9,384
Changes in fair value	**5,917**	(837)
At 31 December	**141,521**	142,360

The fair values of the unlisted equity securities were estimated with reference to the valuations carried out by Asset Appraisal Limited, an independent professional valuer. The fair value of the unlisted equity securities as at 31 December 2017 was estimated using valuation multiple derived from observable market data whereas in assessing their fair value as at 31 December 2018, the valuer has also considered put option model. Taking into account the latest development including the status of listing application by the investee, management has adopted the fair value derived under the put option model in accounting for the unlisted equity securities as at 31 December 2018.

The valuations require the directors to make estimates and assumptions that are not supported by observable market prices or rates, including discount for lack of marketability. The marketability discount represents the amount of premium or discount determined by directors that market participants would take into account when pricing the investments. The higher the marketability discount, the lower the fair value of the investments. Had the marketability discount been increased by 10%, the fair value of the investments would reduce by HK$19,289,000 (2017: HK$15,552,000).

(b) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade receivables, other receivables, balances due from/to associates, joint ventures, a related company and a director, bank balances including restricted bank deposit, trade payables, other payables and accruals as well as the current portion of loans receivable, finance lease receivables, finance lease payable and bank borrowings. Due to their short-term nature, their carrying values approximate their fair values.

For disclosure purpose, the fair values of non-current portion of loans receivable, finance lease receivables, finance lease payable and bank borrowings as well as loan from non-controlling shareholder are not materially different from their carrying values. Those fair values have been determined by using discounted cash flow models and are classified as level 3 in the fair value hierarchy. Significant inputs include expected future cash flows and discount rate used to reflect the credit risks of the Group and the counterparties, where appropriate.

54. FINANCIAL RISK MANAGEMENT

54.1 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks which comprise market risk (including foreign currency risk, price risk, and interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the board of directors. The Group does not have written risk management policies. However, the directors and senior management of the Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

54.2 Market risk

(i) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group mainly operates in Hong Kong and the PRC. The functional currency of the Company and its subsidiaries are mainly HK$, US$ and RMB will certain of their business transactions being settled in US$ and RMB. The Group is thus exposed to currency risk arising from fluctuations on foreign currencies, primarily US$ and RMB, against the functional currency of the Company and the group entities. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group continues to conduct its sales mainly in US$ and RMB and make payments either in US$, HK$ and RMB. In addition, the Group's bank borrowings were denominated in HK$ and US$. The directors considered that a natural hedge mechanism existed. The Group would, however, closely monitor the volatility of the RMB exchange rate. All in all, the Group's risk exposure to foreign exchange rate fluctuations remain minimal.

The overall exposure in respect of the carrying amounts of the Group's foreign currency denominated financial assets and liabilities in net position as at 31 December 2018 and 2017 were as follows:

	2018 HK$'000	2017 HK$'000
Net financial assets/(liabilities)		
HK$	**(130,021)**	(119,821)
US$	**320,171**	447,027
RMB	**538,337**	254,675

As HK$ is pegged to US$, the Group does not have material exchange risk exposure on such currencies. The following sensitivity analysis, determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year, demonstrates the Group's exposure to a reasonably possible change in RMB exchange rate against the HK$ on the Group's net asset position denominated in RMB as at the end of the reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	Increase/(Decrease) in profit for the year and retained profits	
	2018 HK$'000	2017 HK$'000
RMB against HK$		
– strengthen by 5% (2017: 5%)	**22,476**	11,073
– weaken by 5% (2017: 5%)	**(22,476)**	(11,073)

The changes in the exchange rates do not affect the Group's other components of equity.

54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.2 Market risk *(Continued)*

(ii) Price risk

The Group is mainly exposed to equity price risk arising from equity securities classified as financial assets at fair value through profit or loss (note 29) and financial assets at fair value through other comprehensive income (note 21) at 31 December 2018 and investments held for trading (note 29) and available-for-sale financial assets (note 21) as at 31 December 2017 as price of those investments in future are uncertain.

