寶新金融集團有限公司
GLORY SUN FINANCIAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

(Stock Code 股份代號：01282)

ANNUAL REPORT 年報 2019

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寶新金融集團有限公司

GLORY SUN FINANCIAL GROUP LIMITED

CORPORATE PROFILE

Glory Sun Financial Group Limited (the "**Company**") was established in 2009 and listed on the main board of The Stock Exchange of Hong Kong Limited on 15 December 2010 (Stock Code: 01282.HK). The Company and its subsidiaries (the "**Group**") are principally engaged in the business of financial services, property investment and development, automation, securities investment and trading of commodities.

The Group holds licences to provide comprehensive financial services, including securities and futures trading, corporate finance, asset management, wealth management, money lending, and precious metal trading in Hong Kong and the PRC. After years of operations and experience, the Group has become one of the most trusted partners in wealth management and financial planning in Hong Kong.

The Group's property investment and development segment has been under rapid development and expansion in recent years. It is engaged with a number of property projects in Hong Kong and various major cities in the PRC, covering projects including residential buildings, commercial apartments, commercial office buildings, technology parks, shopping malls and hotels. It will continue to explore quality property projects in the Greater Bay Area to increase its land reserves for future development.

The Group is one of the leaders in the distribution of automation equipment in the PRC. It maintains a close relationship and collaboration with key business partners in the PRC. It is committed to seizing the opportunities brought by the smart manufacturing transformation under "Made in China 2025" and the opportunities for 5G market development.

The Company is a constituent of the MSCI China Small Cap Index and a number of Hang Seng Family of Indexes, including Hang Seng Composite Index, Hang Seng Composite SmallCap Index, Hang Seng Composite MidCap & SmallCap Index, Hang Seng Composite Industry Index-Conglomerates, Hang Seng Stock Connect Hong Kong Index, Hang Seng Stock Connect Hong Kong SmallCap Index, Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index, Hang Seng SCHK Mainland China Companies Index, Hang Seng SCHK ex-AH Companies Index. It is also one of the eligible stocks in the Shenzhen-Hong Hong Stock Connect. The inclusion of the Company in these indexes reflects the market recognition of its efforts over the past few years.

Adhering to its philosophy of "sustainable development and giving back to the community," the Group is committed to providing all-rounded quality products and services to maximise return for its shareholders, and at the same time contributing to the well-being of the society as a whole. Looking ahead, the Group will rise to the challenges of the formidable business environment and look for local and overseas partners to promote the overall development of the Group.

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yao Jianhui — *Chairman and Chief Executive Officer*
Ms. Ye Weiqing — *Co-Chairman (appointed on 30 August 2019)*
Mr. Lau Wan Po — *Vice Chairman*
Mr. Li Minbin
Mr. Huang Wei

Non-Executive Directors

Mr. Zhang Chi *(redesignated on 30 August 2019)*
Mr. Chen Kaiben *(resigned on 30 August 2019)*

Independent Non-Executive Directors

Mr. Wong Chun Bong
Professor Lee Kwok On, Matthew
Mr. Lee Kwan Hung, Eddie

AUDIT COMMITTEE

Mr. Wong Chun Bong — *Chairman*
Mr. Zhang Chi *(appointed on 30 August 2019)*
Professor Lee Kwok On, Matthew
Mr. Chen Kaiben *(resigned on 30 August 2019)*

NOMINATION COMMITTEE

Mr. Yao Jianhui — *Chairman*
Mr. Wong Chun Bong
Mr. Lee Kwan Hung, Eddie

REMUNERATION COMMITTEE

Professor Lee Kwok On, Matthew — *Chairman*
Mr. Yao Jianhui
Mr. Wong Chun Bong

INVESTMENT COMMITTEE

Mr. Yao Jianhui — *Chairman*
Ms. Ye Weiqing *(appointed on 30 August 2019)*
Mr. Lau Wan Po
Mr. Li Minbin
Mr. Huang Wei

STRATEGIC COMMITTEE

Mr. Yao Jianhui — *Chairman*
Ms. Ye Weiqing *(appointed on 30 August 2019)*
Mr. Lau Wan Po
Mr. Li Minbin
Professor Lee Kwok On, Matthew

COMPANY SECRETARY

Mr. Ho Ka Yiu, Simon

AUTHORISED REPRESENTATIVES

Mr. Yao Jianhui
Mr. Ho Ka Yiu, Simon

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
Chong Hing Bank Limited
United Overseas Bank Limited

LEGAL ADVISER

Sidley Austin

AUDITOR

BDO Limited
Certified Public Accountants

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18/F., Wing On Centre,
111 Connaught Road Central,
Hong Kong

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

LISTING VENUE/STOCK CODE

Main Board of The Stock Exchange of
Hong Kong Limited/01282

BOARD LOT

4,000 shares

COMPANY WEBSITE

http://www.hk1282.com

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	For the year ended 31 December				
	2019 HK$'million	2018 HK$'million (Re-presented)	2017 HK$'million	2016 HK$'million	2015 HK$'million
OPERATING RESULTS					
Revenue (Note 1)	**10,887.8**	1,483.2	2,825.3	995.6	711.8
Gross profit (Note 1)	**1,953.7**	511.5	871.3	473.4	264.9
EBITDA (Note 1&2)	**1,930.4**	922.0	1,099.0	840.2	236.7
EBIT (Note 1&3)	**1,851.5**	901.2	1,059.2	829.7	205.1
Profit from operations (Note 1)	**1,830.8**	890.5	1,053.4	818.6	209.9
Profit attributable to owners of the Company	**684.3**	670.8	869.2	466.6	181.7

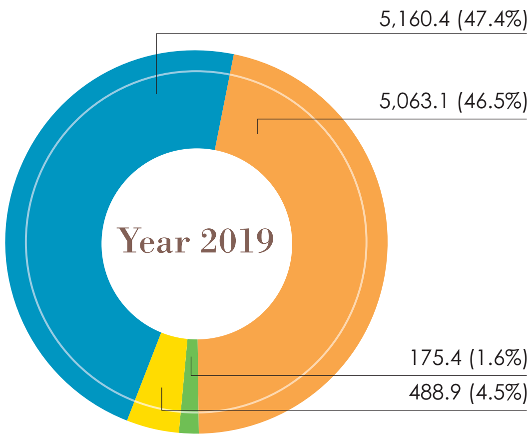
	As of 31 December				
	2019 HK$'million	2018 HK$'million (Re-presented)	2017 HK$'million	2016 HK$'million	2015 HK$'million
FINANCIAL POSITION					
Total assets	**29,439.1**	10,781.2	10,961.0	7,005.7	4,332.0
Net assets	**10,761.3**	6,964.8	7,769.4	5,149.4	4,150.0
Net current assets	**4,235.6**	1,456.4	3,602.3	2,338.7	3,825.2
KEY STATISTICS					
Gross profit margin (Note 1)	**18%**	35%	31%	48%	37%
Operating profit margin (Note 1)	**17%**	60%	37%	82%	29%
Net profit margin	**9%**	46%	32%	66%	26%
Return on equity	**9%**	10%	12%	13%	4%
Interest coverage (Note 4)	**3.7**	11.1	53.3	1,009.4	31.6
Earnings per share (HK cent)					
— Basic	**2.55**	2.60	3.90	2.15	2.36
— Diluted	**2.55**	2.60	3.90	2.15	2.36
Dividend per share (HK cent)	**–**	0.20	0.51	0.32	0.25
Current ratio	**1.3**	1.4	2.4	2.7	25.3

Notes:

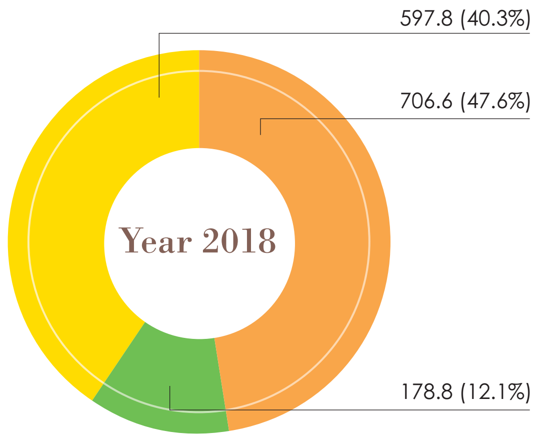
1. The revenue, gross profit, EBITDA, EBIT, profit from operations, gross profit margin and operating profit margin in 2019 and 2018 represent the operating results from continuing operations.
2. EBITDA is calculated at profit before income tax subtracted by finance (costs)/ income — net (excluding adjustment of put option liability in relation to acquisition of subsidiaries) and adding back depreciation of property, plant and equipment, amortisation of intangible assets and amortisation of land use right.
3. EBIT is calculated at profit before income tax subtracted by finance (costs)/income — net (excluding adjustment of put option liability in relation to acquisition of subsidiaries).
4. Interest coverage is calculated at profit before income tax from continuing operations subtracted by finance (costs)/income — net (excluding adjustment of put option liability in relation to acquisition of subsidiaries) and divided by finance cost of the Group.

