蜆壳電器控股有限公司

SHELL ELECTRIC HOLDINGS LIMITED

ANNUAL REPORT 2019

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

COMPANY'S WEBSITE

www.smc.com.hk

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 2019 amounted to HK$44 million. Basic earnings per share was HK8.4 cents.

FINAL DIVIDEND

The board of directors recommends a final dividend of HK0.5 cent per share for the year ended 31 December 2019 (2018: 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, 6 August 2020 (the "AGM"), would be payable on or before Tuesday, 20 October 2020 to the Members on the register of members of the Company on Monday, 17 August 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 3 August 2020 to Thursday, 6 August 2020 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, 31 July 2020.

The register of members of the Company will be closed from Thursday, 13 August 2020 to Monday, 17 August 2020, 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, 12 August 2020.

BUSINESS REVIEW

Contract Manufacturing - optics and imaging

The optics and imaging contract manufacturing business declined slightly in 2019 as compared to 2018.

Contract Manufacturing - Electric Tools

The manufacturing and sales of battery powered electric tools business reported 11% increase in sales in 2019 as compared to 2018.

Electric Fans

The Group's sales of electric fans in 2019 slightly decreased by 6% compared with 2018. Sales in African and the Middle East markets recorded double-digit growth of 26.3% and 33.4% respectively. On the contrary, sales in Hong Kong recorded a decline of 3.7%, while sales in the Australia markets declined by 25.7%. As a result of proper cost control, gross profits were stable.

Vehicle Rental and Trading

In 2019, the Group responded to the Guangzhou Government's LPG taxi early renewal incentive scheme wherein companies which replaced their LPG taxi vehicles in advance of their normal five year expiry by electric vehicles will be awarded with additional taxi licenses. As a result, 584 new additional taxi licences were awarded to the Group. At the same time, a provision of one-month rent-free period to encourage taxi drivers' participation in the early renewal program led to a decrease in revenue of approximately HK$12 million in 2019 as compared to that of 2018. As a result, the Group's vehicle rental and trading segment recorded a net loss in 2019.

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 93% in 2019.

Development Properties
The Group's Guangzhou residential development project was disposed in May 2020 at a consideration of RMB580 million.

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

United States

In mid-2019, there were concerns about the possibility of a US recession. Industrial production declined year-over-year in the first two quarters of 2019. In the same period, banks tightened commercial real estate lending standards. As a result, Vineyard Business Park's vacancy remained high, with only 5.17% improvement in tenancy over 2018.

Specific to the area around Vineyard:

- No office deals were done in Livermore area of over 5,000 square feet in Q4 2019.

- Ample office/mixed industrial use assets on the market. For example, 96,553 square feet of space was "released" into the market in Q4 by a Fortune 50 company.

Despite the challenges, the Vineyard team has a healthy pipeline of prospective tenants and the goal is to improve overall tenancy by 15-20% in 2020.

Hong Kong

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

The long term tenancy for the Tak King Industrial Building property, (approximately 9,400 sq. ft.) located at 27 Lee Chung Street Chai Wan, has brought stable rental income to the Group during the year.

Development Properties
Construction works for the Group's two residential projects in Sheung Shui and Shek Kong were completed. Occupation permit for the Shek Kong project was obtained in May 2019 and a related marketing campaign will be launched in the coming year.

Technology Investment

Semiconductor Device Products

Due to the cyclical downturn in the global semiconductor industry and impact of the China-US trade war, the Group experienced a significant decline in revenue over the year. The Group's production capacity utilisation rate was lower than normal due to the decline in market demand for electronic products. As such, higher manufacturing overhead per unit led to decline in gross profits and gross profit margins.

Certa Scale

In 2019, Certa Scale, which began as an enterprise Kubernetes orchestration platform, began pivoting to become a broader, private container cloud platform for software vendors and system integrator partners. The team began test pilots at a securities house, a regional branch of a State Owned Telco, a video-on-demand company, and by end of 2019, started to be considered in partners' tenders and bids. Further fine tuning and product testing by engineers will be required to ensure readiness for use by large scale, global enterprises. In 2020, the company's strategy is to shift resources away from engineering to enhance marketing, go to market activities, and field support.

Financial Investment

In 2019, the Group's financial investment activities recorded profit of approximately HK$14.6 million and the market value of the Group's financial investment holdings as at 31 December 2019 amounted to about HK$541 million.

REVENUE AND OPERATING RESULTS

Revenue of the Group for the year ended 31 December 2019 recorded a drop of about 4.5% to HK$1,110 million from HK$1,163 million in the previous year.

Profit attributable to the owners of the Company for the year ended 31 December 2019 decreased from HK$248 million to HK$44 million, representing a decrease of HK$204 million or 82.2% over the corresponding period last year. The decrease was predominantly a result of the following key changes: (i) drop in gross profit by HK$26 million; (ii) decrease in fair value gain and a disposal loss on investment properties of HK$137 million; (iii) absence of a gain of HK$21 million from reserves and write-back of payables of HK$74 million, respectively, upon deregistration of subsidiaries in 2018; (iv) listing expense of HK$9 million incurred for application of listing by a subsidiary in 2019, offset by (v) decrease in impairment losses on goodwill, other intangible assets and property, plant and equipment of HK$48 million; and (vi) a reversal of impairment on loan receivable of HK$21 million for the year.

FINANCIAL RESOURCES AND LIQUIDITY

The Group maintained 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 2019, the Group utilised certain long-term loans totaling HK$525 million (31 December 2018: HK$582 million). Apart from the above, all banking facilities of the Group were arranged on short-term basis.

As at 31 December 2019, the Group's borrowings included a long-term loan of HK$438 million being recorded under current liabilities, as such 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 expired on 31 May 2019. Subsequent to the end of the reporting period, the bank has renewed and granted a new committed period. Such long-term loan will be reclassified to non-current liabilities in 2020.

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 2019, calculated as operating profit divided by total interest expenses net of interest income, stood at 2 times (Year ended 31 December 2018: 11 times).

FOREIGN EXCHANGE EXPOSURE

The Group's borrowings were mainly denominated in Hong Kong dollars and US dollars. The Group conduct its sales mainly in US dollars and Renminbi, and make payments in US dollars, Hong Kong dollars, Renminbi and Taiwan dollars.

GEARING RATIO

The Group continued to adopt and follow its policy of maintaining a prudent gearing ratio. As at 31 December 2019, the Group recorded a 28.4% gearing ratio (31 December 2018: 14.4%), expressed as a percentage of total borrowings net of cash and bank balances and restricted bank deposits to total equity of the Group.

CAPITAL COMMITMENTS AND GUARANTEE

As at 31 December 2019, the Group had capital commitments totaling HK$33 million (31 December 2018: HK$207 million). In addition, the Company issued guarantees to the banks amounting to HK$824 million (31 December 2018: HK$778 million) to facilitate certain subsidiaries in obtaining banking facilities.

CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totaling HK$114 million during the year under review (Year ended 31 December 2018: HK$94 million).

As at 31 December 2019, the Group had charges on assets totaling HK$1,982 million (31 December 2018: HK$1,844 million) mainly for securing a long-term loan and other loan facilities.

As at 31 December 2019, the Group pledged its 100% interest of the issued share capital of two subsidiaries (31 December 2018: one subsidiary) to a bank to secure a long-term loan granted to the Group.

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

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 scanning unit, paper handling options and electric tools, 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 57 to note 59 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 2019 are set out in the consolidated income statement on page 10.

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 17 August 2020, 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 40 to the financial statements.

DONATIONS

During the year, the Group made charitable and other donations totalling HK$1,336,000 (2018: HK$1,768,000).

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. Chow Kai Chiu, David and Madam Li Pik Mui, Cindy 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 43 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 2019, the five largest customers accounted for approximately 62% of the total sales of the Group, of which 24% was attributable to the largest customer. Purchases from the Group's five largest suppliers accounted for approximately 27% 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 2019.

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 2019 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, 22 June 2020

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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 10 to 102, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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.

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, 22 June 2020

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue	6	**1,110,081**	1,162,531
Cost of sales and services provided		**(826,628)**	(853,233)
Gross Profit		**283,453**	309,298
Other income	6	**47,097**	47,929
Selling and distribution expenses		**(7,258)**	(7,395)
Administrative expenses		**(199,183)**	(208,528)
Other operating expenses		**(37,278)**	(66,609)
Other gains or losses			
Fair value gain on investment properties	14	**17,582**	154,547
Loss on disposal of investment properties	14	**(1,405)**	—
Fair value gain/(loss) on financial assets at fair value through profit or loss		**586**	(8,915)
Gain arising from deregistration of subsidiaries	45(d)	**4**	20,702
Impairment loss on goodwill	18	**—**	(4,415)
Impairment loss on other intangible assets	19	**(11,070)**	(55,433)
Impairment loss on property, plant and equipment	15	**(7,978)**	(6,941)
Write-back of payables	45(d)	**—**	74,388
Net foreign exchange loss		**(1,986)**	(1,175)
Others		**(3,525)**	(3,740)
Operating profit		**79,039**	243,713
Finance costs	8	**(45,192)**	(36,044)
Share of results of associates		**5,184**	2,701
Share of results of joint ventures		**16,694**	10,956
Profit before income tax	9	**55,725**	221,326
Income tax (expense)/credit	10	**(16,628)**	21,609
Profit for the year		**39,097**	242,935
Profit for the year attributable to:			
Owners of the Company		**44,167**	247,588
Non-controlling interests		**(5,070)**	(4,653)
		39,097	242,935
	13	**HK Cents**	HK Cents
Earnings per share			
– Basic		**8.4**	47.3
– Diluted		**8.4**	47.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Profit for the year		**39,097**	242,935
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange difference arising from translation of overseas operations			
– subsidiaries		**(58,156)**	(126,177)
– associate and joint ventures		**(2,682)**	(6,660)
Reclassification adjustment of translation reserve recycled to profit or loss upon			
– deregistration of subsidiaries	*45(d)*	**(4)**	(20,702)
		(60,842)	(153,539)
Items that will not be reclassified to profit or loss			
Revaluation of land and buildings classified as property, plant and equipment	*15(c)*		
– Changes in fair value		**31,886**	18,500
– Income tax effect		**(7,201)**	4,631
		24,685	23,131
Financial assets at fair value through other comprehensive income	*22*		
– Changes in fair value		**185,082**	(96,929)
– Income tax effect		**(2,405)**	(843)
		182,677	(97,772)
Other comprehensive income for the year, net of tax		**146,520**	(228,180)
Total comprehensive income for the year		**185,617**	14,755
Total comprehensive income attributable to:			
Owners of the Company		**191,651**	22,058
Non-controlling interests		**(6,034)**	(7,303)
		185,617	14,755

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	*14*	**2,517,995**	2,588,139
Property, plant and equipment	*15*	**611,644**	476,795
Construction in progress	*16*	**5,497**	—
Prepaid lease rental on land	*17*	**—**	30,275
Deposit paid	*28*	**—**	63,380
Prepayments for acquisition of property, plant and equipment		**16,260**	18,638
Other intangible assets	*19*	**156,413**	152,784
Interests in associates	*20*	**156,958**	155,621
Interests in joint ventures	*21*	**24,507**	12,616
Financial assets at fair value through other comprehensive income	*22*	**487,161**	302,347
Other assets	*23*	**74,988**	74,488
Loans receivable	*24*	**52,358**	51,259
Finance lease receivables	*25*	**1,742**	2,495
Deferred tax assets	*39*	**1,423**	1,669
		4,106,946	3,930,506
Current assets			
Inventories of properties	*26*	**1,433,390**	748,021
Other inventories	*27*	**129,843**	137,147
Trade and other receivables, prepayments and deposits	*28*	**372,524**	280,690
Prepaid lease rental on land	*17*	**—**	940
Loans receivable	*24*	**—**	653
Finance lease receivables	*25*	**2,254**	2,959
Financial assets at fair value through profit or loss	*29*	**52,776**	52,092
Tax prepaid		**1,930**	178
Restricted bank deposits	*30(a)*	**22,259**	22,377
Cash and bank balances	*30(b)*	**212,497**	489,185
		2,227,473	1,734,242
Current liabilities			
Contract liabilities	*31*	**3,248**	1,691
Trade and other payables	*32*	**574,643**	449,503
Finance lease payable	*33*	**—**	594
Lease liabilities	*34*	**3,307**	—
Amounts due to associates	*35*	**122**	122
Amount due to a joint venture	*35*	**—**	4,340
Amount due to a related party	*36*	**291**	291
Amount due to a director	*36*	**65,848**	38,460
Taxation liabilities		**46,216**	52,272
Borrowings	*37*	**1,290,601**	489,076
		1,984,276	1,036,349
Net current assets		**243,197**	697,893
Total assets less current liabilities		**4,350,143**	4,628,399

	NOTES	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Finance lease payable	33	**—**	2,162
Lease liabilities	34	**13,774**	—
Borrowings	37	**—**	524,765
Loan from non-controlling shareholder	38	**6,408**	6,173
Deferred tax liabilities	39	**616,131**	597,635
		636,313	1,130,735
Net assets		**3,713,830**	3,497,664
CAPITAL AND RESERVES			
Share capital	40	**82**	82
Reserves	41	**3,635,152**	3,411,757
Equity attributable to owners of the Company		**3,635,234**	3,411,839
Non-controlling interests	42	**78,596**	85,825
Total equity		**3,713,830**	3,497,664