The Group's investments is listed equity securities are traded mainly on the Stock Exchange. The Group also invested in unlisted equity securities for strategic purposes. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the relevant stock market index and other industry indicators, as well as the Group's liquidity needs. To manage its price risk arising from the equity securities, the Group maintains a portfolio of diversified investments in terms of industry distribution. Also, the Group has appointed a special team to monitor the price risk and will consider hedging of the risk if necessary. The policies to manage price risk have been followed by the Group since prior years and are considered to be effective.

Management's best estimate of the effect on the Group's results in respect of those listed equity securities due to a reasonably possible change in the relevant stock market index or interest rate, with all other variables held constant, at the end of the reporting period are as follows (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	Increase/(Decrease) in profit for the year and retained profits	
	2018	2017
	HK$'000	HK$'000
Equity securities listed in Hong Kong – Hang Seng Index		
+19% (2017: +14%)	**8,264**	8,801
–19% (2017: –14%)	**(8,264)**	(8,801)

The above sensitivity illustrates the potential effect for listed equity securities classified as financial assets at fair value through profit or loss as at 31 December 2018 and investments held for trading as at 31 December 2017.

In respect of listed equity securities, if the prices of those listed equity securities classified as financial assets at fair value through other comprehensive income as at 31 December 2018 with carrying amount of HK$160,826,000 had been 19% higher/lower, financial assets at fair value through other comprehensive income reserve would increase/decrease by HK$30,557,000. If the prices of those listed equity securities classified as available-for-sale financial assets as at 31 December 2017 with carrying amount of HK$178,533,000 had been 14% higher/lower, available-for-sale financial assets revaluation reserve would increase/decrease by HK$24,994,000.

In respect of unlisted equity securities, if the prices of those unlisted equity securities classified as financial assets at fair value through other comprehensive income as at 31 December 2018 with carrying amount of HK$141,521,000 had been 14% higher/lower, financial assets at fair value through other comprehensive income reserve would increase/decrease by HK$19,813,000. If the prices of those unlisted equity securities classified as available-for-sale financial assets as at 31 December 2017 with carrying amount of HK$142,360,000 had been 25% higher/lower, available-for-sale financial assets revaluation reserve would increase/decrease by HK$35,590,000.

(iii) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from bank borrowings. Bank borrowings arranged at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. As at 31 December 2018, approximately 57% (2017: 74%) of the bank borrowings bore interest at floating rates. The interest rates and repayment terms of the bank borrowings outstanding at the end of reporting period are disclosed in note 35.

The Group's bank balances also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on the bank balances. The directors consider the Group's exposure on bank deposits and bank borrowings to fair value interest rate risk is not significant as interest-bearing bank deposits and borrowings at fixed rate are within short maturity periods in general.

54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.2 Market risk *(Continued)*

(iii) Interest rate risk *(Continued)*

The Group's currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The following sensitivity demonstrates the Group's exposure to a reasonably possible change in interest rates on its floating rate bank borrowings with all other variables held constant at the end of the reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	Increase/(Decrease) in profit for the year and retained profits	
	2018	2017
	HK$'000	HK$'000
Change in basis point ("bp")		
+ 50 bp (2017: + 50bp)	**(2,432)**	(2,643)
- 10 bp (2017: - 10bp)	**486**	529

The change in interest rates do not affect the Group's other components of equity.

The above sensitivity analysis is prepared based on the assumption that the bank borrowings outstanding at the end of the reporting period would be outstanding in the next financial year.

54.3 Credit risk

Credit risk refer to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities. The maximum exposure to credit risk in respect of the Group's financial assets at the end of the reporting period is their carrying amounts.

Management has credit policies in place and the exposures to credit risk are monitored on an on-going basis.

In respect of trade receivables and lease receivables, the Group limits its exposure to credit risk by rigorously selecting the counterparties and to deal with credit worthy counterparties. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Credit terms are granted to new customers after credit worthiness assessment. The Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management assesses the collectability of the receivables regularly for the determination of any loss allowance for the receivables by taking into account the customers' or debtors' financial condition, current creditworthiness, past settlement history, business relationship with the Group and other factors such as current market conditions.