FINANCIAL HIGHLIGHTS

Revenue
(APPROX. HK$10,887.8 MILLION)

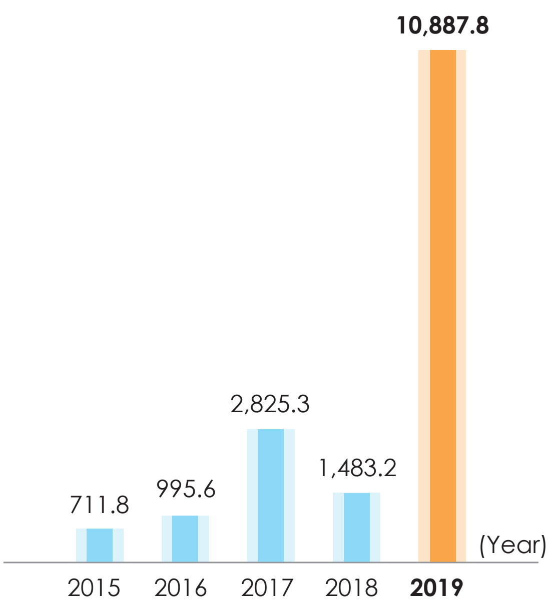


Revenue
(APPROX. HK$1,483.2 MILLION)

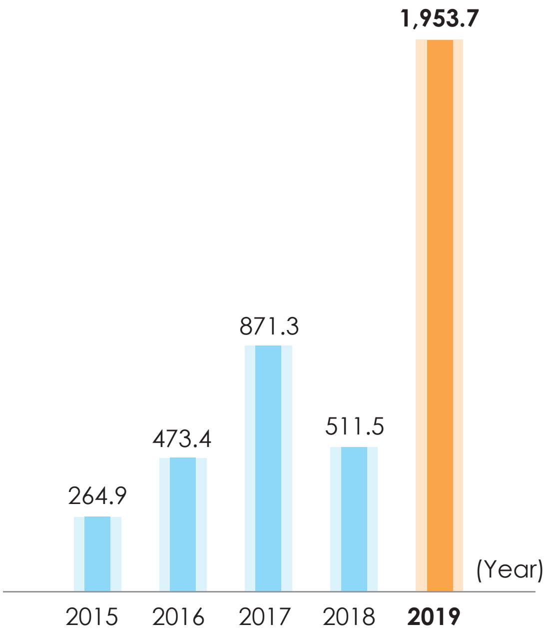


Property Investment and Development | Trading of Commodities | Financial Services | Automation and others

Revenue
(HK$ million)

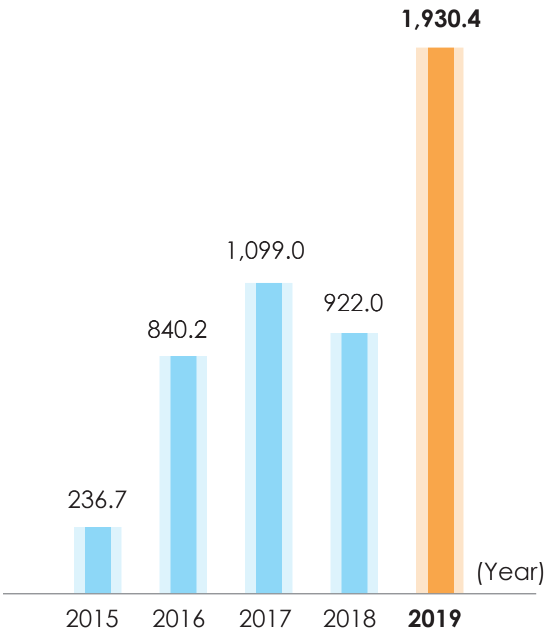


Gross Profit
(HK$ million)

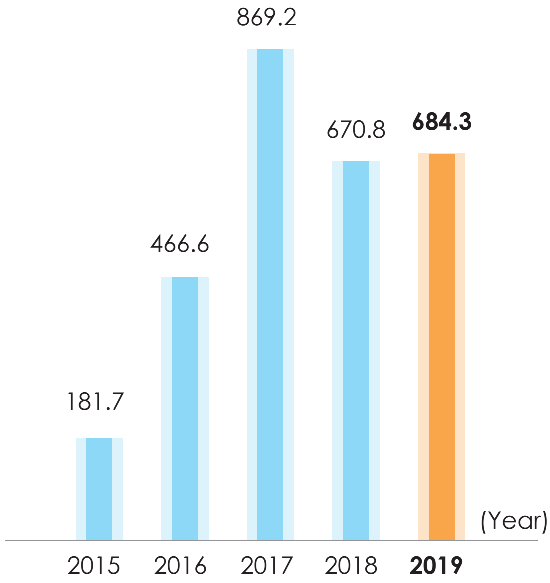


FINANCIAL HIGHLIGHTS

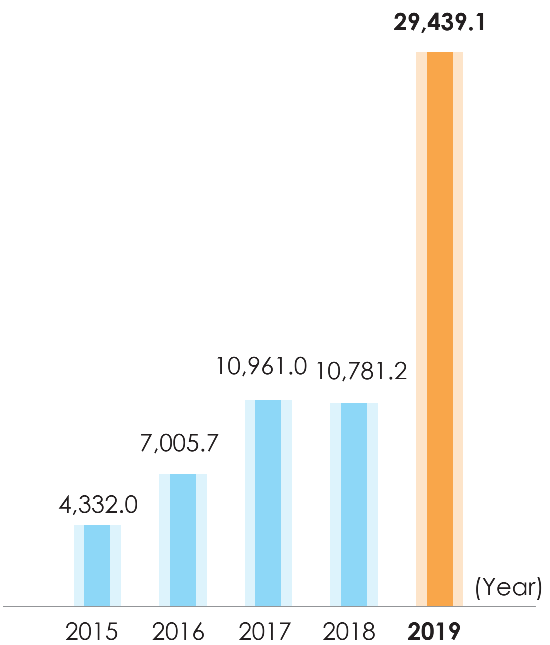
EBITDA
(HK$ million)



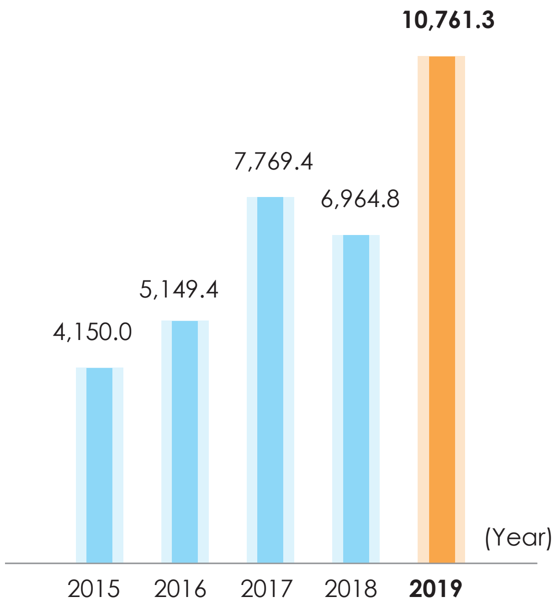
Profit Attributable to Owners of the Company
(HK$ million)



Total Assets
(HK$ million)



Net Assets
(HK$ million)



CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Glory Sun Financial Group Limited (the "**Company**"), I am pleased to present the results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019.

INDUSTRY AND MARKET OVERVIEW

The global economy has continued to plunge due to escalation of China-US trade disputes, bleak growth in the well-established and developed economies together with the issues relating to geopolitics.

Subject to the tension of China-US trade war and the continuing enhancement of financial supply-side structural reform, in 2019, the gross domestic product (GDP) in China presented a year-on-year increase by 6.1% with a continuing slowdown in the growth of the economy. Nonetheless, China's economy was able to maintain its continual and consistent development towards the direction of a high quality development and the overall stability in its economic growth. There was a drop of 1.2% for GDP in Hong Kong when compared with that in 2018, marking its first annual decrease since 2009. Notwithstanding the economic pressure, Hong Kong still maintained its cutting-edge advantage as the major international financial and business centre in 2019. The Linked Exchange Rate System was orderly operated. Both the stock markets and bond markets were normally operated. Financing in large scale was conducted smoothly. At a time of global uncertainties, the Hong Kong Stock Exchange Limited once again ranked first globally in terms of IPO proceeds, cementing its position as the world's leading IPO centre.