On behalf of the directors

CHOW KAI CHIU, DAVID
Director

LI PIK MUI, CINDY
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Equity attributable to owners of the Company											
	Share capital HK$'000	Capital reserve HK$'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 2019	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
Revaluation adjustment on leasehold land reclassified from prepaid lease rental on land *(note 15(b))*	–	–	–	–	–	33,900	–	–	–	33,900	-	33,900
Restated balance at 1 January 2019	82	273,360	(53,681)	874	(103,964)	257,744	2,617	10,127	3,058,580	3,445,739	85,825	3,531,564
Profit for the year	–	–	–	–	–	–	–	–	44,167	44,167	(5,070)	39,097
Exchange difference arising from translation of overseas operations												
– subsidiaries	–	–	–	–	(57,192)	–	–	–	–	(57,192)	(964)	(58,156)
– associate and joint ventures	–	–	–	–	(2,682)	–	–	–	–	(2,682)	–	(2,682)
Release of translation reserve upon deregistration of a subsidiary *(note 45(d))*	–	–	–	–	(4)	–	–	–	–	(4)	–	(4)
Fair value adjustment on revaluation of land and buildings, net of tax effect *(note 15(c))*	–	–	–	–	–	24,685	–	–	–	24,685	–	24,685
Fair value changes on financial assets at fair value through other comprehensive income, net of tax effect *(note 22)*	–	–	182,677	–	–	–	–	–	–	182,677	–	182,677
Total comprehensive income for the year	–	–	182,677	–	(59,878)	24,685	–	–	44,167	191,651	(6,034)	185,617
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 43(b))*	–	–	–	64	–	–	–	–	–	64	46	110
Acquisition of partial interest in a subsidiary *(note 45(a))*	–	–	–	12	(45)	–	–	–	430	397	(1,241)	(844)
Transfer between reserves												
Proposed final dividend *(note 12(a))*	–	–	–	–	–	–	2,617	–	(2,617)	–	–	–
Vested PFC Device Share Options forfeited *(note 43(b))*	–	–	–	(12)	–	–	–	–	12	–	–	–
Reclassification of financial assets at fair value through other comprehensive income reserve to retained profits upon disposal *(note 22)*	–	–	(13,231)	–	–	–	–	–	13,231	–	–	–
Reclassification of asset revaluation reserve to retained profits upon disposal of investment property which were previously classified as property, plant and equipment	–	–	–	–	–	(31,478)	–	–	31,478	–	–	–
Difference in depreciation provided based on historical cost and revalued amount of land and buildings with ownership interest held for own use *(note 15 (c))*	–	–	–	–	–	(11,426)	–	–	11,426	–	–	–
At 31 December 2019	82	273,360	115,765	938	(163,887)	239,525	2,617	10,127	3,156,707	3,635,234	78,596	3,713,830

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Equity attributable to owners of the Company											
	Share capital HK$'000	Capital reserve HK$'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
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)
– associate and joint ventures	–	–	–	–	(6,660)	–	–	–	–	(6,660)	–	(6,660)
Release of translation reserve upon deregistration of subsidiaries *(note 45(d))*	–	–	–	–	(20,702)	–	–	–	–	(20,702)	–	(20,702)
Fair value adjustment on revaluation of land and buildings, net of tax effect *(note 15(c))*	–	–	–	–	–	23,131	–	–	–	23,131	–	23,131
Fair value changes on financial assets at fair value through other comprehensive income, net of tax effect *(note 22)*	–	–	(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 43(b))*	–	–	–	269	–	–	–	–	–	269	144	413
Issue of shares by a subsidiary upon exercise of PFC Device Share Options *(note 43(b) and 45(b))*	–	–	–	(467)	(7)	–	–	–	736	262	1,324	1,586
Disposal of partial interest in a subsidiary *(note 45(c))*	–	–	–	(213)	(222)	–	–	–	29,584	29,149	23,493	52,642
Transfer between reserves												
Proposed final dividend *(note 12(a))*	–	–	–	–	–	–	2,617	–	(2,617)	–	–	–
Transfer from statutory reserve	–	–	–	–	–	–	–	3,337	(3,337)	–	–	–
Vested PFC Device Share Options forfeited *(note 43(b))*	–	–	–	(5)	–	–	–	–	5	–	–	–
Difference in depreciation provided based on historical cost and revalued amount of land and buildings *(note 15 (c))*	–	–	–	–	–	(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 CASH FLOWS

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Operating activities			
Profit before income tax		**55,725**	221,326
Adjustment for:			
Share of results of associates		**(5,184)**	(2,701)
Share of results of joint ventures		**(16,694)**	(10,956)
Depreciation and amortisation		**57,050**	53,454
Government grants		**–**	(324)
Share-based payment expense		**110**	413
Fair value gain on investment properties		**(17,582)**	(154,547)
Unrealised fair value change on financial assets at fair value through profit or loss		**6,390**	8,118
Allowance for other inventories		**2,680**	1,258
(Reversal of impairment loss)/Impairment loss on financial assets at amortised cost		**(20,375)**	13,933
Reversal of impairment loss on prepayments and deposits		**–**	(1,045)
Write-off of financial assets at amortised cost		**–**	5
Impairment loss on goodwill		**–**	4,415
Impairment loss on other intangible assets		**11,070**	55,433
Impairment loss on property, plant and equipment		**7,978**	6,941
Write-off of property, plant and equipment		**21**	7
Write-back of payables		**–**	(74,388)
Loss on disposal of property, plant and equipment		**3,152**	3,349
Loss on disposal of investment properties		**1,405**	–
Gain arising from deregistration of subsidiaries		**(4)**	(20,702)
Interest income		**(4,219)**	(9,358)
Interest expenses		**40,104**	30,964
Guarantee fee		**5,063**	5,025
Exchange differences		**86**	(3,059)
Operating cash flows before movements in working capital		**126,776**	127,561
Increase in inventories of properties		**(505,440)**	(41,467)
Increase in other inventories		**1,911**	(3,255)
Decrease/(Increase) in trade and other receivables, prepayments and deposits		**(92,606)**	17,179
Decrease in amounts due from joint ventures		**–**	11,039
Decrease in finance lease receivables		**1,336**	1,322
(Increase)/Decrease in financial assets at fair value through profit or loss		**(7,074)**	15,080
Increase in trade and other payables		**20,817**	20,747
Increase in contract liabilities		**1,557**	–
Cash (used in)/generated from operations		**(452,723)**	148,206
Income tax paid		**(27,491)**	(50,687)
Net cash (used in)/from operating activities		**(480,214)**	97,519

	NOTES	2019 HK$'000	2018 HK$'000
Investing activities			
Consideration paid for acquisition of additional interests in a subsidiary	45(a)	**(844)**	—
Net cash inflows from disposal of partial interest in a subsidiary	45(c)	**—**	52,642
Settlement of outstanding consideration for capital injection in a joint venture	46(a)	**(5,478)**	—
Proceeds from disposal of investment properties		**46,530**	—
Proceeds from disposal of property, plant and equipment		**2,104**	968
Interest element of finance lease receivables		**48**	66
Interest received		**4,191**	9,484
Dividend income from an associate		**—**	8,059
Dividend income from joint ventures		**4,868**	—
Purchase of antiques and artworks		**(500)**	(2,558)
Purchase of property, plant and equipment		**(89,574)**	(53,656)
Additions to construction in progress		**(5,599)**	—
Purchase of investment properties		**(223)**	(38,174)
Decrease in loans receivable, net		**652**	1,950
Proceeds on disposal of financial assets at fair value through other comprehensive income		**150,606**	—
Purchase of financial assets at fair value through other comprehensive income		**(150,872)**	(85,139)
Decrease in restricted bank deposits		**(372)**	7
Net cash used in investing activities		**(44,463)**	(106,351)
Financing activities	46(b)		
New bank and other borrowings		**908,381**	1,210,356
Repayment of bank borrowings		**(629,402)**	(1,051,706)
Advances from a director		**27,570**	—
Repayment to a director		**(5,245)**	—
Advance from a joint venture		**1,138**	—
Repayment to a director		**—**	(7,652)
Payment of principal element of lease liabilities		**(3,507)**	—
Payment of interest element of lease liabilities		**(607)**	—
Payment of capital element of finance lease payable		**—**	(559)
Payment of interest element of finance lease payable		**—**	(156)
Payment of other interests		**(39,497)**	(30,808)
Dividend paid		**(2,617)**	(2,617)
Capital contribution from non-controlling interests		**—**	1,586
Net cash from financing activities		**256,214**	118,444
Net (decrease)/increase in cash and cash equivalents		**(268,463)**	109,612
Cash and cash equivalents at 1 January		**489,185**	391,050
Effect of foreign exchange rate change		**(8,225)**	(11,477)
Cash and cash equivalents at 31 December		**212,497**	489,185
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**212,497**	489,185

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 scanning unit, paper handling options and electric tools, 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").

During the year ended 31 December 2019, the management submitted listing application to the Stock Exchange to apply for listing of the shares of SMC Electric Limited on the Stock Exchange. SMC Electric Limited and its subsidiaries are principally engaged in manufacturing and selling of electric tools and sourcing and selling of electric fans which is within the electrical appliances business segment. Subsequently on 2 June 2020, the shares of the SMC Electric Limited were successfully listed on the Main Board of the Stock Exchange.

The financial statements on pages 10 to 102 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") which collective term includes individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The financial statements for the year ended 31 December 2019 were approved and authorised for issue by the directors on 22 June 2020.

2. ADOPTION OF NEW OR REVISED HKFRSs

2.1 Adoption of new or revised HKFRSs – effective on 1 January 2019

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 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Tax Treatments
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3 Business Combinations; HKFRS 11 Joint Arrangements; HKAS 12 Income Taxes; and HKAS 23 Borrowing Costs

The impact of the adoption of HKFRS 16 *Leases* ("HKFRS 16") have been summarised below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 *Leases* ("HKAS 17"), HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* ("HK(IFRIC) Int 4"), HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with a narrow exception of this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective the accounting treatment is substantially unchanged from HKAS 17. Below are the new definition of a lease under HKFRS 16, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16.

(i) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

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

2.1 Adoption of new or revised HKFRSs – effective on 1 January 2019 *(Continued)*

HKFRS 16 *(Continued)*

(i) The new definition of a lease (Continued)

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(ii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and leases liabilities for low-value assets and leases for which at commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

The new accounting policies for lessees under HKFRS 16 are set out in note 4.11A.

(iii) Accounting as a lessor

The Group has leased out its investment properties to a number of tenants. As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact of these financial statements.

(iv) Transition

The Group has applied HKFRS 16 using the modified retrospective approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application, i.e. 1 January 2019. The comparative information presented in 2018 has not been restated and continues to be prepared under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has applied the transitional practical expedients to grandfather the previous assessment on leases. Accordingly, contracts that were previously identified as leases under HKAS 17 and HK(IFRIC)-Int 4 continue to be accounted for as leases under HKFRS 16 and HKFRS 16 is not applied to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 14.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise right-of-use assets at 1 January 2019 for the leases previously classified as operating leases under HKAS 17 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 statement of financial position at 31 December 2018. For all these right-of-use assets, the Group has applied HKAS 36 *Impairment of Assets* at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the following practical expedients: (a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and (b) applied the exemption of not to recognise right-of-use assets and lease liabilities for which the underlying assets is of low value.

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

2.1 Adoption of new or revised HKFRSs – effective on 1 January 2019 *(Continued)*

HKFRS 16 *(Continued)*

(v) Impact of adoption of HKFRS 16

The impact of transition of HKFRS 16 on the consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 is as follows:

	As previously reported HK$'000	HKFRS 16 contract capitalisation HK$'000	HKFRS 16 reclassification HK$'000	As restated HK$'000
Non-current assets				
Property, plant and equipment				
– Land and buildings with ownership interests held for own use *(note (a))*	—	—	31,215	31,215
– Other properties leased for own use *(note (b))*	—	13,752	—	13,752
Prepaid lease rental on land *(note (a))*	30,275	—	(30,275)	—
Current assets				
Prepaid lease rental on land *(note (a))*	940	—	(940)	—
Current liabilities				
Finance lease payable *(note (c))*	594	—	(594)	—
Lease liabilities *(note (b))*	—	2,854	594	3,448
Non-current liabilities				
Finance lease payable *(note (c))*	2,162	—	(2,162)	—
Lease liabilities *(note (b))*	—	10,898	2,162	13,060

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 January 2019:

	HK$'000
Operating lease commitments as at 31 December 2018	8,340
Less: Leases of low-value assets	(80)
Less: Value-added tax	(135)
Less: Future interest expenses	(1,749)
Add: Leases containing extension option which the Group considers reasonably certain to exercise	7,376
	13,752
Add: Finance lease payable as of 31 December 2018	2,756
Total lease liabilities as at 1 January 2019	16,508

The weighted average of the incremental borrowing rates applied to the lease liabilities recognised in the consolidated statement of financial position as at 1 January 2019 is 4.4%.

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

2.1 Adoption of new or revised HKFRSs – effective on 1 January 2019 *(Continued)*

HKFRS 16 *(Continued)*

(v) Impact of adoption of HKFRS 16 (Continued)

Notes:

(a) Up-front payments made by the Group for leasehold land located in the PRC which are held for own use were previously classified as prepaid lease rental on land and were measured at cost less accumulated amortisation and any impairment losses. Upon initial adoption of HKFRS 16 on 1 January 2019, the up-front payments amounting to HK$31,215,000 in aggregate were reclassified to the category of "land and buildings with ownership interests and held for own use" under property, plant and equipment. They are subsequently measured at revalued amount following the accounting policy as set out in note 4.7.

(b) The Group has leased various properties including office properties, warehouse, staff dormitory and operating sites located in Taiwan and the PRC under tenancy agreements, which were previously accounted for as operating leases under HKAS 17. The adoption of HKFRS 16 on 1 January 2019 resulted in the recognition of right-of-use assets arising from these properties leased for own use amounting to HK$13,752,000 and lease liabilities at the same amount. These right-of-use assets are presented in property, plant and equipment under the category of "other properties leased for own use".

(c) The Group has also entered into a retrofit agreement for the mechanical ventilation and air-conditioning ("MVAC") system of the Group's manufacturing plant located in the PRC which was previously classified as finance lease under HKAS 17. As the Group has elected to adopt the modified retrospective approach over the adoption of HKFRS 16, for the finance lease under HKAS 17, the right-of-use assets and the corresponding lease liabilities at 1 January 2019 were the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date. Upon adoption of HKFRS 16 on 1 January 2019, the right-of-use assets arising from the MVAC system with net carrying amount of HK$3,976,000 (comprising cost of HK$5,080,000 and accumulated depreciation of HK$1,104,000) continues to be presented within property, plant and equipment whereas the corresponding finance lease liabilities amounting to HK$2,756,000 were reclassified from finance lease payable to lease liabilities.

(d) Under HKFRS 16, the Group is required to account for leasehold properties as investment properties under HKAS 40 *Investment Property* ("HKAS 40") when these properties are held to earn rentals and/or for capital appreciation. The adoption of HKFRS 16 does not have significant impact on those right-of-use assets that meet the definition of investment properties and they would continue to be accounted for under HKAS 40 and would be carried at fair value.