As at 31 December 2018, the Group had certain concentration of credit risk as 24% (2017: 29%) of the Group's trade receivables was due from the Group's largest customer (in terms of revenue) within the business segment of electrical appliances.

In respect of bank balances and restricted bank deposit, the Group's exposure to credit risk is limited because majority of the deposits are placed with reputable banks or financial institutions, for which the Group considers to have low credit risk. There was no history of default in relation to these financial institutions.

In respect of loans receivable, in granting loans to the borrowers, management assesses the background and financial condition of the borrowers and in certain circumstances, may request collateral from the borrowers in order to minimise credit risk.

For other receivables, the Group regularly monitors the financial position of the counterparties to assess the recoverability of the outstanding balances.

54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.3 Credit risk *(Continued)*

As to investment strategies, usually investments are liquid securities quoted on recognised stock exchange. As to investments in unlisted securities, investment is made after credit assessment by investment team. Accordingly, the directors consider that Group's exposure to credit risk in respect of its investments in securities is low.

The credit and investment policies have been consistently applied and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

Impairment under ECL model

The Group measures loss allowance for trade receivables and lease receivables at an amount equal to lifetime ECL, which is calculated using a provision matrix by reference to past default experience of the debtor and current market condition in relation to each debtor's exposure and time value of money where appropriate. The ECL also incorporate forward-looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle these receivables. For other financial assets measured at amortised cost, the Group measures loss allowance based on 12-month ECL. However, when there has been a significant increase in credit risk since initial recognition, the loss allowance will be based on lifetime ECL.

For those individually significant receivables or receivables relating to customers or debtors with known financial difficulties or significant doubt on collection of receivables, they are assessed individually for loss allowance. For other receivables, they have been grouped based on shared credit risk characteristics and the days past due.

The Group assess whether there has been a significant increase in credit risk for exposure since initial recognition on an ongoing basis throughout the year. To assess whether there has been a significant increase in credit risk, the Group compares the risk of default occurring on receivables over the expected life between the reporting date and the date of initial recognition. For this purpose, the Group considers reasonable and supportable information that is relevant and available without due cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, including forward-looking information. In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change in the customers' ability to meet their debt obligations;
- actual or expected significant changes in the operating results of the customers;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Group; and
- actual or expected significant adverse change in the regulatory, economic, or technological environment in which the customer operate that results in a significant change in the customers' ability to meet their debt obligations.

The Group presumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be in default when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the 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.

The Group assesses whether a financial asset is credit-impaired at the end of the reporting period. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter into bankruptcy or other financial reorganisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.3 Credit risk *(Continued)*

Impairment under ECL model *(Continued)*

Set out below is the information about the Group's exposure on the Group's trade receivables as at 31 December 2018:

Electrical appliances business

As at 31 December 2018, the gross carrying amount of trade receivables of this business segment was HK$200,870,000, of which trade receivables amounting to HK$84,094,000 are subject to collective assessment for credit losses using provision matrix in the following table. ECL rates are based on actual loss experience and are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the balances.

	ECL rate	Loss allowance for collectively assessed trade receivables HK$'000
Not yet past due	0.30%	198
Past due		
30 days or below	1.25%	216
31 – 60 days	2.49%	–
61 – 90 days	3.49%	30
91 – 180 days	4.25%	–
		444

The remaining balance of trade receivables of this segment amounted to HK$116,776,000, of which loss allowance amounting to HK$5,839,000 has been provided for balances assessed for credit loss on individual basis whereas the remaining trade receivables of HK$110,937,000 were assessed for credit loss on collective basis for which the ECL rate is assessed to be minimal.

Other businesses

In respect of other business segments, including power discrete semiconductors, property leasing, taxi and car rental and other segments, the gross carrying amount of trade receivables as at 31 December 2018 was HK$34,904,000, of which loss allowance amounting to HK$1,870,000 has been provided for balances assessed for credit loss on individual basis. The remaining trade receivables of these segments amounted to HK$33,034,000 were assessed for credit loss on collective basis for which the ECL rate is assessed to be minimal.