Despite the ever-changing complexities of both domestic and overseas business landscapes in 2019, with the efforts of our members, our core business kept on its stable upward path under the business environment full of uncertainties. As one of the stakeholders for both the mainland China and Hong Kong economies, we will continue to utilise the locality advantage of Hong Kong as an international financial hub and the geographical expedience in the hinterland in vicinity of the mainland China to grasp the business opportunities brought by the support from the Hong Kong government and the national strategies such as "The Belt and Road Initiative" and "Construction of Guangdong-Hong Kong-Macau Greater Bay Area" to generate better return for our shareholders and investors.

CHAIRMAN'S STATEMENT

OVERALL PERFORMANCE OF THE GROUP'S OPERATIONS

In 2019, the name of the Company changed from "China Goldjoy Group Limited" to "Glory Sun Financial Group Limited" with the financial services as the established core business together with property investment and development and technology running neck and neck.

Opening Ceremony of New Office

BUSINESS REVIEW

Financial Services Business

Financial services business is the core business which the Group treats as the focus of development. This year is critical for the transformation, development and optimization of the business structure of our financial services. We hold the licences granted by the Securities and Futures Commission ("**SFC**") to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. We also hold a private equity fund licence in Shanghai and the QFLP licence in the Qianhai free trade zone in Shenzhen, enabling us to provide comprehensive onshore/offshore securities trading and financial services.

CHAIRMAN'S STATEMENT

In 2019, we enhanced our commitment to the financial technology by investing in Big Data, Blockchain and Artificial Intelligence and explored the synergetic effect among various resources and securities, investment, investment banks as well as asset management platforms to provide investors with reliable services. In 2020, we will continue to leverage the reliance upon the mainland China while engaging with our business development in the world and make better use of the benefits of regional synergetic effect in Guangdong-Hong Kong-Macau Greater Bay Area by virtue of our professional financial service platform to customise appropriate investment portfolios for our clients to better capture market opportunities.

"Golden Hong Kong Stocks Awards 2019" Ceremony organised by Zhitongcaijing.com

"Golden Hong Kong Stocks Awards 2019" Ceremony organised by Zhitongcaijing.com

CHAIRMAN'S STATEMENT

Securities Brokerage and Margin Financing Business

During the previous year, we further enhanced traditional securities and futures trading business so as to promote the transformation of our brokerage business for the engagement of comprehensive services of wealth management. For the margin financing business, we adopted a stringent approach to risk control.

Corporate Finance Business

We offered various corporate finance services including engagement in provision of sponsorship and underwriting services to corporate clients for their fund raising activities in equity and debt capital markets as well as engagement with provision of advisory service and solutions to corporate clients for their corporate actions, such as mergers and acquisitions as well as assets restructuring. In 2019, we acted as joint bookrunners and joint lead managers for various applications of initial public offerings and offered our assistance to the issuance of private debts for our clients. We anticipate to render services including listing, mergers and acquisitions, strategic financial management to the investors and potential clients in the market by virtue of our comprehensive capabilities in financial services so as to assist them to capture new economic opportunities arising from the national policy, "The Belt and Road Initiative".

Asset Management Business

We offered our securities advisory and asset management services to high net worth individuals, corporations, funds as well as family trusts by way of fund management or discretionary investment account in Hong Kong. As of the date of this report, we are acting as the investment manager for two segregated portfolio company funds with four segregated portfolios and as an investment advisor for one independent fund and managing one discretionary account. The total assets under management of all the funds and discretionary accounts amounts to approximately HK$1,081 million.

Against the backdrop of tightening regulations, increase in difficulty in fundraising and slowdown in investment, our team will continue to conduct its analysis of economy from a macroeconomic perspective and explore any investment opportunity by leveraging the geographic advantages of the location in close proximity to China and the metropolitan connecting with the world. We will increase our effort in domestic and overseas fundraising activities to reinforce our presence in the private fund industry.

Wealth Management Business

We hold the licences issued by the Insurance Authority and Mandatory Provident Fund Schemes Authority (MPFA) and maintain a cooperation relationship with more than thirty international financial institutions to provide our clients with a variety of products and services including life insurance, immigration, pension funds and real estate property.

CHAIRMAN'S STATEMENT

With the rapid growth in the number of high net worth individuals in the PRC in recent years and the gradual prevalence of the concepts of wealth management in the western world, there has been an increase in the awareness among people in general about offshore wealth management, global assets allocation and cross-border risks diversification. Hong Kong, the U.S. and Canada are amongst the most preferred places for offshore allocation of wealth. For wealth owners in the mainland China, Hong Kong provides them with a high degree of convenience in terms of geographical distances and language communications. Our teams will strive to establish a business regime of client-oriented wealth management to provide the investors with more quality products and services with the interests of the clients being our first priority.

Money-lending Business

Our money-lending business holds a money lender's licence and is a member of TransUnion Limited with our engagement of loan business in Hong Kong. Although there was volatile and highly competitive business environment in the financial and investment markets in Hong Kong in the previous year, we still continue the optimization of our credit business structure for the provision of a diversified and convenient collateral credit service to our clients to the extent that clients from all walks of life can get access to professional financial planning management proposals in terms of financing and wealth management.

Precious Metal Trading Business

We are a member of the Chinese Gold and Silver Exchange Society, holding the qualification as A1 membership under operation status with permission to engage with the businesses of 99 Gold, HKD Kilo Gold, London Gold/Silver and Loco Silver. We are dedicated to providing our clients with quality online trading services of gold and silver as well as comprehensive precious metal trading business for goods and physical gold and silver and rendering our services of investment management and investment advisory for them to capture investment opportunities with the access to the first-brand information received from the market.

Property Investment and Development Business

Our property investment and development segment has been under rapid development and expansion in recent years. We are engaged with various major cities in the mainland China, including Shenzhen, Shantou, Shenyang, Changchun, Changsha, Ganzhou, Weinan, Yunfu and Nanning, covering development projects including residential buildings, commercial apartments, commercial office buildings, technology parks, shopping malls, hotels through our subsidiaries, including Glory Sun Land Group Limited (stock code: 00299.HK) ("**Glory Sun Land**", together with its subsidiaries, collectively, "**Glory Sun Land Group**"). With a continual increase in our effort of projects exploration both in Greater Bay Area and the major development areas as specified by the Chinese government, we expect that our land reserves, saleable gross floor area and sales revenue will continue to soar quickly.

CHAIRMAN'S STATEMENT

With a long-standing management and control mechanism, the property prices remained at a steady and healthy level. However, the emergence of new epidemic and the corresponding measures regarding isolation and quarantine and pedestrian flow control will inevitably have an adverse effect on the recent sales of residential buildings. In the medium and long term, the property market will be able to be resilient to healthy and stable development.

Hong Kong

We hold certain quality offices and a residential property in Hong Kong for capital appreciation purposes. Despite the fact that property market in Hong Kong is subject to a period of adjustment due to various factors in the mid-2019 and the new challenge to real estate market subject to the recent epidemic, the Group firmly believes that Hong Kong will be able to overcome difficulties and challenges with confidence in the long-term development. We will continue to be attentive to any suitable investment opportunity and attempt to explore the possibility of engagement with the real estate property market in Hong Kong by way of further collaborations and developments.

Shenzhen

We are engaged with a property development project, namely, Baoxin Technology Park (the "**Park**", previously, "**B&K Science and Technology City**") with a gross floor area of 0.5 million metres square in Guangming New District, Shenzhen, the PRC. Guangming New District is intended to be built as a world-class science city and the municipality hub in the northern part of Shenzhen. The Park has become one of the prominent science and technology parks in Guangming New District. In 2019, the second phase of the Park garnered the attention from a great number of clients since the commencement of the sale and lease of the Park available to the public. Our tenants included three enterprises listed on the main board of Shenzhen Stock Exchange, one Shenzhen-based branch recognised as world's top-500 enterprises, four enterprises recognised as top-100 industrial of Shenzhen Municipality, seven hi-new tech enterprises at state level and fifteen various brands of lifestyle products which have settled in the Park. We are recognised as the Top Ten Most Honoured and Prestigious Enterprise of Shenzhen City reflecting an affirmation of the market for the Park.

We will continue to take our own initiatives on the project exploration in Shenzhen as it is the core city for our property development business for the reserves of the premium quality projects.

Shantou

In June 2019, Shantou Times Bay project was officially opened to the public. With ample previous customers reserves, the premises were in continuously high demand after the opening, achieving a satisfactory sales result. With an investment of over RMB10 billion and a total floor area of over 1 million meters square, the Shantou Times Bay project is positioned as a technology, creativity and leisure centre in the global context aimed at creating a vibrant modern metropolitan office park with a supporting apartment area for high-end talents.