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.

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

2.1 Adoption of new or revised HKFRSs – effective on 1 January 2019 *(Continued)*

Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures

The amendments clarifies that HKFRS 9 *Financial Instruments* ("HKFRS 9") applies to long-term interests in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these long-term interests before the impairment losses guidance within HKAS 28.

Amendments to HKFRS 9 Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met instead of at fair value through profit or loss.

Annual Improvements to HKFRS 2015-2017 Cycle – Amendments to HKFRS 3 Business Combinations

Amendments to HKFRS 3 clarify that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition-date fair value.

Annual Improvements to HKFRS 2015-2017 Cycle – Amendments to HKFRS 11 Joint Arrangements

Amendments to HKFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition-date fair value.

Annual Improvements to HKFRS 2015-2017 Cycle – Amendments to HKAS 12 Income Taxes

Amendments to HKAS 12 clarify that all income consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRS 2015-2017 Cycle – Amendments to HKAS 23 Borrowing Costs

Amendments to HKAS 23 clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

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

The following new or revised HKFRS, 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.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	COVID-19 - Related Rent Concession[3]

1 Effective for annual periods beginning on or after 1 January 2020
2 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
3 Effective for annual periods beginning on or after 1 June 2020

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.

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

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

Amendments to HKFRS 3 Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process". Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sell or contributes assets to its associate or joint venture. When the transaction involves a business, the gain or loss is recognised in full. Conversely when the transaction involves assets that do not constitute a business, the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKFRS 16 COVID-19 - Related Rent Concessions

The amendment is issued in June 2020 and is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including interim or annual financial statements not authorised for issue as at 4 June 2020, the date of the amendment is issued.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concessions is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lease applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes were not lease modifications. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The above new or revised HKFRS that have been issued but not yet effective are unlikely to have material impact on the Group's results and financial position upon application.

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 with ownership interests held for own use 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 judgement of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement 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 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 HKFRS. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.1 Business combination and basis of consolidation *(Continued)*

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.

4.2 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.3 Associates and joint arrangements *(Continued)*

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.

4.4 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 properties also include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment properties. Leasehold land which meets the definition of investment property are accounted for as investment properties.

Investment property is initially stated at cost, including directly attributable costs, and subsequently stated at fair value. 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 4.20(iv).

4.7 Property, plant and equipment including construction in progress

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Property, plant and equipment including construction in progress *(Continued)*

Land and buildings with ownership interests held for own use 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.

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**
Leasehold land and buildings with ownership interests held for own use *(note 4.11)*	Over the shorter of the lease term of the land or estimated useful life of 20 to 50 years
Other properties leased for own use *(note 4.11)*	Over the shorter of the remaining lease term or estimated useful life
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.

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

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.

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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 measured 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.

4.10 Other assets

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

4.11 Leases

A. Accounting policies applicable from 1 January 2019

The Group as a lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities. The Group has elected as permitted under HKFRS 16 not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group accounts for leasehold land and buildings that are held to earn rentals and/or for capital appreciation under HKAS 40 and those assets are carried at fair value (note 4.6). The Group accounts for leasehold land and buildings which the Group has ownership interest and are held for own use under HKAS 16 *Property, Plant and Equipment* and these assets are carried at revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses (note 4.7). Right-of-use assets related to interests in leasehold land where the interest in the land held as inventory are carried at the lower of cost and net realisable value (note 4.14).

Other than the above, the Group has also leased properties under tenancy agreements. These leases are measured according to the policies set out below and presented in property, plant and equipment under the category of “other properties leased for own use”.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Leases *(Continued)*

A. Accounting policies applicable from 1 January 2019 *(Continued)*

Right-of-use asset

Right-of-use asset is recognised at cost and comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liability

Lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the use of the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g. a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

The Group as a lessor

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised as an expense on the straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Leases *(Continued)*

B. Accounting policies applied until 31 December 2018

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, right-of-use assets, 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.

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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Financial instruments

(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 of 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 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.

– 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

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 expected credit losses ("ECL") on debt instruments carried at amortised cost (including trade receivables, loans receivable, finance lease receivables, other receivables, bank balances including restricted bank deposits) 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 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 analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Financial instruments *(Continued)*

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

The Group recognises an impairment loss or reversal 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, the loss allowance 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.

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 Group'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, lease liabilities, refundable deposits received, amounts due to related parties, loan from non-controlling shareholder and 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).

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Financial instruments *(Continued)*

(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 (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 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 4.13(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15 *Revenue from Contracts with Customers* ("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.

4.14 Inventories of properties

Inventories 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. Inventories 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 interests in leasehold land (note 4.11), development expenditures including construction costs, borrowing costs capitalised (note 4.23) 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.

4.16 Trade and other receivables

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 4.13(i)) less allowance for credit losses (note 4.13(ii)).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

4.19 Contract assets and contract liabilities

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 4.20) 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 4.13(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 4.20). 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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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 leases 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.

4.21 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. 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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 nominal amount. 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. In addition to information disclosed elsewhere in these financial statements, 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 with ownership interests held for own use 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

As disclosed in note 22, the Group invested in certain unlisted equity securities as at 31 December 2019 which are carried at fair value of HK$127,597,000. The fair value of these unlisted equity investments was estimated by management with reference to quotations provided by the brokers and where applicable, the subscription price of rental capital transaction of the investee. The valuation requires the Group to make estimates and assumptions that are subject to uncertainty.

Impairment of non-financial assets

The Group reviews at least annually and assesses whether taxi licences and small passenger car quotas with indefinite useful lives have suffered any impairment. Other assets including property, plant and equipment with definite useful lives are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount of the assets exceeds their recoverable amount. The recoverable amount of an asset or a cash-generating unit is determined based on the higher of fair value less costs of disposal and value-in-use. Discounted cash flow approach is adopted in determing recoverable amount under value-in-use basis and in some circumstances, the fair value less cost of disposal basis. The use of discounted cash flow approach in estimating the recoverable amount incorporates a number of key estimates and assumptions about future events and therefore, are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgments for discounted cash flow approach, the directors take into consideration assumptions that are mainly based on market conditions existing at the end of the reporting period and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group. Future changes in the events and conditions underlying the estimates and judgements would affect the estimation of recoverable amounts and result in adjustments to their carrying amounts. Based on the annual impairment assessment of taxi licences under other intangible asset as 31 December 2019, the recoverable amount of the cash-generating unit to which taxi licences belong to is lower than its carrying amount and impairment loss is recognised as to HK$11,070,000 for taxi licences and HK$7,978,000 for property, plant and equipment. Details about the estimates used in assessing the impairment of other taxi licences and the relevant property, plant and equipment are set out in note 19.

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 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.

Detail of the key assumptions and inputs used are set note 56.3.

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 2019, the Group held equity interest and voting right of a joint arrangement (note 21). The contractual agreement confers joint control over the relevant activities of the joint arrangement to the Group and the other venturers. In addition, the joint arrangement is structured as a limited company and provides the Group and the other venturers 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:

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers		
Sales of goods	**951,760**	985,160
Revenue from other sources		
Taxi and car rental income	**50,587**	64,726
Property rental income	**107,514**	112,370
Interest element of financial lease of cars *(note 25)*	**220**	275
	158,321	177,371
	1,110,081	1,162,531

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:

	2019 HK$'000	2018 HK$'000
Interest income on:		
Bank deposits	**2,946**	6,040
Interest element of finance lease of LED light tubes *(note 25)*	**48**	66
Others, including loans receivable	**1,225**	3,252
Total interest income	**4,219**	9,358
Dividends from financial assets at fair value through profit or loss	**2,018**	1,550
Dividends from financial assets at fair value through other comprehensive income	**12,476**	11,401
Other rental income	**250**	307
Handling fee income	**4,553**	5,266
Recharge of materials and freight costs to customers	**6,970**	7,746
Product engineering services to customers	**5,336**	3,585
Management fee received from joint ventures	**–**	1,117
Government grants *(note)*	**1,140**	1,023
Sundry income	**10,135**	6,576
	47,097	47,929

Note:

During the current year, the Group recognised government subsidies of HK$1,140,000 (2018: HK$1,023,000) received from the municipal and district levels of the PRC government mainly including special funds subsidy to small and medium-sized enterprises as well as subsidies as reward to recognise the Group's contribution in enhancing the level of industry development in the district, reward for innovation of high-tech products as well as employing the disabled person.

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, fusers, laser scanning unit. The Group's manufacturing facilities are located in the PRC and products are mainly sold to customers in 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 the long-term. Part of the business is carried out through an associate.
Property investment and development	This segment constructs 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 instruments.
Taxi rental and sales of motor vehicles	This segment carries on taxi rental operations in the PRC to generate 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, lease liabilities, amounts due to related parties, 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$'000**	**Taxi rental and sales of motor vehicles HK$'000**	**Other segments HK$'000**	**Consolidated HK$'000**
Year ended 31 December 2019								
Revenue from contracts with customers disaggregated by timing of revenue recognition								
– Goods transferred at a point in time	**807,040**	**140,800**	**–**	**–**	**–**	**3,041**	**879**	**951,760**
Revenue from other sources								
– Taxi and car rental income	**–**	**–**	**–**	**–**	**–**	**50,587**	**–**	**50,587**
– Property rental income	**–**	**–**	**107,514**	**–**	**–**	**–**	**–**	**107,514**
– Interest element of financial lease of cars	**–**	**–**	**–**	**–**	**–**	**220**	**–**	**220**
	–	**–**	**107,514**	**–**	**–**	**50,807**	**–**	**158,321**
	807,040	**140,800**	**107,514**	**–**	**–**	**53,848**	**879**	**1,110,081**

	Electrical appliances HK$'000	Power discrete semiconductors HK$'000	Property leasing HK$'000	Property investment and development HK$'000	Securities investment HK$'000	Taxi rental and sales of motor vehicles HK$'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 cars	–	–	–	–	–	275	–	275
	–	–	112,370	–	–	65,001	–	177,371
	800,431	182,889	112,370	–	–	66,555	286	1,162,531

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$'000	Taxi rental and sales of motor vehicles HK$'000	Other segments HK$'000	Consolidated HK$'000
Year ended 31 December 2019								
Revenue	807,040	140,800	107,514	–	–	53,848	879	1,110,081
Profit/(Loss)	80,150	(8,880)	88,476	(4,602)	14,627	(12,112)	(39,856)	117,803
Corporate income								336
Corporate expenses								(62,414)
Profit before income tax								55,725
As at 31 December 2019								
Assets	636,508	208,044	2,760,770	1,494,943	540,561	294,220	104,036	6,039,082
Property, plant and equipment								193,613
Other assets								74,988
Tax assets								3,353
Other corporate assets								23,383
Total consolidated assets								6,334,419
As at 31 December 2019								
Liabilities	354,534	20,575	475,122	307,749	119,202	78,425	20,098	1,375,705
Borrowings								390,983
Tax liabilities								662,347
Other corporate liabilities								191,554
Total consolidated liabilities								2,620,589

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$'000	Taxi rental and sales of motor vehicles HK$'000	Other segments HK$'000	Corporate HK$'000	Consolidated HK$'000
Other information:									
Year ended 31 December 2019									
Interest income	2,537	53	441	2	36	684	436	250	4,439
Finance costs	4,361	270	17,974	1,352	359	611	–	20,265	45,192
Depreciation and amortisation	14,458	14,508	190	–	–	15,867	5,518	6,509	57,050
Fair value gain on investment properties	–	–	17,582	–	–	–	–	–	17,582
(Reversal of impairment loss)/ Impairment loss on financial assets recognised in profit or loss	(53)	–	234	–	–	137	–	(20,693)	(20,375)
(Reversal of allowance)/Allowance for other inventories	(498)	3,178	–	–	–	–	–	–	2,680
Impairment loss on other intangible assets	–	–	–	–	–	11,070	–	–	11,070
Impairment loss on property, plant and equipment	–	–	–	–	–	7,978	–	–	7,978
Write-off of property, plant and equipment	–	–	–	–	–	–	21	–	21
Share of profit of associates	–	–	5,184	–	–	–	–	–	5,184
Share of profit of joint ventures	–	–	–	–	–	–	16,694	–	16,694
Capital expenditure^	3,621	2,518	223	–	–	98,868	7,070	1,417	113,717
As at 31 December 2019									
Interest in associates	–	–	156,958	–	–	–	–	–	156,958
Interest in joint ventures	–	–	–	–	–	–	24,507	–	24,507

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$'000	Taxi rental and sales of motor vehicles HK$'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
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$'000	Taxi rental and sales of motor vehicles HK$'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-off 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									
Interest in associates	–	–	155,621	–	–	–	–	–	155,621
Interest in joint ventures	–	–	–	–	–	–	12,616	–	12,616

^ Capital expenditure includes additions to investment properties, property, plant and equipment (including right-of-use assets), construction in progress, 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.

During the current year, the directors reassessed the geographical information and in light of the information currently reported to the senior management, the directors considered that it is more appropriate to determine revenue by geographical location of electrical appliances business segment as a whole based on the location of goods are delivered. Accordingly, the comparative figures in revenue by geographical locations for the year ended 31 December 2018 have been restated to conform to current years' presentation.

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:

	2019 HK$'000	2018 HK$'000
Hong Kong (Place of domicile)	**29,304**	29,515
Other regions of the PRC	**639,295**	662,237
Taiwan	**56,398**	65,424
Other Asian countries	**45,159**	38,907
Australia	**44,906**	57,460
North America (comprising Canada and the USA)	**237,379**	247,307
Europe	**43,673**	50,625
Others	**13,967**	11,056
	1,110,081	1,162,531

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 interests in associates and joint ventures, is as follows:

	2019 HK$'000	2018 HK$'000
Hong Kong	**732,042**	718,734
Other regions of the PRC	**2,516,852**	2,558,592
Asia, other than the PRC	**65,377**	65,365
North America	**212,879**	193,791
United Kingdom	**37,112**	36,254
	3,564,262	3,572,736

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

	2019 HK$'000	2018 HK$'000
Customer A	**263,463**	309,929
Customer B	**178,511**	110,657
Customer C	**N/A**	141,231

N/A: not applicable as revenue generated from this customer is less than 10% of the Group's revenue for the year.