Set out below is the information about the Group's exposure on the Group's finance lease receivables as at 31 December 2018:

	Balances individually assessed for loss allowance HK$'000	Balances subject to collective assessment for credit losses HK$'000	Total HK$'000
Gross carrying amount of finance lease receivables	946	4,906	5,852
ECL rate	N/A	5.52%	
Loss allowance	127	271	398

ECL rates are based on actual loss experience and are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the balances.

54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.3 Credit risk *(Continued)*

Other businesses *(Continued)*

For loans receivable and other receivables, the Group regularly monitor the financial positions of the counterparties to assess the recoverability of the outstanding balances. Loss allowances of HK$32,848,000 and HK$10,897,000 have been provided for loans receivable and other receivables as at 31 December 2018 respectively. Other than that, management does not expect any losses from non-performance by the counterparties and assessed that the ECL rate in respect of these balances was immaterial.

The movements in the loss allowance account in respect of trade receivables, loans receivable, finance lease receivables and other receivables during the year ended 31 December 2018 are set out in notes 27(b), 23, 24 and 27(c) respectively. The increase in loss allowances during the year is mainly due to changes in risk parameters.

Comparative information under HKAS 39

Prior to 1 January 2018, an impairment loss was recognised on trade receivables, loans receivable, finance lease receivables and other receivables only when there was objective evidence of impairment (note 4.13B(ii)).

The ageing analysis of trade receivables which were impaired and for which allowances were made for as at 31 December 2017 was as follows:

	2017 HK$'000
30 days or below	—
31–60 days	—
61–90 days	—
181–360 days	—
Over 360 days	6,320
	6,320

The ageing analysis of trade receivables that were past due but were not considered to be impaired as at 31 December 2017 was as follows:

	2017 HK$'000
30 days or below	41,308
31–60 days	15,184
61–90 days	10,458
91–180 days	19,218
181–360 days	1,612
Over 360 days	504
	88,284

As at 31 December 2017, trade receivables of HK$159,015,000 were neither past due nor impaired. These balances related to a wide range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired relate to a number of independent customers that have a good payment record with the Group. Based on past experience, the management believed that no allowance for impairment was necessary in respect of these balances as there has not been a significant change in credit quality and the balances were still considered fully recoverable.

The Group did not hold any collateral over these balances other than rental and building management deposits from tenants of the Group's investment properties.

54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain a prudent liquidity risk management which is to maintain sufficient cash and cash equivalents as well as to make available of fund through adequate amounts of committed credit facilities and the ability to close out market positions. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risk.

The table below analyses the remaining contractual maturities of the Group's financial liabilities at the end of the reporting period which are based on contractual undiscounted cash flows and the earliest date the Group may be required to pay:

	Repayable on demand or less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
As at 31 December 2018						
Non-derivative financial liabilities						
Interest-bearing bank borrowings *(note)*	**513,193**	**529,015**	**–**	**–**	**1,042,208**	**1,013,841**
Trade payables	**121,836**	**–**	**–**	**–**	**121,836**	**121,836**
Other payables and accruals	**263,701**	**–**	**–**	**–**	**263,701**	**263,701**
Finance lease payable	**715**	**715**	**1,629**	**–**	**3,059**	**2,756**
Amounts due to associates	**122**	**–**	**–**	**–**	**122**	**122**
Amount due to a joint venture	**4,340**	**–**	**–**	**–**	**4,340**	**4,340**
Amount due to a related party	**291**	**–**	**–**	**–**	**291**	**291**
Amount due to a director	**38,460**	**–**	**–**	**–**	**38,460**	**38,460**
Loan from non-controlling shareholder	**–**	**–**	**–**	**6,173**	**6,173**	**6,173**
	942,658	**529,730**	**1,629**	**6,173**	**1,480,190**	**1,451,520**
As at 31 December 2017						
Non-derivative financial liabilities						
Interest-bearing bank borrowings *(note)*	743,668	32,526	87,927	–	864,121	854,984
Trade payables	121,475	–	–	–	121,475	121,475
Other payables and accruals	248,177	–	–	–	248,177	248,177
Finance lease payable	750	750	2,250	207	3,957	3,481
Amounts due to associates	122	–	–	–	122	122
Amount due to a joint venture	2,981	–	–	–	2,981	2,981
Amount due to a related party	291	–	–	–	291	291
Amount due to a director	41,087	–	–	–	41,087	41,087
Loan from non-controlling shareholder	–	–	–	6,098	6,098	6,098
	1,158,551	33,276	90,177	6,305	1,288,309	1,278,696