CHAIRMAN'S STATEMENT

Nanning

In December 2019, Glory Sun Land Group managed to acquire two real estate projects located in Nanning International Financial Centre in Nanning City. The project is a commercial and office complex with a total gross floor area of 0.85 million metres square in attempt to create a hub of central business district of the headquarters' base in Wuxiang New District. The project is located in the core residential area in Wuxiang New District well-equipped with transportation, education and medical ancillary facilities, which will become the signature landmark of international lifestyle in the new city centre of Nanning. As the first batch of projects in Guangxi Province, it is the benchmarking project of immense potential of growth for our intensive business development strategy implemented in south China regions.

Ganzhou

We are engaged with our property development projects, namely 寶能城 (Baoneng Plaza*) and 寶能太古城 (Baoneng Taigu Plaza*), in Ganzhou, the PRC.

Baoneng Plaza is a composite development project including residential buildings, retail outlets, offices, hotels and commercial carpark spaces. In 2019, Baoneng Plaza were well-operated. The opening launch of 1,437 carpark spaces is completed for Baoneng Plaza with 425 carparks sold, which was the project with the maximum in both number of launch for carpark spaces and completion rate of sales in the history of properties industry in Ganzhou.

Baoneng Taigu Plaza is another composite development project, including residential buildings, business apartments, shopping malls and hotels. In 2019, in order to address the situations of fierce competition in the apartment market, the incessant promotional sales of competing market commodities and a planned launch of a large number of new units to the market, we speeded up the sale of the completed units.

Heshan

We are engaged with the property leasing in an industrial complex project (the "**Park**") located at New Material Base, Gonghe Town, Heshan City, Guangdong Province, the PRC. In 2019, we completed the business invitation for the Park of a total gross floor area of approximately 61,500 metres square. We managed to make a deal with Skyworth Group Co., Ltd ("**Skyworth Group**") with a contracted lease area of 40,000 metres square in the Park and successfully attracted its major upstream and downstream developers of ancillary products to settle in the Park. As at 31 December 2019, the major upstream and downstream developers of Skyworth Group had contracted to lease an area of nearly over 50,000 metres square, representing over 60% of areas available for lease in the Park.

Shenyang

In May 2019, the Group successfully acquired a commercial land with construction area of approximately 38,000 square meters located at No. 34, Shenxin East Road, Tiexi District, Shenyang. The project building has a total of six floors. The first to third floors are commercial malls used for commercial purposes, and the fourth to sixth floors are partially used for hotels and office purposes. There are 159 parking spaces in the ground parking lot. At present, many well-known merchants have settled in the building.

Weinan

In June 2019, Shantou Times Bay project was officially launched for sale to the public. With ample previous customer reserves, the premises were in high demand after the launch and an ideal sales result was achieved. With an investment of over RMB10 billion and a gross construction area of over 1 million square meters, Shantou Times Bay project is positioned as a technology, creativity and leisure center in the global context and aimed at creating a vibrant modern metropolitan office park with a supporting apartment area for high-end talents.

In 2020, apart from the reinforcement of our existing property projects in the PRC, we will also consolidate the resources with a proactive approach to identify quality projects in the market so that we can offer more investment opportunities to our investors. Combined with the resources, experience and client base accumulated by Glory Sun Land Group in respect of the property investment and development segment, we are confident of expanding the profit and the scale of profitability for property investment and development segment as well as facilitating the synergetic effect of financial services business.

Automation Business

We have been engaging in the automation business since 2012 and are one of the leading distributors and service providers of Surface Mount Technology (SMT) equipment in the PRC. With the rising demand in the component and technology for the more prevailing 5G mobile phones from the mobile phone manufacturers in the mainland China, we take a proactive position to enhance our marketing plan and after-sale services by the leverage of such a rising demand in the machinery of surface mount from the mobile phone manufacturers in the mainland China, with our aim to strive to gain further market share. We will build a closer relationship and collaboration with our key business partners to seize the opportunities brought by the smart manufacturing transformation under "Made in China 2025" as promulgated by the PRC and the opportunities for 5G market development.

Securities Investments

Due to the uncertainties and volatilities during the year, we continue with our consistent adherence to the strategy for maintaining a balanced investment portfolio focusing on the shares with sound foundations as well as continuing record of dividend payment. We will continue our investment in those undervalued companies and their dividend-attached stocks such that we can better withstand the current and potential market pressure. Our emphasis will still be the steady value-added appreciation and the prudent deployment and allocation of the fund in the low interest rate environment.

CHAIRMAN'S STATEMENT

We also note that the global financial markets are subject to violent turmoil with the impact of novel coronavirus epidemic, our results of securities investments may possibly be subject to greater volatility.

Manufacturing Business

Based on the adjustment to the Group's business strategy, we completed the disposal of the manufacturing business segment in December 2019. Following the completion of the disposal, we officially cease the manufacturing business and concentrate the resources in the development of financial service business to create better results in the future.

PROSPECT

With the immense risks and challenges arising out of trade disputes and the widespread of novel coronavirus pandemic imposed to the global economies, the economic growth in the mainland China and Hong Kong will inevitably be affected.

In order to stabilise the economic development and protect the community livelihood, relief measures to tackle the epidemic have been launched both in the mainland China and Hong Kong. The monetary policy of quantitative easing measure is launched by the government in the PRC after the Chinese New Year with an aim to provide the financial institutions in the banking industry with a reasonable and sufficient liquidity support. The Ministry of Industry and Information Technology in the PRC has also launched various measures to support the business resumption of small, medium and micro enterprises. The government of Hong Kong SAR has also launched a series of counter cyclical measures to support the economy. We believe the epidemic has a temporary effect on the operations of the Group. After the mitigation of such epidemic, we are confident that our operations will be resilient to recovery to achieve the business objectives set out at the beginning of the year.

We have formulated a series of measures to address the issues of sluggish offline sales arising from the suspension of land transactions and the business suspension of property sales offices and the pressure imposed to real estate business due to payment of large amount of capitals for the suspension of all businesses in all industries in certain provinces and cities in China. We shift our sales strategy for the potential clients with our offline services change to the online mode and streaming live videos of site visit to the properties and the online property sales office service on the Internet. On the other hand, we are with such adversity for our tenants who will be provided with our reduced rent and waiver of rent.

Our technology segment has been in its constant provision of world-class automation manufacturing devices and services for the industries of smartphones, Internet of Things, semi-conductors, automobile electronics in the PRC. With the gradual sophistication of 5G application business regimes together with the accelerating progress proposed by China in terms of the new infrastructure facilities construction as representative of 5G, Artificial Intelligence, Industrial Internet and Internet of Things, there will be a new source of vitality to benefit the development of our technology segment.

CHAIRMAN'S STATEMENT

With such an unprecedented challenge, we will continue to recruit and retain more talents while making adjustment and optimization to the management and core business teams with our devoted effort to develop a more professional and more experienced business team. We anticipate that there will be a turnaround from crisis to opportunities under the professional operating capabilities of our teams to expand the scope of our business by the leverage of the opportunity arising out of crisis. I believe that we will be able to provide the clients in the market with more business opportunities and more quality services so that the business of the Group can achieve a new level of success.

Annual Dinner 2019 of the Company

I would like to take this opportunity to express my appreciation to fellow members of the Board, and the entire workforce for their dedication and hard work over the past year. I wish to also thank all of the Group's shareholders and stakeholders for their unwavering support. Looking forward, we will embrace each and every challenge with our consistent adherence to the spirit of "Create, Blend and Share Together" to create stable and satisfactory return for our Shareholders with our utmost endeavour to maximise the value for each and every one of our Shareholder and investors alike so that we can create better return together.

By Order of the Board
Glory Sun Financial Group Limited

Yao Jianhui
Chairman

Hong Kong, 30 March 2020

INSPIRE

A DIVERSIFIED INVESTMENTS BUSINESS

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS AND OPERATIONS

The Group has conducted its business activities in the following major business segments, namely (i) financial services; (ii) property investment and development; (iii) automation; (iv) securities investment; and (v) trading of commodities. For the year ended 31 December 2019, the Group recorded a revenue of approximately HK$10,887.8 million, representing an increase of 634.1% when compared with that of 2018. The profit attributable to owners of the Company amounted to approximately HK$684.3 million, representing an increase of 2% when compared with that of 2018.

Financial Services

For the year ended 31 December 2019, the financial services segment netted approximately HK$175.4 million in revenue (2018: approximately HK$178.8 million), which is down 1.9% year-on-year and equivalent to 1.6% of the Group's total revenue (2018: 12.1%). The operating profit amounted to approximately HK$73.5 million (2018: approximately HK$38.8 million), representing a year-on-year increase of 89.4%.