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

8. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest charges on:		
Bank loans and overdrafts	**39,139**	30,564
Lease liabilities *(note 34)*	**607**	—
Finance lease payable	**—**	156
Other liabilities	**358**	244
Total interest expense	**40,104**	30,964
Bank charges and arrangement fee	**5,088**	5,080
	45,192	36,044

9. PROFIT BEFORE INCOME TAX

	2019	2018
	HK$'000	HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Amortisation:		
Prepaid lease rental on land	**–**	975
Other intangible assets#	**–**	324
Depreciation:		
Other property, plant and equipment	**35,747**	52,155
Right-of-use assets		
Land and buildings with ownership interests held for own use	**17,196**	—
Other properties leased for own use	**3,091**	—
Furniture and equipment	**1,016**	—
	57,050	53,454
Auditors' remuneration:		
Current year	**2,538**	2,316
Under-provision in prior year	**5**	9
Cost of sales and services provided comprise:		
Amount of inventories recognised as expense	**721,543**	744,995
Allowance for other inventories	**2,680**	1,258
Directors' emoluments	**24,594**	23,374
Donations	**1,336**	1,768
Loss on disposal of property, plant and equipment	**3,152**	3,349
(Reversal of impairment loss)/Impairment loss on financial assets at amortised cost	**(20,375)**	13,933
Write-off of financial assets at amortised cost	**–**	5
Reversal of impairment loss on prepayments and deposits	**–**	(1,045)
Write-off of property, plant and equipment	**21**	7
Net foreign exchange loss	**1,986**	1,175
Outgoings in respect of investment properties	**22,228**	31,280
Net rental income from investment properties	**(85,286)**	(81,090)
Operating lease charge on land and buildings *(note)*	**–**	4,019
Research and development cost^	**41,790**	34,347
Lease expenses for low-value assets	**543**	—
Staff costs *(note 11)*	**159,141**	162,077

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$5,483,000 (2018: HK$4,515,000) and HK$1,890,000 (2018: HK$2,751,000) respectively.

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated (note 2.1).

10. INCOME TAX EXPENSE/CREDIT

	2019	2018
	HK$'000	HK$'000
Income tax expense/(credit) comprise:		
Current tax for the year		
Hong Kong profits tax	**8,951**	7,435
Other regions of the PRC – Enterprise Income Tax ("EIT")	**8,286**	30,078
Other regions of the PRC – Land Appreciation Tax ("LAT")	**—**	—
Others	**6**	751
	17,243	38,264
(Over)/Under-provision in prior years		
Hong Kong profits tax	**(283)**	1,337
Other regions of the PRC	**(528)**	(115,545)
Others	**152**	—
	(659)	(114,208)
Deferred tax *(note 39)*		
PRC LAT	**(878)**	57,670
Other income tax	**922**	(3,335)
	44	54,335
Income tax expense/(credit)	**16,628**	(21,609)

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 become law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying entities will be taxed at 8.25% whereas profits above HK$2 million will be taxed at 16.5%. The profits of entities that are subject to Hong Kong profits tax but not qualified for the two-tiered profits 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% (2018: 10% to 25%) on the estimated assessable income for the year.

PRC LAT is levied at progressive rates from 30% to 60% (2018: 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 EXPENSE/CREDIT *(Continued)*

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

	2019	2018
	HK$'000	HK$'000
Profit before income tax	**55,725**	221,326
Tax on profit at the rates applicable to profits in the jurisdictions concerned	**6,832**	2,223
Expenses not deductible for tax purpose	**18,544**	76,148
Income not taxable for tax purpose	**(17,324)**	(63,389)
Share of results of associates and joint ventures	**(3,917)**	(3,508)
Utilisation of tax losses and other temporary differences previously not recognised	**(545)**	(3,450)
Tax losses not recognised	**11,915**	13,362
Over-provision in prior years	**(659)**	(114,208)
Effect of withholding tax on distributable profits of the Company's PRC subsidiaries	**197**	11,949
PRC LAT	**(878)**	57,670
Others	**2,463**	1,594
Income tax expense/(credit)	**16,628**	(21,609)

11. STAFF COSTS

Staff costs (including directors' emoluments) comprise:

	2019	2018
	HK$'000	HK$'000
Salaries, allowances and other benefits	**149,719**	151,804
Retirement fund contributions *(note 47)*	**9,224**	9,764
Equity-settled share-based payment expense *(note 43(b))*	**110**	413
Termination benefits	**88**	96
	159,141	162,077

12. DIVIDENDS

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

	2019	2018
	HK$'000	HK$'000
Proposed final dividend — HK$0.005 (2018: HK$0.005) per ordinary share	**2,617**	2,617

The final dividend of HK$0.005 (2018: HK$0.005) per ordinary share, amounting to HK$2,617,000 (2018: 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.

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

	2019	2018
	HK$'000	HK$'000
Final dividend in respect of previous financial year, approved and paid during the year of HK$0.005 (2018: 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$44,167,000 (2018: HK$247,588,000) and the weighted average number of ordinary shares in issue during the year of 523,485,000 (2018: 523,485,000).

Diluted earnings per share for the year ended 31 December 2018 and 31 December 2019 are the same as the basic earnings per share as the exercise of the options granted to certain subsidiaries (note 43) had an anti-dilutive effect on the basic earnings per share.

14. INVESTMENT PROPERTIES

	2019	2018
	HK$'000	HK$'000
Carrying amount at 1 January	**2,588,139**	2,479,515
Translation adjustment	**(40,014)**	(84,097)
Additions	**223**	38,174
Disposal *(note)*	**(47,935)**	—
Increase in fair value*	**17,582**	154,547
Carrying amount at 31 December	**2,517,995**	2,588,139

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

Note: During the year ended 31 December 2019, the Group disposed of an investment property which is situated in the PRC with carrying amount of HK$47,935,000 at net disposal proceeds of HK$46,530,000 and thus recognised a loss on disposal of HK$1,405,000.

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 2019 and 2018 were assessed by the directors with reference to property valuations 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 respectively. In respect of the investment properties situated in the USA, valuation as at 31 December 2019 and 2018 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 2019 and 2018 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$4,213 (2018: HK$4,122) 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 (2018: HK$42.5) per sq. ft.	The higher the market rent, the higher the fair value
			Capitalisation rate	3.8% (2018: 3.8%)	The higher the capitalisation rate, the lower the fair value
Commercial complex	PRC	Income Capitalisation Approach	Daily rent per square metre ("sq.m.")	Renminbi ("RMB") 6 (2018: RMB6.2) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	5.5% (2018: 5.75%)	The higher the capitalisation rate, the lower the fair value
Commercial premise	PRC	Income Capitalisation Approach	Monthly rent per sq. m.	RMB200 (2018: RMB210) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	5.5% (2018: 5.75%)	The higher the capitalisation rate, the lower the fair value
Residential premise	PRC	Income Capitalisation Approach	Monthly rent per sq. m.	N/A^ (2018: RMB181) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	N/A^ (2018: 2.45%)	The higher the capitalisation rate, the lower the fair value
Industrial complex	PRC	Direct Comparison Approach	Unit rate per sq. m.	RMB7,800 (2018: RMB7,800) per sq. m.	The higher the unit rate, the higher the fair value
Residential premise	United Kingdom	Sales Comparison Approach	Unit price per sq. ft.	British Pound Sterling ("GBP") 1,603 to GBP1,819 (2018: GBP1,603 to GBP1,819) per sq. ft.	The higher the unit price, the higher the fair value
Commercial complex	USA	Income Capitalisation Approach – Discounted cash flow method	Monthly rent per sq. ft.	United States Dollars ("US$") 1.1 to US$1.25 (2018: US$1.1 to US$1.4) per sq. ft.	The higher the market rent, the higher the fair value
			Terminal capitalisation rate	7.5% to 8.25% (2018: 5.2% to 9.6%)	The higher the terminal capitalisation rate, the lower the fair value
			Internal rate of return	10% to 11.5% (2018: 10.0% to 11.5%)	The higher the internal rate of return, the lower the fair value

^ The residential premise was disposed of during 2019.

14. INVESTMENT PROPERTIES *(Continued)*

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 49.

In securing the 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$537,600,000 (2018: HK$528,300,000) as at 31 December 2019.

Certain investment properties of the Group with net carrying amount of HK$1,662,807,000 (2018: HK$1,700,046,000) are pledged as collateral for the borrowings and credit facilities of the Group further detailed in note 48.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings with ownership interests held for own use HK$'000	Other properties leased for own use HK$'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 2018	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 as originally presented	**302,466**	**—**	**185,193**	**75,652**	**77,958**	**98,129**	**739,398**
Adjustment on initial adoption of HKFRS 16 *(note (a))*	**31,215**	**13,752**	**—**	**—**	**(1,104)**	**—**	**43,863**
Revaluation adjustment on leasehold land reclassified from prepaid lease rental on land *(note (b))*	**59,850**	**—**	**—**	**—**	**—**	**—**	**59,850**
Restated balance as at 1 January 2019	**393,531**	**13,752**	**185,193**	**75,652**	**76,854**	**98,129**	**843,111**
Translation adjustment	**(5,053)**	**(339)**	**(4,079)**	**(938)**	**(1,261)**	**(2,177)**	**(13,847)**
Additions	**—**	**4,465**	**4,631**	**1,871**	**3,385**	**81,671**	**96,023**
Disposals	**—**	**—**	**(1)**	**—**	**(4,323)**	**(65,841)**	**(70,165)**
Write-off	**—**	**—**	**(58)**	**(34)**	**(221)**	**—**	**(313)**
Revaluation adjustment *(note (c))*	**14,690**	**—**	**—**	**—**	**—**	**—**	**14,690**
At 31 December 2019	**403,168**	**17,878**	**185,686**	**76,551**	**74,434**	**111,782**	**869,499**
DEPRECIATION AND IMPAIRMENT							
At 1 January 2018	—	—	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 as originally presented	**—**	**—**	**79,791**	**72,097**	**55,832**	**54,883**	**262,603**
Adjustment on initial adoption of HKFRS 16 *(note (a))*	**—**	**—**	**—**	**—**	**(1,104)**	**—**	**(1,104)**
Restated balance as at 1 January 2019	**—**	**–**	**79,791**	**72,097**	**54,728**	**54,883**	**261,499**
Translation adjustment	**—**	**(19)**	**(1,957)**	**(972)**	**(924)**	**(577)**	**(4,449)**
Depreciation provided	**17,196**	**3,091**	**16,156**	**1,309**	**5,279**	**14,019**	**57,050**
Disposals	**—**	**—**	**(1)**	**—**	**(4,090)**	**(42,644)**	**(46,735)**
Write-off	**—**	**—**	**(58)**	**(34)**	**(200)**	**—**	**(292)**
Impairment	**—**	**—**	**—**	**—**	**—**	**7,978**	**7,978**
Revaluation adjustment *(note (c))*	**(17,196)**	**—**	**—**	**—**	**—**	**—**	**(17,196)**
At 31 December 2019	**—**	**3,072**	**93,931**	**72,400**	**54,793**	**33,659**	**257,855**
NET CARRYING AMOUNT							
At 31 December 2019	**403,168**	**14,806**	**91,755**	**4,151**	**19,641**	**78,123**	**611,644**
At 31 December 2018	302,466	—	105,402	3,555	22,126	43,246	476,795

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

Notes:

(a) The Group has interests in leasehold land and buildings where the Group is the registered owner of the property interests. The Group also leased various properties including office properties, warehouse, staff dormitory and operating sites located in Taiwan and the PRC under tenancy agreements which were previously classified as operating lease under HKAS 17. In addition, the Group entered into a retrofit agreement for the MVAC system of the Group's manufacturing plant located in the PRC which was previously classified as finance lease under HKAS 17. The Group has adopted HKFRS16 to account for its lease arrangements using the modified retrospective approach and adjusted the opening balances at 1 January 2019 if adjustment arise. Under this approach, the comparative information is not restated. Further details of the transition to HKFRS 16 are set out in note 2.1.

(b) Up-front payments made by the Group for leasehold land located in the PRC which are held for own use were previously classified as prepaid lease rental on land and stated at cost less accumulated amortisation and any impairment losses. Upon adoption of HKFRS 16, the up-front payments were reclassified to the category of land and buildings with ownership interests held for own use within property, plant and equipment. To align with the measurement basis of assets classified under such category of property, plant and equipment (note 4.7), the Group remeasured these property interests at fair value and the difference between the fair value on that date amounting to HK$59,850,000, net of the resulting income tax effect of HK$25,950,000, which amounted to HK$33,900,000 was dealt with in assets revaluation reserve on 1 January 2019.

(c) Land and buildings for which the Group has ownership interests and are held for own use are stated at revalued amount less any subsequent accumulated depreciation and impairment losses. As at 31 December 2019, the Group recorded a net increase in fair value for land and buildings of HK$31,886,000 (2018: HK$18,500,000). The increase in fair value net of the resulting income tax expense of HK$7,201,000 (2018: income tax credit of HK$4,631,000) which amounted to HK$24,685,000 (2018: HK$23,131,000) is dealt with in assets revaluation reserve in equity.

For land and buildings with ownership interests held for own use, the difference in depreciation provided based on the original cost and revalued amount for the year ended 31 December 2019 amounting to HK$11,426,000 (2018: HK$9,119,000) was reclassified from assets revaluation reserve to retained profits.

(d) The fair values of the land and buildings with ownership interests held for own use as at 31 December 2019 and 2018 were assessed by the directors with reference to property valuations 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 2019 and 2018 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.

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

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$2,850 – HK$4,213 (2018: HK$2,700 – HK$4,122) per sq. ft.	The higher the unit price, the higher the fair value
Industrial premises	PRC	Income Capitalisation Approach	Monthly rent per sq. m.	RMB14 (2018: RMB13) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	6.75% (2018: 6.75%)	The higher the capitalisation rate, the lower the fair value
Residential premises	PRC	Direct Comparison Approach	Unit rate per sq. m.	RMB3,400 (2018: RMB3,300) 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 (2018: RMB6.2) per sq. m.	The higher the market rent, the higher the fair value
			Capitalisation rate	5.5% (2018: 5.75%)	The higher the capitalisation rate, the lower the fair value
Commercial premises	PRC	2019: Direct Comparison Approach	2019: Unit rate per sq. m.	RMB39,000 per sq. m.	The higher the unit rate, the higher the fair value
		2018: Income Capitalisation Approach	2018: Monthly rent per sq. m.	2018: RMB173 monthly rent per sq. m.	The higher the market rent, the higher the fair value
			2018: Capitalisation rate	2018: 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 (2018: 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 (2018: US$3,371) per sq. m.	The higher the unit price, the higher the fair value

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$117,923,000 (2018: HK$94,198,000).