54. FINANCIAL RISK MANAGEMENT *(Continued)*

54.4 Liquidity risk *(Continued)*

Note:

For certain term loans which contain repayment on demand clause which can be exercised at the lender's sole discretion including loans which repayment on demand clause is exercisable after year end, the analysis above shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

The following table summarises the maturity analysis of bank borrowings based on agreed scheduled repayments set out in the loan agreements. The amount include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks or financial institutions will exercise their discretion to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Within 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash outflows HK$'000	Carrying amount HK$'000
Bank borrowings						
31 December 2018	**514,191**	**135,123**	**445,442**	**–**	**1,094,756**	**1,013,841**
31 December 2017	760,360	32,526	87,927	–	880,813	854,984

55. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The particulars of the principal subsidiaries as at 31 December 2018 are as follows:

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Percentage of issued/ registered capital held by the Company Directly	Indirectly	Principal activities
China Dynasty Development Ltd	British Virgin Islands	Ordinary	1,000 shares of US$1 each	–	100%	Property investment
Extra-Fund Investment Limited	Hong Kong	Ordinary	HK$2	100%	–	Securities trading
Fast-Gain Overseas Limited	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Property investment
Fortress Link Investment Limited	Hong Kong	Ordinary	HK$1	–	100%	Property development
Foshan Shunde SMC Multi-Media Products Company Limited** 佛山市順德區蜆華多媒體製品有限公司	PRC^	Paid up capital	US$20,870,000	–	100%	Manufacturing and trading of electrical appliances
Foshan Yufa Property Management Company Limited** 佛山市宇發物業管理有限公司	PRC^	Paid up capital	nil	–	100%	Property management and property leasing
Guangdong PFC Device Limited	PRC^	Paid up capital	US$13,000,000	–	57.92%	Manufacturing and sales of power discrete semiconductors
Guangzhou Hua Huang Property Development Limited** 廣州華皇房地產開發有限公司	PRC^	Paid up capital	HK$167,000,000	–	100%	Property development
Guangzhou Hui Liang Property Management Limited** 廣州匯朗物業管理有限公司	PRC#	Paid up capital	RMB101,000,000	–	100%	Property investment and development
Guangzhou Parklane Car Leasing Limited** 廣州市百聯汽車租賃有限公司	PRC#	Paid up capital	RMB5,000,000	–	100%	Vehicle rental and trading
Guangzhou SMC Car Rental Company Limited** 廣州蜆富出租汽車有限公司	PRC^	Paid up capital	HK$75,000,000	–	100%	Taxi operations
Guangzhou Sien Fu Car Leasing Limited** 廣州蜆富汽車租賃有限公司	PRC^	Paid up capital	HK$2,500,000	–	100%	Vehicle rental and trading
Guangzhou Xian Di Property Management Limited** 廣州蜆地物業管理有限公司	PRC^	Paid up capital	HK$1,000,000	–	100%	Property investment
Land Vision Investment Limited	Hong Kong	Ordinary	HK$1	–	100%	Investment holding
New Style Development Limited	Hong Kong	Ordinary	HK$1	–	100%	Property development
PFC Device Corporation	British Virgin Islands/ Taiwan	Preferred	4,956,153 shares of US$5,522,820	–	57.92%	Research and development and sales of power discrete semiconductors
		Common	105,000 shares of US$105,000			

55. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

The particulars of the principal subsidiaries as at 31 December 2018 are as follows: *(Continued)*