Property Investment and Development

The Group has been devoted to property investment and development in recent years. It is operating several property projects in the PRC. For the year ended 31 December 2019, the property investment and development segment contributed a revenue of approximately HK$5,063.1 million (2018: approximately HK$706.6 million), accounting for 46.5% of the Group's total revenue (2018: 47.6%). The operating profit reached approximately HK$1,717.6 million (2018: approximately HK$468.7 million). The increase in revenue is mainly contributed by sales from the property projects in the PRC, namely Nanning Wuxianghu No. 1 Project, Nanning Wuxiang GFC Project, Shantou Baoneng City Garden as well as Hunan Jinxiang International Star City.

Major Properties Held by the Group

(A) Property Held for Development and/or Sale:

Location	Classification	Approximate gross floor area (sq.m.)	Progress in development (Note)	Estimated date of completion	Equity attributable to the Group
Baoneng Taigu Plaza Lot No. K21, No. 38 Meiguan Avenue, Zhangjiang New District, Ganzhou City, Jiangxi Province	Residential	7,240	5	Completed	100%
Baoneng Taigu Plaza Lot No. K21, No. 38 Meiguan Avenue, Zhangjiang New District, Ganzhou City, Jiangxi Province	Commercial	28,590	5	Completed	100%
Baoneng Plaza Lot No. H25, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Commercial	39,204	5	Completed	100%
Baoneng Plaza Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Residential	1,257	5	Completed	100%
Baoneng Plaza Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Commercial	22,534	5	Completed	100%
Gangzhou Baoneng Centre Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Office	37,845	3	December 2020	100%
Changchun Baoneng Centre Jiefang Avenue North, Fengshun Street West, Chaoyang District, Changchun	Commercial	183,877	3	December 2022	41.37%
Weinan Baoneng Prosperity Mansion Southeast Point, Crossroads of Shuangwang Avenue (National Highway 310) and Weiqing Road, Linwei District, Weinan	Residential	337,488	3	March 2021	35.25%
Yunfu Baoneng Yuelan Mountain No.1, Zijing Road, Duyang Town, Yunan District, Yunfu	Residential	211,245	1	November 2023	58.74%

MANAGEMENT DISCUSSION AND ANALYSIS

Location	Classification	Approximate gross floor area (sq.m.)	Progress in development (Note)	Estimated date of completion	Equity attributable to the Group
Shantou Chaoshang Financial Centre Junction between Haibi Road East and Zhucheng Road North, Zhugang New City, Longhu District, Shantou	Complex^	173,635	2	December 2021	33.37%
Shantou Taisheng Science and Innovation Park Baoneng Times Bay, Junction between Jinwan Second West Street and Shangang Road, East New Habour City, Longhu District, Shantou	Complex^	378,573	3	August 2022	58.74%
Shantou Baoneng City Garden South City Street, Chaoyang District, Shantou	Complex^	29,242	2	December 2021	32.11%
Shantou Baoneng City Garden South City Street, Chaoyang District, Shantou	Residential	248,342	3	December 2021	32.11%
Hunan Jinxiang International Star City (Phase 1-4) Chaohui Road and Northeast Point of Jiayu Road, Yuhua District, Changsha, Hunan	Residential	34,428	6	Completed	29.96%
Hunan Jinxiang International Star City (Phase 3,4) Chaohui Road, Yuhua District, Changsha, Hunan	Commercial	4,344	6	Completed	29.96%
Changsha Baoneng Hall Intersection of Chaohui Road and Jiayu Road, Yuhua District, Changsha, Hunan	Residential	120,451	3	August 2021	29.96%
Changhsa Meilian Plaza Intersection of Chaohui Toad and Jiayu Road, Yuhua District, Changsha, Hunan	Residential	57,750	1	September 2023	29.96%
Shenzhen Baoneng City Garden 16A, Block J, Tower 4, Baoneng City Garden, Liuxian Avenue North, Nanshan District, Shenzhen	Residential	87	6	Completed	58.74%
Nanning Wuxianghu No. 1 (Phase 2,3) No.35, Pingle Avenue, Liangqing District, Nanning	Residential	271,816	3	May 2022	58.74%
Nanning Wuxianghu No. 1 (Phase 1-3) No.35, Pingle Avenue, Liangqing District, Nanning	Complex^	25,927	3	May 2022	58.74%
Nanning Wuxianghu No. 1 (Phase 4) No.35, Pingle Avenue, Liangqing District, Nanning	Complex^	59,629	1	November 2023	58.74%

Note:

1 Land leveling or preliminary preparation
2 Groundwork
3 Superstructure under way
4 Internal decoration
5 Completed and up for sale
6 In service
^ Complex includes offices, stores, apartments, hotel and club

MANAGEMENT DISCUSSION AND ANALYSIS

(B) Property Held for Investment:

Location	Classification	Approximate gross floor area (sq.m.)	Progress in development (Note)	Lease expiry	Equity attributable to the Group
Baoxin Technology Park No. 9 Bangkai Road, Guangming Gaoxin District, Shenzhen, the PRC	Office, Industrial, Dormitory	426,878	3	2055	75.50%
Tower 2, Lippo Centre, No. 89 Queenway, Hong Kong	Office	826	6	2059	100%
Kennedy Park at Central, No.4 Kennedy Road, Hong Kong	Residential	137	6	2895	100%
Baoneng Taigu Plaza Lot No. K21, No. 38 Meiguan Avenue, Zhangjiang New District, Ganzhou City, Jiangxi Province	Shopping Mall	22,727	6	2052	100%
Baoneng Taigu Plaza Lot No. K21, No. 38 Meiguan Avenue, Zhangjiang New District, Ganzhou City, Jiangxi Province	Hotel	29,670	4	2052	100%
Baoneng Plaza Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Shopping Mall	81,386	6	2052	100%
Baoneng Plaza Lot No. H26, Ganjiangyuan Avenue, Zhangjiangxin District, Ganzhou City, Jiangxi Province	Hotel	22,422	3	2052	100%
Industrial Complex Project New Material Base, Gonghe Town New Village, Heshan City, Guangdong Province	Office, Industrial, Dormitory	81,604	6	2055	100%
Shantou Chaoshang Financial Centre Junction between Haibi Road East and Zhucheng Road North, Zhugang New City, Longhu District, Shantou	Complex^	44,179	2	2057	33.37%

MANAGEMENT DISCUSSION AND ANALYSIS

Location	Classification	Approximate gross floor area (sq.m.)	Progress in development (Note)	Lease expiry	Equity attributable to the Group
Shantou Chaoshang Financial Centre Junction between Haibi Road East and Zhucheng Road North, Zhugang New City, Longhu District, Shantou	Commercial (Club)	4,055	6	2057	33.37%
Shantou Taisheng Science and Innovation Park Baoneng Times Bay, Junction between Jinwan Second West Street and Shangang Road, East New Habour City, Longhu District, Shantou	Commercial (Bay Culture Centre)	7,417	6	2057	58.74%
Shantou Taisheng Science and Innovation Park Baoneng Times Bay, Junction between Jinwan Second West Street and Shangang Road, East New Habour City, Longhu District, Shantou	Complex^	292,284	3	2057	58.74%
Shantou Baoneng City Garden South City Street, Chaoyang District, Shantou	Complex^	40,840	2	2084	32.11%
Shantou Baoneng City Garden South City Street, Chaoyang District, Shantou	Kindergarten	2,497	2	2084	32.11%
Hunan Jinxiang International Star City Chaohui Road, Yuhua District, Changsha, Hunan	Commercial	13,994	6	2053	29.96%
Shenyang Waterfront City No.305/307, Xijiang North Street, Yuhong District, Shenyang, Liaoning	Residential	6,518	6	2082	69.11%
Shenyang Waterfront City No.299/301, Xijiang North Street, Yuhong District, Shenyang, Liaoning	Commercial (Shops)	12,305	6	2052	69.11%
Shenyang Fuyou Building No. 34, Shenxin East Road, Tiexi District, Shenyang, Liaoning	Commercial	37,839	6	2052	58.74%