(e) During the year ended 31 December 2019, impairment provision was made for certain property, plant and equipment which are being deployed by the business segments power discrete semiconductors and taxi rental and sales of motor vehicles, which amounted to nil (2018: HK$3,464,000) and HK$7,978,000 (2018: HK$3,477,000). Details of the impairment assessment are set out in notes 18 and 19.

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

(f) The analysis of the net carrying amount of right-of-use assets by class of underlying asset is as follows:

	31 December 2019 HK$'000	1 January 2019 HK$'000
Ownership interests in leasehold land and buildings, carried at revalued amount	**403,168**	393,531
Other properties leased for own use, carried at depreciated cost	**14,806**	13,752
Furniture, fixtures and office equipment	**2,892**	3,976
	420,866	411,259

(g) In securing the 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$305,938,000 as at 31 December 2019 (2018: HK$234,618,000).

Certain property, plant and equipment of the Group with net carrying amount of HK$13,876,000 (2018: HK$2,625,000) are pledged as collateral for the borrowings and credit facilities of the Group as further detailed in note 48.

16. CONSTRUCTION IN PROGRESS

	2019 HK$'000
Carrying amount at 1 January	**—**
Translation adjustment	**(102)**
Additions	**5,599**
Carrying amount at 31 December	**5,497**

The Group's construction in progress is stated at cost less impairment. Construction in progress is transferred to the appropriate class of property, plant and equipment (note 15) when substantially all the activities necessary to prepare the assets for their intended use are completed.

17. PREPAID LEASE RENTAL ON LAND

	2019 HK$'000	2018 HK$'000
Carrying amount at 1 January as originally presented	**31,215**	33,704
Adjustment on initial adoption of HKFRS 16 *(note 2.1)*	**(31,215)**	—
Carrying amount at 1 January as restated	**—**	33,704
Translation adjustment	**—**	(1,514)
Amortisation charged	**—**	(975)
Carrying amount at 31 December	**—**	31,215
Analysed into:		
Non-current portion included in non-current assets	**—**	30,275
Current portion included in current assets	**—**	940
	—	31,215

At 31 December 2018, the carrying amount of prepaid lease rental on land represented up-front payments made for the leasehold land interests located in the PRC and held for own use, which was stated at cost on the initial recognition and was amortised over the relevant lease term. Upon the initial adoption of HKFRS 16 on 1 January 2019, the carrying amount of prepaid lease rental on land of HK$31,215,000 was reclassified to the category of "land and buildings with ownership interests held for own use" under property, plant and equipment (note 15).

As at 31 December 2018, certain of the Group's interest in prepaid lease rental on land with net carrying amount of HK$6,798,000 were pledged as collateral for the borrowings and credit facilities of the Group as further detailed in note 48.

18. GOODWILL

	2019 HK$'000	2018 HK$'000
At 1 January	**–**	4,393
Translation adjustment	**–**	22
Provision for impairment	**–**	(4,415)
At 31 December	**–**	–

For the purpose of impairment assessment for the year ended 31 December 2018, goodwill was allocated to the cash-generating unit of manufacturing and sales of power discrete semiconductors within the segment of "Power discrete semiconductors" and was 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 comprised cash flow projections based on the financial budgets approved by the management. The period covered by the financial budgets was three years. Cash flows beyond the three-year period were extrapolated using an estimated growth rate of 3%.

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

	2018
Discount rate (pre-tax)	17.4%
Gross profit margin	16% — 18%

These assumptions had 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 were forecasted with reference to the annual sale plan provided by customers. Gross profit margin was 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, was 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 ended 31 December 2018. 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 ended 31 December 2018 of HK$7,879,000 was 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.

19. OTHER INTANGIBLE ASSETS

	Taxi licences HK$'000	**Small passenger car quotas licences HK$'000**	**Patent, trademark and copyrights HK$'000**	**Total HK$'000**
COST				
At 1 January 2018	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**
Translation adjustment	**(5,806)**	**(41)**	**(53)**	**(5,900)**
Additions	**18,174**	**–**	**–**	**18,174**
At 31 December 2019	**262,330**	**1,842**	**9,635**	**273,807**
AMORTISATION AND IMPAIRMENT				
At 1 January 2018	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**
Translation adjustment	**(2,372)**	**–**	**(53)**	**(2,425)**
Impairment	**11,070**	**–**	**–**	**11,070**
At 31 December 2019	**107,759**	**–**	**9,635**	**117,394**
NET CARRYING AMOUNT				
At 31 December 2019	**154,571**	**1,842**	**–**	**156,413**
At 31 December 2018	150,901	1,883	–	152,784

19. OTHER INTANGIBLE ASSETS *(Continued)*

Taxi Licences

According to the relevant regulations promulgated by the PRC government, taxi vehicle in general is allowed to be deployed for taxi operations for a maximum period of 5 years. After the 5-year operating period, taxi operators have to replace the aged taxi vehicles with new taxi vehicles so as to continue the taxi operations. During the year ended 31 December 2019, the PRC government launched a scheme to encourage taxi operators to speed up the replacement of the taxi vehicles with electric taxi vehicles. The Group participated in the scheme and replaced its taxi vehicles by electric taxi vehicles in advance of the mandatory replacement timeline and in return, the Group was granted certain taxi licences for free ("Free Taxi Licences"). These Free Taxi Licences entitle holders to operate taxi vehicles for a five-year period and accordingly, the useful life of these Free Taxi Licences is assessed to be five years. On initial recognition, the Group recognised these Free Taxi Licences as intangible assets at nominal amount of HK$18,174,000, which is determined as the excess of (i) the net carrying amount of the relevant taxi vehicles over (ii) the proceeds received from disposing those replaced taxi vehicles. These Free Taxi Licences are subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

Other than the Free Taxi Lincences, the Group holds other taxi licences which are not subject to any restriction ("Other Taxi Licences). In the opinion of the directors, these Other Taxi Licences have indefinite useful life as there is no foreseeable limit on the period of the on which Other Taxi Licences are expected to generate cash flows. Accordingly, these Other Taxi Licences are not amortised and instead, are carried at cost less any accumulated impairment losses.

Taxi Licences together with the relevant property, plant and equipment including right-of-use assets which form the cash-generating unit of taxi rental within the segment of taxi rental and sales of motor vehicles are tested for impairment by the management by estimating its recoverable amount. The recoverable amount of this cash-generating unit as at 31 December 2019 was determined using fair value less costs of disposal basis whereas the recoverable amount as at 31 December 2018 was determined based on value-in-use calculations. Both of the basis adopted discounted cash flow approach in determining recoverable amount.

Discounted cash flow calculations use cash flow projections based on the financial budgets approved by the management. The financial budget 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 the business period in previous years were successful and without encountering significant difficulty.

Other key assumptions used by management in the calculations 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 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 projection is 18.5% (2018: 16%) 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 2019 was estimated to be lower than its carrying amount by HK$19,048,000 and accordingly, impairment provision was made as to HK$11,070,000 (2018: HK$55,433,000) for the taxi licences and HK$7,978,000 (2018: HK$3,477,000) for the relevant property, plant and equipment (note 15). 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 vehicles which must be electric instead of fuel-engined vehicles in operating the taxi rental business.

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 2019 and 2018 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.

20. INTERESTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Share of net assets	**156,958**	155,621

Details of the Group's principal associates as at 31 December 2019 are set out in note 58.

The following illustrates the summarised financial information in relation to the Group's associates as at 31 December 2019 with comparative information extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group:

	2019 HK$'000	2018 HK$'000
Year ended 31 December		
Revenue	**88,031**	91,493
Profit for the year	**25,920**	13,505
Other comprehensive income for the year	**(13,737)**	(30,222)
Total comprehensive income for the year	**12,183**	(16,717)
Dividend received from associates	**—**	8,059
As at 31 December		
Current assets	**465,673**	121,998
Non-current assets	**1,384,746**	1,385,761
Current liabilities	**(451,560)**	(125,444)
Non-current liabilities	**(614,071)**	(604,211)
Net assets	**784,788**	778,104
Carrying amount of the Group's interest in the net assets of the associates	**156,958**	155,621

21. INTERESTS IN JOINT VENTURES

	2019 HK$'000	2018 HK$'000
Share of net assets	**24,507**	12,616

Details of the Group's principal joint ventures as at 31 December 2019 are set out in note 59.

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

	2019 HK$'000	2018 HK$'000
Year ended 31 December		
Share of the joint ventures' profit for the year	**16,694**	10,956
Share of the joint ventures' other comprehensive income for the year	**65**	(616)
Share of the joint ventures' total comprehensive income for the year	**16,759**	10,340
Dividend received from joint ventures	**4,868**	—

	2019 HK$'000	2018 HK$'000
As at 31 December		
Aggregate carrying amount of the Group's interests in joint ventures	**24,507**	12,616

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2018
	HK$'000	HK$'000
Equity securities, listed in Hong Kong	**337,297**	160,826
Equity securities, listed outside Hong Kong	**21,907**	—
Equity securities, unlisted outside Hong Kong	**127,957**	—
Equity securities, unlisted in the PRC	**—**	141,521
	487,161	302,347

The Group held certain listed and unlisted equity securities for strategic purposes.

For the year ended 31 December 2019, the Group recorded an increase in fair value for investments in equity securities amounting to HK$185,082,000. The increase in fair value, net of the resulting income tax effect of HK$2,405,000 which amounted to HK$182,677,000, which is dealt with in financial assets at fair value through other comprehensive income reserve in equity.

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

During the year ended 31 December 2019, the Group disposed of all the PRC unlisted equity securities with investment costs amounting to RMB118,385,000 at consideration of RMB132,459,000 (equivalent to HK$150,606,000), the cumulative gain of the investment net of the resulting income tax effect which amounted to RMB11,247,000 (equivalent to HK$13,231,000) was transferred from financial assets at fair value through other comprehensive income reserve to retained profits.

Certain equity securities are pledged as collateral for the borrowings and credit facilities of the Group as further detailed in note 48.

23. OTHER ASSETS

Other assets mainly represent antiques and art works held by the Group for long-term investment purposes and a club membership.

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.

24. LOANS RECEIVABLE

	2019	2018
	HK$'000	HK$'000
Loans receivable from:		
Associates *(note (a))*	**52,358**	71,941
Others *(note (b))*	**—**	12,819
	52,358	84,760
Less: Impairment *(notes (a) and (b))*	**—**	(32,848)
	52,358	51,912
Analysed into:		
Amounts receivable in more than one year included in non-current assets	**52,358**	51,259
Amounts receivable within one year included in current assets	**—**	653
	52,358	51,912

24. LOANS RECEIVABLE *(Continued)*

Notes:

(a) Loans to associates as at 31 December 2019 amounting to HK$52,358,000 (2018: HK$51,259,000) 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 as at 31 December 2018 of HK$20,682,000 was unsecured, interest-bearing at 8.50% per annum and repayable on demand. As at 31 December 2018, management assessed that the entire loan was unlikely to be recovered and accordingly, full impairment provision of HK$20,682,000 had been made. During the year ended 31 December 2019, the Group negotiated with the associate and the other investor of this associate (the "Party") and agreed that the loan would be settled in the consideration payable to the Party for the acquisition of land parcels as further detailed in note 28(d). Accordingly, the impairment provision provided for the loan to this associate was reversed during the year.

(b) Loans to others are unsecured and composed of the followings:

- balance amounting to HK$653,000 as at 31 December 2018 was interest-bearing at 2.0% and repayable within one year. This loan was fully settled during the year ended 31 December 2019.

- balance amounting to amounting to RMB10,000,000, equivalent to HK$11,413,000 at 31 December 2018 was interest-bearing at 18.0% per annum. The loan was originally scheduled to be repaid in October 2017 and as at 31 December 2018, management assessed that the loan was unlikely to be recovered and accordingly, full impairment provision of HK$11,163,000 had been made.

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

Except for the loan which was fully settled during the year, management is of opinion that the remaining loan balance amounting to HK$11,916,000 as at 31 December 2019 is not recoverable and thus, the Group has written off these loans receivable during the year ended 31 December 2019.

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

	2019 **HK$'000**	2018 HK$'000
At 1 January	**32,848**	34,908
Translation adjustment	**(239)**	(1,512)
Impairment losses recognised	**—**	11,834
Impairment losses reversed	**(20,693)**	—
Amounts written off as uncollectible	**(11,916)**	(12,382)
At 31 December	**—**	32,848

The Group recognises impairment loss on loans receivable based on the accounting policies stated in note 4.13(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 56.3.

25. 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.

In addition, the Group also engages in the business of sales of motor vehicles, which is part of the Group's ordinary course of business. The Group entered into agreements with customers for leasing 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.

25. 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	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts receivable:				
Not later than one year	**2,765**	3,443	**2,600**	3,213
Later than one year and not later than five years	**1,679**	2,809	**1,593**	2,609
Later than five years	**300**	44	**214**	30
	4,744	6,296	**4,407**	5,852
Future finance income	**(337)**	(444)	**—**	—
Finance lease receivables, gross	**4,407**	5,852	**4,407**	5,852
Less: Impairment	**(411)**	(398)	**(411)**	(398)
Finance lease receivables, net	**3,996**	5,454	**3,996**	5,454

	2019	2018
	HK$'000	HK$'000
Analysed into:		
Amounts receivable in more than one year included in non-current assets	**1,742**	2,495
Amounts receivable within one year included in current assets	**2,254**	2,959
	3,996	5,454

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

	2019	2018
	HK$'000	HK$'000
At 1 January	**398**	—
Translation adjustment	**(9)**	(14)
Impairment losses recognised	**22**	412
At 31 December	**411**	398

The Group recognises impairment loss on finance lease receivables based on the accounting policies stated in note 4.13(ii). 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 56.3.