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Percentage of issued/ registered capital held by the Company		Principal activities
				Directly	Indirectly	
PFC Device Holdings Limited	British Virgin Islands/ Hong Kong	Preferred	12,656,153 of US$13,222,820	–	57.92%	Investment holding
		Common	658,255 of US$658,255			
PFC Device (HK) Limited	Hong Kong	Ordinary	HK$1	–	57.92%	Sales of power discrete semiconductors
PFC Device Inc.	Cayman Islands	Ordinary	1,618,032,277 shares of HK$0.01 each	–	57.92%	Investment holding
Quanta Global Limited	British Virgin Islands/ Hong Kong	Ordinary	1 share of US$1	–	100%	Trading of electric fans
Shell Electric Mfg. (China) Company Limited	British Virgin Islands	Ordinary	100 share of US$10 each	–	100%	Trading of electric fans
Sivergate Global Limited	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Investment holding
SMC Electric (HK) Limited	Hong Kong	Ordinary	1 share of HK$1	–	100%	Trading of electric fans and electric tools
SMC Electric (China) Limited	PRC^	Paid up capital	nil	–	100%	Manufacturing and trading of electric tools
SMC Investments Limited	Hong Kong	Ordinary	HK$2	–	100%	Property investment
SMC Multi-Media Products Company Limited	British Virgin Islands	Ordinary	1 share of US$1	100%	–	Investment holding
SMC Multi-Media (H.K.) Limited	Hong Kong	Ordinary	HK$2	–	100%	Contract manufacturing
SMC Multi-Media Trading Company Limited	Hong Kong	Ordinary	HK$1	–	100%	Contract manufacturing
SMC Property Investment Limited	Hong Kong	Ordinary	HK$2	100%	–	Investment holding
Speed Power Limited	Hong Kong	Ordinary	HK$2	–	100%	Trading of electric fans
Sunny Resource Limited	Hong Kong	Ordinary	HK$1	100%	–	Intangible assets holding
Sybond Venture Limited	Cayman Islands	Ordinary	1 share of US$1	100%	–	Investment holding

^ The companies are incorporated in the PRC as wholly-owned foreign enterprises.

The companies are incorporated in the PRC as limited liability companies.

** The English translation of the company name is for reference only. The official names of these companies are in Chinese.

None of the subsidiaries had any debt securities outstanding during the year.

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

56. PARTICULARS OF PRINCIPAL ASSOCIATES

The particulars of the associates as at 31 December 2018 are as follows:

Name of associates	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Percentage of issued/registered capital held by the Company Directly	Indirectly	Principal activities
Hong Kong Construction SMC Development Limited	Hong Kong	Ordinary	HK$10,000,000	–	20%	Investment holding
Kumagai SMC Development (Guangzhou) Limited** 熊谷蜆壳發展(廣州)有限公司	PRC^	Paid up capital	US$59,000,000	–	20%	Property Investment
Guangdong Sien Hua Electrical Appliance Manufacturing Company Limited** 廣東蜆華電器製造有限公司	PRC##	Paid up capital	US$3,250,000	–	28.92%	Manufacturing of electric fans, electric cables and lamps

^ The company is incorporated in the PRC as wholly-owned foreign enterprise.

The company is incorporated in the PRC as sino-foreign cooperative enterprise.

** The English translation of the company name is for reference only. The official names of these companies are in Chinese.

57. PARTICULARS OF JOINT VENTURES

The particulars of the associates as at 31 December 2018 are as follows:

Name of joint ventures	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Percentage of issued/registered capital held by the Company Directly	Indirectly	Principal activities
Appeon Limited	Hong Kong	Class A Voting Class B Non-voting	US$449,164 US$1,002,003	–	51.18%	Investment holding
Appeon Inc.	USA	Paid up capital	US$200,000	–	51.18%	Sales of software licence
艾普陽科技(深圳)有限公司	PRC^	Paid up capital	US$500,000	–	51.18%	Computer software development

^ The company is incorporated in the PRC as wholly-owned foreign enterprise.