MANAGEMENT DISCUSSION AND ANALYSIS

Location	Classification	Approximate gross floor area (sq.m.)	Progress in development (Note)	Lease expiry	Equity attributable to the Group
Hefei Time Original Garden No.82, Baxia Road, Hefei Economic and Technological Development Area	Commercial	1,943	6	2081	69.11%
Hefei Lingxiang Garden No.449, Huangshan Road, Shushan District, Hefei	Commercial (Shops)	6,063	6	2049	69.11%
Shenzhen Ocean Towers 20A, 20H, Tower 5, District A, Phase 3, Ocean Towers, Seaworld, Nanshan District, Shenzhen	Residential	177	6	2074	69.11%
Nanning Wuxianghu No. 1 No.35, Pingle Avenue, Liangqing District, Nanning	Complex^	70,962	1	2054	58.74%
Nanning Wuxiang New District Global Financial Centre (South and North Podium Buildings) No.665, West of Wuxiang Avenue, Liangqing District, Nanning	Commercial	142,560	3	2053	58.74%
Nanning Wuxiang New District Global Financial Centre (T2, T4 Office) No.665, West of Wuxiang Avenue, Liangqing District, Nanning	Complex^	126,168	4	2063	58.74%
Nanning Wuxiang New District Global Financial Centre (T2, T4 Hotel) No.665, West of Wuxiang Avenue, Liangqing District, Nanning	Complex^	48,346	3	2053	58.74%

Note:

1 Land leveling or preliminary preparation
2 Groundwork
3 Superstructure under way
4 Internal decoration
5 Completed and up for sale
6 In service
^ Complex includes offices, stores, apartments, hotel and club

MANAGEMENT DISCUSSION AND ANALYSIS

Automation

For the year ended 31 December 2019, the revenue of automation segment increased by 11.8% to approximately HK$634.2 million (2018: approximately HK$567.1 million) accounting for 5.8% of the Group's total revenue (2018: 38.2%). The operating profit increased by 18.1% to approximately HK$54.8 million (2018: approximately HK$46.4 million). The increase in revenue is mainly due to the increase in the demand for SMT equipment from domestic electronics manufacturing plants in the PRC as a result of a large-scale commercial application of 5G technology.

Securities Investment

The Group has been investing in listed shares in Hong Kong, the PRC and foreign countries and adjusting its investment strategy to ensure that it is sufficiently prudent to cope with the uncertainties in the financial market. During the year, the Group recognised a loss of approximately HK$79.8 million on disposal of financial assets at fair value through profit or loss ("**FVTPL**") and a decrease of approximately HK$181.2 million and HK$315.7 million in the value of financial assets at FVTPL and financial assets at fair value through other comprehensive income ("**FVOCI**"), respectively. A dividend income of approximately HK$8.7 million was received from financial assets at FVTPL and financial assets at FVOCI.

As at 31 December 2019, the securities investment portfolio, excluding the investments in associates, of approximately HK$1,033.7 million (2018: approximately HK$1,886.4 million), comprised financial assets at FVOCI of approximately HK$904.8 million (2018: approximately HK$903.8 million) and financial assets at FVTPL of approximately HK$128.9 million (2018: approximately HK$982.6 million). Further details of significant securities investments under different categories are as follows:

		As at 31 December 2019			As at 31 December 2018	For the year ended 31 December 2019
Nature of investments	**Principal businesses**	**Percentage to shareholding in such stock %**	**Percentage to total assets of the Group %**	**Fair value amount HK$'000**	**Fair value amount** HK$'000	**Change in fair value** HK$'000
Financial assets at FVOCI						
A. Listed Securities						
Shenzhen Sunrise New Energy Co., Ltd. (Stock Code: 002256. SZ) ("**Shenzhen Sunrise**")	Manufacture of chemical products	5.0%	0.9%	272,124	316,890	(38,570)
Landing International Development Ltd. (Stock Code: 00582.HK) ("**Landing International**")	Development and operation of the integrated resorts	4.7%	0.4%	121,689	340,177	(218,488)

MANAGEMENT DISCUSSION AND ANALYSIS

Nature of investments	Principal businesses	As at 31 December 2019			As at 31 December 2018	For the year ended 31 December 2019
		Percentage to shareholding in such stock %	Percentage to total assets of the Group %	Fair value amount HK$'000	Fair value amount HK$'000	Change in fair value HK$'000
Shenzhen Kondarl Group Co., Ltd. (Stock Code: 000048.SZ) ("**Shenzhen Kondarl**")	Farming, feed, and agricultural products businesses	1.2%	0.4%	118,132	98,665	22,054
Pujiang International Group Limited (Stock Code: 02060.HK) ("**Pujiang International**")	Manufacture, installation and sales of customised prestressed steel materials and cables	3.6%	0.4%	115,992	–	37,486
Bank of Zhengzhou Co., Ltd. — H shares (Stock Code: 06196.HK)	Provision of banking products and services	2.1%	0.3%	90,415	–	(31,741)
Others	N/A	N/A	0.4%	119,774	43,277	(84,512)
B. Unlisted Securities	N/A	N/A	0.2%	66,714	104,848	(38,136)
Total				904,840	903,857	

Nature of investments	Principal businesses	As at 31 December 2019 Percentage to shareholding in such stock %	Percentage to total assets of the Group %	Fair value amount HK$'000	As at 31 December 2018 Fair value amount HK$'000	For the year ended 31 December 2019 Change in fair value HK$'000
Financial assets at FVTPL						
A. Listed Securities						
Madison Holdings Group Ltd. (Stock Code: 08057.HK) ("**Madison**")	Sales of alcoholic beverages	3.7%	0.1%	40,072	200,108	(156,472)
Zhenro Properties Group Limited (Stock Code: 06158.HK)	Property development and management	–	–	–	527,841	–
Others		N/A	0.3%	80,729	99,450	(6,996)
B. Funds		N/A	0.1%	8,050	155,190	(4,604)
Total				128,851	982,589	

Financial Assets at FVOCI

Shenzhen Sunrise

As at 31 December 2019, the fair value of equity shares in Shenzhen Sunrise amounted to approximately HK$272.1 million. Given the volatility in the stock markets, the price performance of Shenzhen Sunrise was not satisfactory, resulting in a fair value loss of approximately HK$38.6 million recognised in other comprehensive income for the year.

Landing International

As at 31 December 2019, the fair value of the Group's equity securities in Landing International amounted to approximately HK$121.7 million. Given the volatility in the stock markets, resulting in a fair value loss of approximately HK$218.5 million recognised in other comprehensive income for the year.

Shenzhen Kondarl

As at 31 December 2019, the fair value of equity shares in Shenzhen Kondarl amounted to approximately HK$118.1 million. Notwithstanding the volatility in the stock markets, the price performance of Shenzhen Kondarl was satisfactory, resulting in a fair value gain of approximately HK$22.1 million recognised in other comprehensive income for the year.

Pujiang International

The Group acquired shares in Pujiang International through initial public offering during the year. As at 31 December 2019, the fair value of the Group's equity securities in Pujiang International amounted to approximately HK$116.0 million. Notwithstanding the volatility in the stock market, the share price performance of Pujiang International was satisfactory and resulted in a fair value gain of approximately HK$37.5 million recognised in other comprehensive income for the year.

Financial Assets at FVTPL

Madison

As at 31 December 2019, the fair value of the Group's equity securities in Madison amounted to approximately HK$40.1 million. The shares of Madison are listed on GEM of the Hong Kong Stock Exchange. Given the volatility in the stock market, the share price performance of Madison was not satisfactory and resulted in a fair value loss of approximately HK$156.5 million recognised in profit or loss for the year.

Other investment

As at 31 December 2019, the Company holds 32% equity interest in Yunnan International Holding Group Limited, a joint venture principally engaged in the business of clean energy, health, investment management, new energy and financial services. Through the cooperation with the shareholders of the joint venture, the Company believes that it can vigorously participate in the strategic construction brought by The Belt and Road Initiative.

Trading of Commodities

For the year ended 31 December 2019, the trading of commodities segment contributed a revenue of approximately HK$5,160.4 million (2018: nil), accounting for 47.4% of the Group's total revenue (2018: 0%).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Continuing operations

Revenue

The Group's revenue for the year ended 31 December 2019 increased by 634.1% to approximately HK$10,887.8 million (2018: approximately HK$1,483.2 million). The revenue analysis by segment is presented as follows:

	2019		2018		
	HK$' million	Proportion to total revenue	HK$' million	Proportion to total revenue	% change
Automation	634.2	5.8%	567.1	38.2%	+11.8%
Financial Services	175.4	1.6%	178.8	12.1%	-1.9%
Property Investment and Development	5,063.1	46.5%	706.6	47.6%	+616.5%
Securities Investment	(260.8)	(2.4%)	30.7	2.1%	-949.5%
Trading of Commodities	5,160.4	47.4%	–	–	N/A
Others	115.5	1.1%	–	–	N/A
	10,887.8	100%	1,483.2	100%	+634.1%

During the year, the trading of commodities and property investment and development segments were the major source of revenue for the Group, accounting for 47.4% and 46.5% of total revenue, respectively.

Gross Profit and Margin

The gross profit for the year increased by 282.0% to approximately HK$1,953.7 million (2018: approximately HK$511.5 million), while the gross profit margin decreased to 17.9% (2018: 34.5%). The change was mainly due to the significant increase in the commodities trading which has relatively low gross profit and margin.