26. INVENTORIES OF PROPERTIES

	2019 **HK$'000**	2018 HK$'000
Properties under development	**1,433,390**	748,021

As at 31 December 2019, properties under development amounting to HK$1,345,841,000 (2018: HK$672,614,000) are not expected to be recovered within twelve months from the end of the reporting period.

27. OTHER INVENTORIES

	2019 **HK$'000**	2018 HK$'000
Raw materials	**62,287**	89,046
Work-in-progress	**22,939**	16,178
Finished goods	**44,617**	31,923
	129,843	137,147

28. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2019 **HK$'000**	2018 HK$'000
Trade receivables *(note (a))*	**237,654**	235,774
Less: Impairment on trade receivables *(note (b))*	**(8,410)**	(8,153)
Trade receivables, net	**229,244**	227,621
Other receivables	**86,099**	28,755
Less: Impairment on other receivables *(note (c))*	**(2,855)**	(10,897)
Other receivables, net	**83,244**	17,858
Prepayments and deposits *(note (d))*	**60,036**	98,591
	372,524	344,070
Analysed into:		
Non-current assets *(note (d))*	**—**	63,380
Current assets	**372,524**	280,690
	372,524	344,070

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

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 56.3.

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

	2019	2018
	HK$'000	HK$'000
At 1 January	**8,153**	6,320
Translation adjustment	**(39)**	(85)
Impairment losses recognised	**534**	2,269
Impairment losses reversed	**(238)**	—
Amounts written off as uncollectible	**—**	(351)
At 31 December	**8,410**	8,153

The Group recognises impairment loss on trade receivables based on the accounting policies stated in note 4.13(ii). Further details of the Group's credit risk arising from trade receivables and the loss allowance arising from ECL are set out in note 56.3.

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

	2019	2018
	HK$'000	HK$'000
At 1 January	**10,897**	11,583
Translation adjustment	**(47)**	(104)
Impairment losses reversed	**—**	(582)
Amounts written off as uncollectible	**(7,995)**	—
At 31 December	**2,855**	10,897

The Group recognises impairment loss on other receivables based on the accounting policies stated in note 4.13(ii). Further details of the Group's credit risk arising from other receivables and the loss allowance arising from ECL are set out in note 56.3.

(d) Balances as at 31 December 2018 included a deposit amounting to RMB50,000,000 (equivalent to HK$63,380,000) paid for acquisition of land parcels in Shunde, the PRC from the Party through acquisition of equity interest in an entity established in the PRC (the "Target Company") for holding the interest in those land parcels. The procedures for transferring the land titles were still in progress as at 31 December 2018 and accordingly, the amount paid was classified as "Deposit paid" under non-current assets in the consolidated statement of financial position. During the year ended 31 December 2019, the relevant procedures for transferring the titles of the concerned land parcels as well as the equity interest of the Target Company were completed. Accordingly, the deposit was offset against the consideration payable to the Party (note 32(c)).

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Listed equity securities, at fair value	**52,776**	52,092

As at 31 December 2019 and 2018, the Group held certain listed equity securities for trading purpose and are classified as financial assets at fair value through profit or loss.

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 collateral for the borrowings and credit facilities of the Group as further detailed in note 48.

30. RESTRICTED BANK DEPOSITS/CASH AND BANK BALANCES

(a) Restricted bank deposits

Restricted bank deposits represent deposits 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 2019, the deposits outstanding in the designated bank account amounted to RMB19,940,000, equivalent to HK$22,259,000 (2018: RMB19,607,000, equivalent to HK$22,377,000) which is requested by the Mortgage Bank for securing the potential liabilities arising from the litigation in relation to the GZ Property (note 51(b)).

(b) Cash and bank balances

Cash and bank balances include the following:

	2019 HK$'000	2018 HK$'000
Cash at banks, in hand and deposited with financial institutions	**196,919**	489,185
Short-term bank deposits	**15,578**	—
	212,497	489,185

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$15,578,000 as at 31 December 2019 (2018: nil) were placed with a bank with original maturity of one month and earn interest income at interest rate of 1.64% per annum.

As at 31 December 2019, cash balances and deposits of the Group denominated in RMB amounted to approximately HK$72,039,000 (2018: HK$372,823,000). RMB is not freely convertible into other currencies.

31. CONTRACT LIABILITIES

	2019 **HK$'000**	2018 HK$'000
Contract liabilities arising from		
– Sales of goods	**3,248**	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 give rise to contract liabilities. Movements in contract liabilities are as follows:

	2019 **HK$'000**	2018 HK$'000
Balance as at 1 January	**1,691**	4,142
Translation adjustment	**(4)**	(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	**(1,632)**	(4,140)
Increase in contract liabilities as a result of receiving deposits and advances during the year of which the orders are still outstanding	**3,193**	1,696
Balance as at 31 December	**3,248**	1,691

32. TRADE AND OTHER PAYABLES

	2019 **HK$'000**	2018 HK$'000
Trade payables *(note (a))*	**149,728**	121,836
Temporary receipts *(note (b))*	**158,413**	162,258
Other payables and accruals *(note (c))*	**215,099**	111,389
Deposits received and receipt in advance *(note (d))*	**51,403**	54,020
	574,643	449,503

Notes:

(a) Balances as at 31 December 2019 included payables to an associate amounting to HK$2,744,000 (2018: HK$4,176,000) which arose from the trading transactions as disclosed in note 52(a). These balances are unsecured, interest-free and due for settlement pursuant to the payment terms of the respective orders.

(b) Balances as at 31 December 2019 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 and up to the date of this report.

(c) Balances as at 31 December 2019 included consideration payable to the Party amounting to RMB95.5 million, equivalent to HK$106.6 million (2018: nil) in relation to the acquisition of the land parcels as detailed in note 28(d).

(d) Balances as at 31 December 2019 and 31 December 2018 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 51(c).

33. FINANCE LEASE PAYABLE

In 2017, the Group entered into a retrofit agreement for the 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 under HKAS 17.

Upon the initial adoption of HKFRS 16 on 1 January 2019, the carrying amount of the lease liabilities relating to this arrangement of approximately HK$2,756,000 was reclassified to lease liabilities (note 34).

The analysis of the finance lease payables as at 31 December 2018 is as follows:

	Total minimum lease payments payable 2018 HK$'000	Present value of minimum lease payments payable 2018 HK$'000
Amounts payable:		
Not later than one year	715	594
Later than one year and not later than five years	2,344	2,162
	3,059	2,756
Future finance costs	(303)	—
Finance lease payable	2,756	2,756

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

34. LEASE LIABILITIES

The Group adopted HKFRS 16 on 1 January 2019 using modified retrospective approach without restating comparative information. Details of the transitional provision that were applied as at 1 January 2019 are set out in note 2.1. The Group recognises lease contracts as at 31 December 2019 and 2018 based on the accounting policies stated in notes 4.11A and 4.11B respectively.

The Group as lessee

The Group has interests in leasehold land and buildings where the Group is the registered owner of the property interests. The Group also leases various properties including office properties, warehouse, staff dormitory and operating sites located in Taiwan and the PRC under tenancy agreements. For certain leases, the periodic rent is fixed over the lease term whereas for certain leases, rental is adjusted periodically at predetermined rate. In addition, certain leases include an option to renew the leases for an additional period after the end of the contract term. Leases of these properties are negotiated for periods ranging from two to six years.

In addition, the Group entered into a retrofit agreement for the MVAC system of the Group's manufacturing plant located in the PRC as detailed in note 33.

34. LEASE LIABILITIES *(Continued)*

The following table shows the future lease payments in respect of leasing of properties under tenancy agreements (note 15) and the retrofit work and maintenance of the MVAC system (note 33) as at 1 January 2019 and 31 December 2019:

	Minimum lease payments		**Present value of minimum lease payments**	
	31 December 2019 HK$'000	1 January 2019 HK$'000	**31 December 2019 HK$'000**	1 January 2019 HK$'000
Amounts payable:				
Not later than one year	**3,993**	4,058	**3,307**	3,448
Later than one year and not later than five years	**14,840**	12,025	**13,616**	10,640
Later than five years	**159**	2,477	**158**	2,420
	18,992	18,560	**17,081**	16,508
Future finance costs	**(1,911)**	(2,052)	**—**	—
Present value of lease liabilities	**17,081**	16,508	**17,081**	16,508

	31 December 2019 HK$'000	1 January 2019 HK$'000
Analysed into:		
Amounts payable in more than one year included in non-current liabilities	**13,774**	**13,060**
Amounts payable within one year included in current liabilities	**3,307**	**3,448**
	17,081	**16,508**

The movements of lease liabilities recognised by class of right-of-use assets during the year are as follows:

	Furniture and fixtures HK$'000	**Other properties leased for own used HK$'000**	**Total HK$'000**
At 1 January 2019	**2,756**	**13,752**	**16,508**
Additions	**—**	**4,465**	**4,465**
Interest expense *(note 8)*	**121**	**486**	**607**
Lease payments	**(700)**	**(3,414)**	**(4,114)**
Translation adjustment	**(64)**	**(321)**	**(385)**
At 31 December 2019	**2,113**	**14,968**	**17,081**

For the year ended 31 December 2019, the total cash outflows for the Group's lease arrangements amounted to HK$4,657,000.

35. AMOUNTS DUE TO ASSOCIATES/A JOINT VENTURE

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

36. AMOUNT DUE TO A RELATED PARTY/DIRECTOR

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

37. BORROWINGS

	2019 HK$'000	2018 HK$'000
Borrowings		
Current liabilities	**1,290,601**	489,076
Non-current liabilities	**—**	524,765
	1,290,601	1,013,841
Borrowings		
Secured *(note 48)*	**746,659**	582,471
Unsecured	**543,942**	431,370
	1,290,601	1,013,841

The maturity of borrowings is as follows: *(note (a))*

	2019 HK$'000	2018 HK$'000
Current liabilities		
Due within one year *(note (b))*	**831,926**	489,076
Non-current liabilities		
Due after one year but within two years	**78,322**	115,706
Due after two years but within five years	**380,353**	409,059
	458,675	524,765
	1,290,601	1,013,841

Notes:

(a) The amounts due are based on the scheduled repayment dates in the loan agreements and ignore the effect of any repayment on demand clause.

(b) Included in borrowings as at 31 December 2019 was a term loan of HK$437,765,000 (2018: HK$466,471,000) with principal sum of HK$488,000,000 which is repayable by 19 equal quarterly instalments with final settlement in March 2023. This bank loan was subject to repayment on demand clause that provided the bank with unconditional right to demand repayment at any time at its own discretion after the committed period, which would expire in May 2019. On 20 December 2018, the bank extended the committed period to 13 March 2020 and thus the term loan was classified as non-current liabilities as at 31 December 2018. In June 2019, the Group renewed the banking facilities with the bank and the term loan under the facilities letter entering into in June 2019 is subject to repayment on demand clause. Accordingly, the term loan under the renewed facilities was classified as current liabilities as at 31 December 2019.

Subsequently in June 2020, the Group further renewed the banking facilities letter with the bank and pursuant to the renewed facilities letter, the term loans are subject to the overriding right of the bank to demand repayment at any time after the committed period, which will expire in September 2021.

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

	2019 HK$'000	2018 HK$'000
HK$	**881,005**	836,718
US$	**376,175**	177,123
RMB	**33,421**	—
	1,290,601	1,013,841

Among the Group's borrowings as at 31 December 2019, HK$686,854,000 (2018: HK$431,370,000) were arranged at fixed annual interest rates of 2.72%–4.35% (2018: 3.10%–4.20%). The remaining balance of the Group's borrowings of HK$603,747,000 (2018: HK$582,471,000) were arranged at floating rates of 2.39%–4.43% (2018: 4.02%–4.25%) per annum.

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

As at 31 December 2019, the Group's bank borrowings amounted to HK$1,081,739,000 (2018: HK$898,763,000) were secured by personal guarantee provided by the director, Mr. Yung Kwok Kee, Billy ("Mr. Yung").

38. LOAN FROM NON-CONTROLLING SHAREHOLDER

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

39. 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	Revaluation of properties HK$'000	Withholding tax HK$'000	Others HK$'000	Total HK$'000
At 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 22)*	–	–	(4,631)	–	843	(3,788)
At 31 December 2018 as originally presented	**(838)**	**35,283**	**550,719**	**11,525**	**(723)**	**595,966**
Revaluation adjustment on leasehold land reclassified from prepaid lease rental on land *(note 15(b))*	**–**	**–**	**25,950**	**–**	**–**	**25,950**
Restated balance as at 1 January 2019	**(838)**	**35,283**	**576,669**	**11,525**	**(723)**	**621,916**
Translation adjustment	**(125)**	**(805)**	**(12,591)**	**(256)**	**133**	**(13,644)**
(Credited)/Charged to profit or loss *(note 10)*	**7,231**	**1,776**	**(901)**	**197**	**(8,259)**	**44**
(Credited)/Charged to other comprehensive income *(notes 15 and 22)*	**–**	**–**	**7,201**	**–**	**2,405**	**9,606**
Reclassification adjustment to current tax upon disposal of financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**(3,214)**	**(3,214)**
At 31 December 2019	**6,268**	**36,254**	**570,378**	**11,446**	**(9,658)**	**614,708**

Represented by:

	2019 HK$'000	2018 HK$'000
Deferred tax assets	**(1,423)**	(1,669)
Deferred tax liabilities	**616,131**	597,635
	614,708	595,966

As at 31 December 2019, the Group has unused tax losses of approximately HK$449,088,000 (2018: HK$365,807,000) 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 2019, deferred tax liabilities of approximately HK$11,466,000 (2018: HK$11,525,000) have been recognised in respect of the undistributed earnings of certain PRC subsidiaries amounted to approximately HK$205,518,000 (2018: HK$199,294,000). Deferred tax liabilities of approximately HK$3,820,000 (2018: HK$3,349,000) 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 2019, 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$48,041,000 as at 31 December 2019 (2018: HK$38,029,000).

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.

40. SHARE CAPITAL

	2019 Number of shares '000	**2019** Nominal value	2018 Number of shares '000	2018 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.

41. 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(i).

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.

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 retain 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 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 and 1 January 2019	**2,617**	**896,524**	**996,851**	**1,895,992**
Profit and total comprehensive income for the year	**—**	**—**	**(22,593)**	**(22,593)**
Dividend paid *(note 12(b))*	**(2,617)**	**—**	**—**	**(2,617)**
Proposed final dividend *(note 12(a))*	**2,617**	**—**	**(2,617)**	**—**
At 31 December 2019	**2,617**	**896,524**	**971,641**	**1,870,782**

Contributed surplus

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

42. NON-CONTROLLING INTEREST

The total non-controlling interest as at 31 December 2019 was HK$78,596,000 (2018: HK$85,825,000), which is attributed to certain subsidiaries that are not 100% owned by the Group.

In the opinion of the directors, the non-controlling interest of PFC Device Inc. and Shunde Hua Feng Stainless Steel Welded Tubes Ltd. are material.

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

	2019 HK$'000	2018 HK$'000
Year ended 31 December		
Revenue	**140,976**	183,068
Loss for the year	**(11,161)**	(8,543)
Total comprehensive income for the year	**(13,336)**	(15,300)
Loss for the year attributable to non-controlling interests	**(4,682)**	(4,269)
Total comprehensive income for the year attributable to non-controlling interests	**(5,607)**	(6,815)
Dividend paid to non-controlling interests	**—**	—
Cash flows from operating activities	**29,715**	13,180
Cash flows used in investing activities	**(2,524)**	(22,249)
Cash flows used in financing activities	**(7,657)**	(462)
Net cash inflow/(outflow)	**19,534**	(9,531)
As at 31 December		
Current assets	**131,683**	120,930
Non-current assets	**56,773**	81,518
Current liabilities	**(22,039)**	(22,936)
Non-current liabilities	**(132)**	—
	166,285	179,512
Accumulated non-controlling interests	**68,744**	75,546

42. NON-CONTROLLING INTEREST *(Continued)*

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

	2019 HK$'000	2018 HK$'000
Year ended 31 December		
Revenue	**–**	–
Loss for the year	**(3,919)**	(3,874)
Total comprehensive income for the year	**(4,305)**	(4,921)
Loss for the year attributable to non-controlling interests	**(388)**	(384)
Total comprehensive income for the year attributable to non-controlling interests	**(427)**	(488)
Dividend paid to non-controlling interests	**–**	–
Cash flows (used in)/generated from operating activities	**(212)**	263
Cash flows from investing activities	**1**	1
Net cash (outflow)/inflow	**(211)**	264
As at 31 December		
Current assets	**81,312**	83,215
Current liabilities	**(42)**	(5)
Non-current liabilities	**(64,722)**	(62,357)
	16,548	20,853
Accumulated non-controlling interests	**9,852**	10,279

43. 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 2019**	**Granted during the year**	**Forfeited during the year**	**As at 31 December 2019**
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 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	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 2019, no share option under Netlink Scheme was granted (2018: nil). No share option expense was recognised in profit or loss for the current and prior years.

43. 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 2019, there were 3,177,800 (2018: 3,177,880) outstanding share options under Netlink Scheme. The weighted average remaining contractual life of the outstanding options was five years (2018: six years). Out of the total number of options outstanding as at 31 December 2019, 3,177,800 (2018: 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 3,177,800 (2018: 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

43. SHARE OPTION SCHEMES *(Continued)*

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

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 2019, share-based payment expense of HK$110,000 (2018: HK$413,000) was charged to profit or loss. The fair value of PFC Device Share Options granted attributable to owners of the Company amounting to HK$64,000 (2018: HK$269,000) was credited to share option reserve.

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 2019**	**Exercised during the year**	**Forfeited during the year**	**As at 31 December 2019**
Directors of PFC Device Inc.	22 March 2017	HK$0.165	**8,208,343**	**—**	**—**	**8,208,343**
Employees	22 March 2017	HK$0.165	**10,059,821**	**—**	**(260,000)**	**9,799,821**
Consultants	22 March 2017	HK$0.165	**1,960,000**	**—**	**—**	**1,960,000**
			20,228,164	**—**	**(260,000)**	**19,968,164**

			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

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 ended 31 December 2018, options to subscribe for 9,612,277 shares of PFC Device Inc. were exercised which resulted in the issue of 9,612,277 new ordinary shares of PFC Device Inc. at aggregate consideration of HK$1,586,000. 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. 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.

During the year ended 31 December 2019, options to subscribe for 260,000 shares (2018: 573,750 shares) of PFC Device Inc. were forfeited upon the resignation of the 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$12,000 (2018: HK$5,000).

As at 31 December 2019, there were 19,968,164 (2018: 20,228,164) shares options outstanding under PFC Device Option Scheme. The weighted average remaining contractual life of these options was 7.25 years (2018: 8.25 years). Out of the total options outstanding as at 31 December 2019, options to subscribe for 19,195,691 (2018: 13,992,241) 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 19,968,164 (2018: 20,228,164) additional ordinary shares of PFC Device Inc.

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

44. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	NOTES	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**112,300**	111,500
Property, plant and equipment		**4,183**	4,239
Interests in subsidiaries		**9,191**	9,191
Deposit paid		**—**	63,380
Other assets		**74,988**	74,488
		200,662	262,798
Current assets			
Trade and other receivables, prepayment and deposits		**13,177**	11,630
Amounts due from subsidiaries		**2,988,587**	2,736,325
Cash and bank balances		**24,261**	40,502
		3,026,025	2,788,457
Current liabilities			
Other payables and accruals		**149,261**	150,326
Amounts due to subsidiaries		**113,204**	57,386
Amount due to a director		**34,278**	26,460
Borrowings		**1,059,080**	396,244
		1,355,823	630,416
Net current assets		**1,670,202**	2,158,041
Non-current liabilities			
Borrowings		**—**	524,765
Net assets		**1,870,864**	1,896,074
CAPITAL AND RESERVES			
Share capital	*40*	**82**	82
Reserves	*41*	**1,870,782**	1,895,992
Total equity		**1,870,864**	1,896,074

On behalf of the directors

CHOW KAI CHIU, DAVID
Director

LI PIK MUI, CINDY
Director

45. ACQUISITION OF ADDITION INTERESTS IN A SUBSIDIARY/DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY/DEREGISTRATION OF SUBSIDIARIES

(a) Acquisition of additional interest in a subsidiary

During the year ended 31 December 2019, the Group acquired additional 12,024,598 ordinary shares of PFC Device Inc. from a shareholder at consideration of HK$844,000. Upon completion of the transaction, the Group's equity interest in PFC Device Inc. increased from 57.92% to 58.65%.

	2019
	HK$'000
Consideration for the acquisition of additional equity interests in PFC Device Inc.	**844**
Increase in the Group's share of the net assets of PFC Device Inc.	**(1,241)**
Difference on acquisition of additional interest in PFC Device Inc.	**(397)**

There was no change in control in PFC Device Inc. and acquisition of additional equity interest in PFC Device Inc. is accounted for as equity transaction.

	2019
	HK$'000
Net consideration paid during the year	**(844)**
Net outflow of cash and cash equivalents in respect of the acquisition of additional equity interest in PFC Device Inc.	**(844)**

(b) Deemed disposal of partial interest in a subsidiary

During the year ended 31 December 2018, 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 financing activities.	1,586

45. ACQUISITION OF ADDITION INTERESTS IN A SUBSIDIARY/DISPOSAL OF PARTIAL INTEREST IN A SUBSIDIARY/DEREGISTRATION OF SUBSIDIARIES *(Continued)*

(c) 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

(d) Deregistration of subsidiaries

(i) During the year ended 31 December 2019, a wholly-owned subsidiary of the Company, 佛山市迅速汽車租賃有限公司 ("Xun Su Car Leasing"), a company established in the PRC, was deregistered.

The gain on deregistration of Xun Su Car Leasing is included in "Other gains or losses – Gain arising from deregistration of subsidiaries" in the consolidated income statement and is calculated as follows:

	2019 **HK$'000**
Release of transaction reserve upon deregistration of Xun Su Car Leasing, net	**4**
Gain on deregistration	**4**

(ii) 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 was included in "Other gains or losses – Gain arising from deregistration of subsidiaries" in the consolidated income statement and was 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 had 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.

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

In prior years, the Group invested in a joint venture with aggregate investment cost of HK$7,231,000, of which HK$1,752,000 was settled by cash. As at 31 December 2018, the outstanding investment cost payable was HK$5,478,000 and such outstanding consideration was fully settled by cash during the year.

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

	Borrowings HK$'000 *(note 37)*	Finance lease payables HK$'000 *(note 33)*	Lease liabilities HK$'000 *(note 34)*	Amount due to a director HK$'000 *(note 36)*	Loan from non-controlling shareholder HK$'000 *(note 38)*
At 1 January 2018	854,984	3,481	–	41,087	6,098
Changes from cash flows:					
Proceeds of new borrowings	1,210,356	–	–	–	–
Repayment of borrowings	(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 adjustment	207	(166)	–	–	75
Other changes					
Interest expenses	30,808	–	–	–	–
Finance charge on finance lease payable	–	156	–	–	–
Service fee to a director *(note 52(a))*	–	–	–	5,025	–
	30,808	156	–	5,025	–
At 31 December 2018 as originally presented	**1,013,841**	**2,756**	**–**	**38,460**	**6,173**
Adjustment in initial adoption of HKFRS 16 *(note 2.1)*	**–**	**(2,756)**	**16,508**	**–**	**–**
Restated balance at 1 January 2019	**1,013,841**	**–**	**16,508**	**38,460**	**6,173**
Changes from cash flows:					
Proceeds of new borrowings	**908,381**	**–**	**–**	**–**	**–**
Repayment of borrowings	**(629,402)**	**–**	**–**	**–**	**–**
Advances received	**–**	**–**	**–**	**27,570**	**–**
Repayment of advances	**–**	**–**	**–**	**(5,245)**	**–**
Payment of capital element of lease liabilities	**–**	**–**	**(3,507)**	**–**	**–**
Payment of interest element of lease liabilities	**–**	**–**	**(607)**	**–**	**–**
Other borrowing costs paid	**(39,497)**	**–**	**–**	**–**	**–**
Total changes from financing cash flows	**239,482**	**–**	**(4,114)**	**22,325**	**-**
Exchange adjustment	**(2,219)**	**–**	**(385)**	**-**	**235**
Other changes					
Interest expenses	**39,497**	**–**	**607**	**–**	**–**
Increase in lease liabilities from entering into new leases	**–**	**–**	**4,465**	**–**	**–**
Service fee to a director *(note 52(a))*	**–**	**–**	**–**	**5,063**	**–**
	39,497	**–**	**5,072**	**5,063**	**–**
At 31 December 2019	**1,290,601**	**–**	**17,081**	**65,848**	**6,408**

47. 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 a 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$9,224,000 (2018: HK$9,764,000) represent contributions paid/payable to these schemes by the Group in the current year.

48. 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:

	2019 **HK$'000**	2018 HK$'000
Investment properties	**1,662,807**	1,700,046
Property, plant and equipment	**13,876**	2,625
Prepaid lease rental on land	**—**	6,798
Financial assets at fair value through profit or loss	**52,331**	51,200
Financial assets at fair value through other comprehensive income	**253,276**	83,954
Bank balances	**91**	108
	1,982,381	1,844,731

The issued share capital of two subsidiaries 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 subsidiaries as at 31 December 2019 was approximately HK$1,269 million (2018: HK$1,239 million).

49. OPERATING LEASE ARRANGEMENTS

As lessee

As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2018 HK$'000
Within one year	3,428
In the second to fifth year, inclusive	4,912
	8,340

The future minimum lease payments as at 31 December 2018 represented the operating lease expenses payable by the Group for its manufacturing plants, office premises and operating site under operating lease arrangements. Leases of these properties were negotiated for period ranging from one to three years, which were previously classified as operating leases and were recognised as expense in profit or loss when incurred under HKAS 17. The Group has applied HKFRS 16 on 1 January 2019 and recognised lease liabilities relating to these leases in the consolidated statement of financial position in accordance with the policy set out in note 4.11A. Details of the lease liabilities are disclosed in note 34.

49. 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 (2018: 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:

	2019	2018
	HK$'000	HK$'000
Within one year	**87,105**	116,633
After one year but within two years	**50,796**	64,959
After two years but within three years	**30,411**	38,181
After three years but within four years	**21,814**	24,490
After four years but within five years	**18,040**	18,110
Over five years	**45,981**	92,965
	254,147	355,338

50. OTHER COMMITMENTS

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

	2019	2018
	HK$'000	HK$'000
Contracted for but not provided in the financial statements:		
Acquisition of property, plant and equipment	**11,987**	4,364
Acquisition of equity interest	**–**	171,195
Property development	**66,037**	31,803
	78,024	207,362

51. CONTINGENT LIABILITIES

(a) A lawsuit brought by a claimant (the "Claimant") 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 "Legal Advice"), 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. In addition, another lawsuit was brought by the Claimant alleging the Group, the vendor and the Mortgaged Bank colluded in bad faith, thereby harming the interests of the Claimant and requesting the court to void the Master Agreement. The lawsuit is still in progress at the date of this report. Based on the Legal Advice, given that the Group is able to demonstrate that it has no intention to collude with other contracting parties harming the interests of the Claimant and the transaction was conducted based on normal commercial terms at the date of entering into the Master Agreement, the Group would not be alleged as malicious collusion. Having regard to the latest development of the cases and the Legal Advice, the directors are of the opinion that these lawsuits would not result in significant financial impact on 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 Claimant as mentioned in note (a) above regarding the termination of the sale and purchase agreement entered into by the Mortgage Bank and the Claimant in 2007. A deposit amounting to RMB19,940,000 (equivalent to HK$22,259,000) as at 31 December 2019 (2018: RMB19,607,000 (equivalent to HK$22,377,000)) 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.

51. 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 2019 (2018: 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.

(d) In 2019, a claim was lodged against the Group by a contractor (the "Contractor") in respect of the dispute arising from the early termination and settlement of an engineering contract of the Group's property project in Hong Kong and the Group has initiated a counterclaim against the Claimant for the advances paid by the Group on behalf of the Contractor together with damages suffered by the Group. The Group and the Contractor agreed to resolve the dispute by arbitration and the arbitration procedure is still in progress as at the date of this report. Having regard to the advices from the legal advisor, the directors are of the opinion that the Group has a reasonable good case in this contractual dispute and the claim would not have material adverse impact on the result and financial position of the Group.