Other Gains/(Losses) — Net

The net other gains during the year was approximately HK$23.9 million (2018: net other losses approximately HK$37.2 million), which was mainly the net effect of the gain from derecognition of financial guarantee contract of approximately HK$27.3 million, fair value gain on derivative financial assets of approximately HK$8.9 million and fair value loss on financial guarantee of approximately HK$16.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income

The other income decreased by 25.1% to approximately HK$39.4 million (2018: approximately HK$52.6 million), as a result of decrease in dividend income of approximately HK$11.3 million to approximately HK$8.7 million.

Distribution Costs

The distribution costs increased by 146.2% to approximately HK$74.6 million (2018: approximately HK$30.3 million), accounting for 0.7% (2018: 2.0%) of the total revenue. The increase in distribution costs was mainly due to the increase in advertising, promotion and exhibition expenses and increase in the cost of salesmen commission.

Administrative Expenses

The administrative expenses increased by 161.3% to approximately HK$655.1 million (2018: approximately HK$250.7 million), owing to increase in staff salaries by approximately HK$27.6 million due to the expanded company operations; increase in provision for impairment on intangible assets by approximately HK$140.1 million, increase in provision for impairment on other receivables, trade receivables and contract assets by approximately HK$77.0 million and increase in provision for impairment on property, plant and equipment by approximately HK$54.6 million.

Finance Costs — Net

The net finance costs was approximately HK$192.5 million (2018: approximately HK$57.0 million). The increase in net finance costs was because of an increase in capital financing expenditure in relation to the increase in the general level of borrowing.

Income Tax Expense

The income expense recorded an increase of 343.0% to approximately HK$595.4 million (2018: approximately HK$134.4 million) due to the significant increase in taxable income, and the substantial increase in deferred tax expenses derived from revaluation of properties.

Discontinued operations

During the year ended 31 December 2019, the Group disposed of its online game service business and manufacturing business in the PRC and recognised loss from discontinued operations of approximately HK$88.7 million (2018: approximately HK$38.6 million).

Profit attributable to owners of the Company

The profit attributable to owners of the Company increased to approximately HK$684.3 million (2018: approximately HK$670.8 million), up approximately 2.0% year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESOURCES REVIEW

Liquidity and Financial Resources

By adopting a prudent financial management approach, the Group continued to maintain a healthy financial position with good cash flow. As at 31 December 2019, the Group's cash and cash equivalents of approximately HK$1,313.6 million (2018: approximately HK$907.1 million). The working capital represented by net current assets amounted to approximately HK$4,235.6 million (2018: approximately HK$1,456.4 million). The current ratio was approximately 1.3 (2018: approximately 1.4). The gearing ratio, which is calculated at borrowings divided by net asset value, was 91.8% (2018: 24.2%).

The borrowings of the Group as at 31 December 2019 included corporate bonds of approximately HK$1,688.4 million (2018: approximately HK$177.6 million), trust receipt loans of approximately HK$36.5 million (2018: approximately HK$30.1 million) and bank loans of approximately HK$4,022.2 million (2018: approximately HK$999.2 million), and other loans of approximately HK$4,133.6 million (2018: HK$479.3 million).

The bank and other borrowings were secured by (i) corporate guarantees provided by the Company and certain of its subsidiaries; (ii) personal guarantee of a controlling shareholder; (iii) shares of subsidiaries; (iv) property, plant and equipment of approximately HK$137.0 million (2018: approximately HK$255.9 million); (v) investment properties of approximately HK$4,561.6 million (2018: approximately HK$1,264.9 million); (vi) properties under development of approximately HK$5,116.5 million (2018: nil); (vii) completed properties held for sale of approximately HK$85.9 million (2018: nil); and (viii) pledged bank deposits approximately HK$632.9 million (2018: HK$6 million).

Capital Commitments

As at 31 December 2019, the Group had contracted but not provided for capital commitments of approximately HK$240.0 million, HK$160.7 million, HK$11,140.2 million and HK$0.5 million (2018: approximately HK$240.0 million, HK$1,323.8 million, HK$277.1 million, and nil) relating to the investment in an associate; investment properties; property development expenditures; and property, plant and equipment, respectively.

Currency Exposure and Management

During the year, the Group's receipts were mainly denominated in Hong Kong dollars, Renminbi ("**RMB**"), and US dollars. The Group's payments were mainly made in Hong Kong dollars, RMB and US dollars.

As the business activities of the Group's automation and property investment and development segments were mainly conducted in the mainland China, most of the Group's labour costs and manufacturing overheads were settled with the RMB. As such, fluctuation of the RMB exchange rate will have an impact on the Group's profitability. The Group will closely monitor movements of the RMB and, if necessary, consider entering into foreign exchange forward contracts with reputable financial institutions to reduce potential exposure to currency fluctuations. During the year, the Group did not enter into any foreign exchange forward contract.

MANAGEMENT DISCUSSION AND ANALYSIS

Future Plans for Capital Investment and Expected Source of Funding

The Group finances its operating and capital expenditures mainly by internal resources such as operating cash flow and shareholders equity and bank facilities. The Group expects to have sufficient resources and banking facilities to meet its capital expenditure and working capital requirement.

Fund raising for future business development

When the Group considers that there are funding needs for the expansion of its businesses and development of new businesses, it will explore possible fund raising methods, such as debt financing, placing of new shares or issuance of corporate bonds.

Employees and Remuneration Policies

As at 31 December 2019, the Group had 1,020 full-time employees mainly in Hong Kong and the PRC (2018: 752). The Group remunerates and provides benefits for its employees based on current industry practice. Discretionary bonuses are awarded to staff members based on the financial performance of the Group and performance of individual employee.

In addition, share options will be granted to eligible employees in accordance with the terms of the Company's share option scheme adopted on 24 November 2010.

USE OF PROCEEDS FROM SHARE SUBSCRIPTION IN JULY 2019

In December 2019, the Company issued and allotted 2,400,000,000 new shares of the Company to Bao Xin Development Limited. The net proceeds were approximately HK$599,400,000 and had been utilised as follows:

		HK$' million
1.	Provision of brokerage service and corporate finance	
	(i) securities brokerage and margin financing; and	130.0
	(ii) investment	39.4
2.	Expansion of asset management business	80.0
3.	Expansion of money lending business	250.0
4.	General working capital	100.0
		599.4

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no material contingent liabilities (2018: nil).

KEY RISKS AND UNCERTAINTIES

The Group's financial conditions, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The key risks and uncertainties identified by the Group are discussed in this section. There may be other risks and uncertainties in addition to those illustrated below, which are not known to the Group or which may not be material now but could become material in the future. Furthermore, risks can never be eliminated completely due to the inherent limitations in measures taken to address them. Nevertheless, risks may be accepted for strategic reasons or if they are deemed not cost-effective to mitigate.

Operational Risk

Operational risk is the risk of financial loss or reputational damage resulting from inadequate or failed internal processes, people and systems. Responsibility for managing the Group's operational risks rests with every function at both divisional and departmental levels.

Key functions in the Group are guided by standard operating procedures, limits of authority and a reporting framework. The Group will identify and assess key operational exposures and report such risk issues to the senior management as early as possible so that appropriate risk responses can be taken.

Industry Risk

The financial services business of the Group is subject to extensive regulations. Among others, operating subsidiaries such as Glory Sun Securities Limited and Glory Sun Assets Management Limited are obliged to operate in accordance with the Securites and Futures Ordinance (Cap. 571) (the "**SFO**"). The Group is required to ensure consistent compliance with all applicable laws, regulations and guidelines and satisfy the relevant regulatory authorities that it remains fit and proper to be licensed. If there is any change or tightening of relevant laws, regulations and guidelines, the Group will face a higher compliance requirement for its business activities. In addition, if the Group fails to comply with the applicable rules and regulations from time to time, it may face fines or restrictions on its business activities or even suspension or revocation of some or all of its licenses for operating the financial services business. Furthermore, the financial services business, like all other businesses of the Group, is not immune from market changes. Any downturn in the financial market may also adversely affect the financial services business of the Group.

The automation business of the Group operates in a highly competitive environment. The Group faces fierce competition from global technology companies and rapid technological changes which may render technologies developed and employed by the Group obsolete. As such, the Group's products may lose its competitiveness, adversely affecting the Group's ability to maintain its market share. Failure to maintain the Group's competitive position may lead to a material adverse effect on the results and profit margins of these business segments. Furthermore, the current trade war between the PRC and the US may have an impact on the business environment in the PRC. The Group is prepared to pay close attention to market conditions and will establish a contingency plan if the trade war persists over a period of time.