52. 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:

	2019 **HK$'000**	2018 HK$'000
Service fee paid to a director *(note)*	**5,063**	5,025
Raw materials and goods purchased from an associate	**30,804**	40,035
Interest income from an associate	**823**	1,826
Management fee received from joint ventures	**–**	1,117

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% (2018: 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:

	2019 **HK$'000**	2018 HK$'000
Salaries, allowance and other benefits	**29,678**	28,724
Equity-settled share-based payment expense	**23**	58
Contributions to defined contribution retirement plan	**1,176**	1,034
	30,877	29,816

53. EVENTS AFTER THE REPORTING PERIOD

On 30 April, 2020, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 100% equity interest in a wholly owned subsidiary in the PRC, 廣州華皇房地產開發有限公司 ("廣州華皇房地產"), at a consideration of RMB580,000,000 (equivalent to HK$647,454,000). 廣州華皇房地產 is principally engaged in property development. The transaction was completed in May 2020.

54. 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 deposits. 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 2019 and 2018 were as follows:

	2019 **HK$'000**	2018 HK$'000
Debts	**1,290,601**	1,013,841
Less: cash and bank balances and restricted bank deposits	**(234,756)**	(511,562)
Net debts	**1,055,845**	502,279
Capital represented by total equity	**3,713,830**	3,497,664
Gearing ratio	**28.4%**	14.4%

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.

55. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

55.1 Categories of financial instruments

	2019 **HK$'000**	2018 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	**52,776**	52,092
Financial assets at fair value through other comprehensive income	**487,161**	302,347
Financial assets measured at amortised cost#	**546,877**	814,407
Financial liabilities		
Financial liabilities at amortised cost^	**1,898,080**	1,451,520

including trade receivables, loans receivable, finance lease receivables, other receivables, bank balances including restricted bank deposits.

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

55. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

(Continued)

55.2 Financial results by financial instruments

	2019 HK$'000	2018 HK$'000
Fair value gain/(loss) on:		
Financial assets at fair value through profit or loss	**586**	(8,915)
Increase/(Decrease) in fair value of:		
Financial assets at fair value through other comprehensive income	**185,082**	(96,929)
Interest income or (expenses) on:		
Financial assets at amortised cost	**4,439**	9,633
Financial liabilities at amortised cost	**(40,104)**	(30,964)
Dividend income from:		
Financial assets at fair value through profit or loss	**2,018**	1,550
Financial assets at fair value through other comprehensive income	**12,476**	11,401
(Reversal of impairment loss)/Impairment loss on:		
Financial assets at amortised cost	**(20,375)**	13,938

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

55.3Fair 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 2019 and 2018 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 2019				
Financial assets				
Financial assets at fair value through other comprehensive income				
– Listed equity securities	**359,204**	**—**	**—**	**359,204**
– Unlisted equity securities	**—**	**127,957**	**—**	**127,957**
Financial assets at fair value through profit or loss				
– Listed equity securities	**52,776**	**—**	**—**	**52,776**
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

During the years ended 31 December 2019 and 2018, there were no transfer between instruments in Level 1, Level 2 and Level 3.

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

55.3 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:

	2019	2018
	HK$'000	HK$'000
Unlisted equity securities		
At 1st January	**141,521**	142,360
Translation adjustment	**(3,041)**	(6,756)
Disposal	**(148,098)**	–
Changes in fair value	**9,618**	5,917
At 31 December	**–**	141,521

The fair value of the unlisted equity securities as at 31 December 2019 was estimated by management with reference to quotation provided by the brokers and where applicable, the subscription price of recent capital transaction of the investee.

The fair value of the unlisted equity securities as at 31 December 2018 was estimated by management with reference to the valuation carried out by Asset Appraisal Limited, an independent professional valuer. The valuation was based on 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 price 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 as at 31 December 2018 would reduce by HK$19,289,000.

(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 deposits, trade payables, other payables and accruals as well as the current portion of loans receivable, finance lease receivables, finance lease payable, lease liabilities 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, lease liabilities and 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.

56. FINANCIAL RISK MANAGEMENT

56.1 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.

56.2 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 with 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 borrowings were denominated in HK$, US$ and RMB. 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 2019 and 2018 were as follows:

	2019 **HK$'000**	2018 HK$'000
Net financial assets/(liabilities)		
HK$	**115,703**	(130,021)
US$	**407,633**	320,171
RMB	**628,577**	538,337

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	
	2019 **HK$'000**	2018 HK$'000
RMB against HK$		
– strengthen by 5% (2018: 5%)	**26,243**	22,476
– weaken by 5% (2018: 5%)	**(26,243)**	(22,476)

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

56. FINANCIAL RISK MANAGEMENT *(Continued)*

56.2 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 22) as price of those investments in future are uncertain.

The Group's investments in listed equity securities are traded on the Stock Exchange and the New York 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 in respect of the investment on listed and unlisted equity securities due to a reasonably possible change in the relevant stock market index 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	
	2019	2018
	HK$'000	HK$'000
Listed equity securities classified as financial assets at fair value through profit or loss		
Listed in Hong Kong — Hang Seng Index		
+ 16% (2018: + 19%)	**7,050**	8,264
– 16% (2018: – 19%)	**(7,050)**	(8,264)

	Increase/(Decrease) in other comprehensive income and financial assets at fair value through other comprehensive income reserve	
	2019	2018
	HK$'000	HK$'000
Listed equity securities classified as financial assets at fair value through other comprehensive income		
Listed in Hong Kong — Hang Seng Index		
+ 16% (2018: + 19%)	**53,968**	30,557
– 16% (2018: – 19%)	**(53,968)**	(30,557)
Listed in New York Stock Exchange — NASDAQ Composite Index		
+ 9%	**1,972**	–
– 9%	**(1,972)**	–
Unlisted equity securities classified as financial assets at fair value through other comprehensive income		
+ 9%	**11,516**	19,813
– 9%	**(11,516)**	(19,813)

56. FINANCIAL RISK MANAGEMENT *(Continued)*

56.2 Market risk *(Continued)*

(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 borrowings. 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 2019, approximately 47% (2018: 57%) of the borrowings bore interest at floating rates. The interest rates and repayment terms of the borrowings outstanding at the end of reporting period are disclosed in note 37.

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 bank balances. The directors consider the Group's exposure on bank deposits and 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.

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 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	
	2019	2018
	HK$'000	HK$'000
Change in basis point ("bp")		
+ 50 bp (2018: + 50bp)	**(2,521)**	(2,432)
- 10 bp (2018: - 10bp)	**504**	486

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 borrowings outstanding at the end of the reporting period would be outstanding in the next financial year.

56. FINANCIAL RISK MANAGEMENT *(Continued)*

56.3 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 2019, the Group had certain concentration of credit risk as 28% (2018: 24%) 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 deposits, 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.

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 the 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.

56. FINANCIAL RISK MANAGEMENT *(Continued)*

56.3 Credit risk *(Continued)*

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.

56. FINANCIAL RISK MANAGEMENT *(Continued)*

56.3 Credit risk *(Continued)*

Impairment under ECL model *(Continued)*

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.

Set out below is the information about the Group's exposure on the Group's trade receivables at the end of the reporting period:

Electrical appliances business

As at 31 December 2019, the gross carrying amount of trade receivables of this business segment was HK$199,913,000 (2018: HK$200,870,000), of which trade receivables amounting to HK$61,761,000 (2018: 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**	
	2019	2018	**2019**	2018
			HK$'000	HK$'000
Not yet past due	**0.36%**	0.30%	**158**	198
Past due				
30 days or below	**1.56%**	1.25%	**217**	216
31–60 days	**2.71%**	2.49%	**—**	—
61–90 days	**3.71%**	3.49%	**16**	30
91–180 days	**4.31%**	4.25%	**—**	—
			391	444

The remaining balance of trade receivables of this segment amounted to HK$138,152,000 (2018: HK$116,776,000), of which loss allowance amounting to HK$5,803,000 (2018: HK$5,839,000) has been provided for balances assessed for credit loss on individual basis whereas the remaining trade receivables of HK$132,349,000 (2018: HK$110,937,000) were assessed for credit loss on collective basis for which the ECL rate is assessed to be minimal.

56. FINANCIAL RISK MANAGEMENT *(Continued)*

56.3 Credit risk *(Continued)*

Other businesses

In respect of other business segments, including power discrete semiconductors, property leasing, taxi rental and sales of motor vehicles and other segments, the gross carrying amount of trade receivables as at 31 December 2019 was HK$37,741,000 (2018: HK$34,904,000), of which loss allowance amounting to HK$2,216,000 (2018: 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$35,525,000 (2018: 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 2019:

	Balances individually assessed for loss allowance		Balances subject to collective assessment for credit losses		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Gross carrying amount of finance lease receivables	**829**	946	**3,578**	4,906	**4,407**	5,852
ECL rate	**N/A**	N/A	**4.33%**	5.52%		
Loss allowance	**256**	127	**155**	271	**411**	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.

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 nil (2018: HK$32,848,000) and HK$2,855,000 (2018: HK$10,897,000) have been provided for loans receivable and other receivables as at 31 December 2019 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 2019 are set out in note 28(b), 24, 25 and 28(c) respectively. The increase in loss allowances during the year is mainly due to changes in risk parameters.

56. FINANCIAL RISK MANAGEMENT *(Continued)*

56.4 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 2019						
Non-derivative financial liabilities						
Interest-bearing borrowings *(note)*	**1,292,219**	**–**	**–**	**–**	**1,292,219**	**1,290,601**
Trade payables	**149,728**	**–**	**–**	**–**	**149,728**	**149,728**
Other payables and accruals	**368,001**	**–**	**–**	**–**	**368,001**	**368,001**
Lease liabilities	**3,993**	**4,043**	**10,797**	**159**	**18,992**	**17,081**
Amounts due to associates	**122**	**–**	**–**	**–**	**122**	**122**
Amount due to a related party	**291**	**–**	**–**	**–**	**291**	**291**
Amount due to a director	**65,848**	**–**	**–**	**–**	**65,848**	**65,848**
Loan from non-controlling shareholder	**–**	**–**	**–**	**6,408**	**6,408**	**6,408**
	1,880,202	**4,043**	**10,797**	**6,567**	**1,901,609**	**1,898,080**
As at 31 December 2018						
Non-derivative financial liabilities						
Interest-bearing 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 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

56. FINANCIAL RISK MANAGEMENT *(Continued)*

56.4 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 with 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 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 borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Repayable on demand or less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Borrowings					
31 December 2019	**857,332**	**95,946**	**399,817**	**1,353,095**	**1,290,601**
31 December 2018	514,191	135,123	445,442	1,094,756	1,013,841

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The particulars of the principal subsidiaries as at 31 December 2019 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		Principal activities
				Directly	Indirectly	
China Dynasty Development Ltd	British Virgin Islands	Ordinary	1,000 shares of US$1 each	–	100%	Property leasing
Extra-Fund Investment Limited	Hong Kong	Ordinary	2 shares of HK$2	100%	–	Securities trading
Fast-Gain Overseas Limited	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Property leasing
Fortress Link Investment Limited	Hong Kong	Ordinary	1 share of 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 Yumin Enterprise Management Company Limited** 佛山市宇民企業管理有限公司	PRC^	Paid up capital	–	–	100%	Property investment and development
Foshan Yufa Property Management Company Limited** 佛山市宇發物業管理有限公司	PRC#	Paid up capital	RMB615,370,000	–	100%	Property investment and development
Guangdong PFC Device Limited	PRC^	Paid up capital	US$13,000,000	–	58.65%	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	RMB2,500,000	–	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 rental agency
Land Vision Investment Limited	Hong Kong	Ordinary	1 share of HK$1	–	100%	Investment holding
New Style Development Limited	Hong Kong	Ordinary	1 share of HK$1	–	100%	Property development
PFC Device Corporation	British Virgin Island/ Taiwan	Preferred	4,956,153 shares of US$5,522,820	–	58.65%	Research and development and sales of power discrete semiconductors
		Common	105,000 shares of US$105,000			

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

The particulars of the principal subsidiaries as at 31 December 2019 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 Directly	Indirectly	Principal activities
PFC Device Holdings Limited	British Virgin Islands/ Hong Kong	Preferred	12,656,153 of US$13,222,820	–	58.65%	Investment and trade-mark holding
		Common	658,255 of US$658,255			
PFC Device (HK) Limited	Hong Kong	Ordinary	1 share of HK$1	–	58.65%	Sales of power discrete semiconductors
PFC Device Inc.	Cayman Islands	Ordinary	1,618,032,277 shares of HK$0.01 each	–	58.65%	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 shares of US$10 each	–	100%	Trading of electric fans
Sivergate Global Limited	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Property holding
SMC Electric Limited	Cayman Islands	Ordinary	1 share of HK$0.01	100%	–	Investment holding
SMC Electric Holdings 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** 廣東蜆壳家電有限公司	PRC^	Paid up capital	US$999,958.50	–	100%	Manufacturing and trading of electric tools
SMC Investments Limited	Hong Kong	Ordinary	2 shares of HK$2	–	100%	Property leasing
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	2 shares of HK$2	–	100%	Investment holding
SMC Multi-Media Trading Company Limited	Hong Kong	Ordinary	1 share of HK$1	–	100%	Contract manufacturing
SMC Property Investment Limited	Hong Kong	Ordinary	2 shares of HK$2	100%	–	Investment holding
Speed Power Limited	Hong Kong	Ordinary	2 shares of HK$2	–	100%	Trading of electric fans
Sunny Resource Limited	Hong Kong	Ordinary	1 share of HK$1	100%	–	Intangible assets holding
Sybond Venture Limited	Cayman Islands	Ordinary	1 share of US$1	100%	–	Investment holding

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

The companies are established 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 as at 31 December 2019 and 2018.

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.

58. PARTICULARS OF PRINCIPAL ASSOCIATES

The particulars of the associates as at 31 December 2019 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		Principal activities
				Directly	Indirectly	
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 leasing
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 established in the PRC as wholly-owned foreign enterprise.

The company is established 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.

59. PARTICULARS OF JOINT VENTURES

The particulars of the joint ventures as at 31 December 2019 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		Principal activities
				Directly	Indirectly	
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 established in the PRC as wholly-owned foreign enterprise.