The securities investment business of the Group is sensitive to market conditions and fluctuations in the prices of the securities held by the Group. Any significant downturn in the securities market may affect the mark to market value of the Group's securities investments and may adversely affect the results of the Group.

Financial Risk

In the course of its business activities, the Group is exposed to various financial risks, including market, liquidity and credit risks. The changes in the currency environment, especially the recent gradual depreciation of the RMB and interest rate cycles may significantly affect the Group's financial position and results of its operations in the PRC.

The Group's earnings and capital or its ability to meet its business objectives may be adversely affected by movements in foreign exchange rates, interest rates and equity prices. In particular, any depreciation in the Group's functional currency may affect its gross profit margin. The Group closely monitors the relative foreign exchange positions of its assets and liabilities and allocates its holdings of different currencies accordingly in order to minimise foreign currency risk.

The Group may be subject to liquidity risk if it is unable to obtain adequate funding to finance its operations. In managing liquidity risk, the Group monitors its cash flows and maintains an adequate level of cash and credit facilities to enable it to finance its operations and reduce the effects of fluctuations in cash flows.

The Group is subject to credit risk from its clients. To minimise risk, new clients will undergo stricter credit evaluation, while the Group continuously monitors its existing clients to further improve its risk control measures.

Manpower and Retention Risk

The competition for human resources in the countries that the Group operates in may result in the Group not being able to attract and retain key personnel with the desired skills, experience and levels of competence. The Group will continue to provide remuneration packages and incentive plans to attract, retain and motivate suitable candidates and personnel.

Business Risk

The Group constantly faces the challenge of gauging and responding promptly to market changes within the sectors that it operates in. Any failure to interpret market trends properly and adapt its strategy to such changes accordingly may have a material adverse effect on the Group's business, financial position, results of operations and prospects.

DIRECTORS AND KEY PERSONNELS

EXECUTIVE DIRECTORS

Mr. Yao Jianhui (姚建輝), aged 48, has been the Chairman and Chief Executive Officer of the Company since August 2015. He serves as a director to multiple subsidiaries of the Company. He also serves as the chairman of each of the Nomination Committee, Strategic Committee and Investment Committee of the Company and is a member of the Remuneration Committee of the Company.

Mr. Yao completed a Master's degree in Business Administration from the South China of Technology. He has held senior management positions with a number of enterprises across a wide range of industries, including food, construction materials, real estate, commerce, agriculture and forestry, logistics, technology and finance. He was appointed as an executive director of Glory Sun Land Group Limited (Stock Code: 00299.HK) ("**Glory Sun Land**") in December 2018. He was the general manager and chairman of the board of directors of Baocheng Investment Co., Ltd. (Stock Code: 600892.SH, currently known as Dasheng Times Cultural Investment Co., Ltd.) ("**Baocheng Investment**") from July 2010 to October 2014. He acted as the executive vice president of Shenzhen Baoneng Investment Group Co., Ltd ("**Shenzhen Baoneng Investment**") from March 2002 to March 2003.

Ms. Ye Weiqing (葉偉青), aged 48, has been the Co-chairman of the Company since 30 August 2019. She also serves as member of each of the Strategic Committee and Investment Committee of the Company.

Ms. Ye completed a Master's degree in Business Administration from the South China of Technology. She has served as a director of CSG Holding Co., Ltd. (Stock Code: 000012.SZ (A Shares) and 200012.SZ (B Shares)) since January 2016. She has been a senior vice president of Shenzhen Baoxin Industrial Group Limited* (深圳寶新實業集團有限公司), an indirect non wholly-owned subsidiary of the Company since June 2019. She was a senior management of Shenzhen Baoneng Investment and its subsidiaries from March 2000 to June 2019. She was a director of Jonjee Hi-tech Industrial and Commercial Holding Co., Ltd (Stock Code: 600872.SH) from May 2016 to November 2018.

DIRECTORS AND KEY PERSONNELS

Mr. Lau Wan Po (劉雲浦), aged 44, was appointed as a Non-executive Director of the Company in July 2018 and re-designated as an Executive Director in March 2019. He also serves as a member of each of the Strategic Committee and Investment Committee of the Company.

Mr. Lau holds a Bachelor's degree in Science from the City University of Hong Kong and a Master's degree in Finance from Curtin University of Technology. He has extensive experience in the investment banking industry focusing in the areas of initial public offering, merger and acquisition, corporate restructuring and professional financial advisory services to listed companies in Hong Kong. He was an executive director of Glory Sun Land from April 2016 to November 2016 and a non-executive director from November 2016 to May 2019. He was a non-executive director of Huabang Financial Holdings Limited (stock code: 03638.HK) from January 2017 to March 2017, the vice chairman and an executive director from March 2017 to June 2018 and a non-executive director from June 2018 to October 2018. He was the chairman of Huabang Securities Limited from December 2015 to February 2019. He served as the managing director of each of Haitong International Capital Limited and Haitong International Capital (HK) Limited from January 2010 to November 2015. He acted as an executive director and head of investment banking division of CMB International Capital Holdings Corporation Limited from August 2008 to January 2010.

Mr. Li Minbin (李敏斌), aged 39, was appointed as a Non-executive Director of the Company in August 2015 and re-designated as an Executive Director in November 2015. He has been the Vice President of the Company since January 2016. He serves as a director to multiple subsidiaries of the Company. He also serves as a member of each of the Strategic Committee and Investment Committee of the Company.

Mr. Li obtained the Master's degree of Business Administration from the Chinese University of Hong Kong. He has comprehensive experience in operation and management of logistics, real estate, investment and financial industries. He was an executive director of Glory Sun Land from December 2018 to May 2019. He served as the supervisor, assistant to general manager and representative of securities affair of Baocheng Investment from July 2010 to March 2014 and acted as director and secretary to the board of directors of Baocheng Investment from March 2014 to March 2016. He served as the assistant to manager of the investment department of Shenzhen Shum Yip Logistics Group Holdings Co., Ltd.* (深圳深業物流集團股份有限公司) from July 2004 to July 2010. He served as the manager of the securities department of Shenzhen Baoneng Investment from December 2007 to October 2008.

Mr. Huang Wei (黃煒), aged 45, was appointed as an Executive Director of the Company in August 2015, re-designated as a Non-executive Director in November 2015 and further re-designated as an Executive Director in November 2018. He also serves as a member of the Investment Committee of the Company.

Mr. Huang obtained a Master's degree in Economics from the Hunan University. He has over 20 years of experience in investment and financing industries. He has served as the senior vice president of Shenzhen Baoneng Investment since December 2013. He served as the vice manager of the department of personal housing loan of the Shenzhen branch of Industrial and Commercial Bank of China from August 2002 to November 2004, the vice general manager of the corporate financing management centre from November 2004 to September 2008, the general manager of the department of corporate financing management from September 2008 to February 2012 and the general manager of the department of institutional banking from January 2013 to December 2013.

DIRECTORS AND KEY PERSONNELS

NON-EXECUTIVE DIRECTOR

Mr. Zhang Chi (張弛), aged 31, was appointed as an Executive Director of the Company in July 2017 and re-designated as a Non-executive Director in August 2019. He also serves as a member of the Audit Committee of the Company.

Mr. Zhang graduated with a Bachelor's degree in Laws from the Shenzhen University and obtained a Master's degree of Science in Management from New York University. He is experienced in fund investment. He served as an officer in the investment department in Shenzhen Sichuang Technology Development Co. Ltd.* (深圳思創科技發展有限公司) from January 2013 to June 2013. He worked in Shenzhen Creative Investment Group Limited* (深圳市創新投資集團有限公司) and served as an intern in the fund management headquarter from September 2015 to April 2016, an officer in the fund management headquarter since April 2016, and has acted as an investment manager in a management headquarter managing a Government Guide Fund since October 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Chun Bong (王振邦), aged 61, has been an Independent Non-executive Director of the Company since November 2009. He also serves as the chairman of the Audit Committee of the Company and a member of each of the Remuneration Committee and Nomination Committee of the Company. He holds a range of positions regarding the provision of assurance, taxation, accounting and financial management services, which the Company believes will enhance in the overall financial control and management of the Group.

Mr. Wong holds a Higher Diploma in Accountancy from The Hong Kong Polytechnic University. He has been an independent non-executive director of Glory Sun Land since December 2018 and an independent non-executive director of Guangzhou R&F Properties Co., Ltd. (Stock Code: 02777.HK) since May 2017. He is the founder of a firm of certified public accountants in Hong Kong, a member of the Council of The Hong Kong Polytechnic University, a fellow member of each of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong and the Institute of Chartered Accountants in England and Wales, an ex-member of the Court of The Hong Kong Polytechnic University and the ex-Chairman of the Executive Committee of the Association of Chartered Certified Accountants in Hong Kong.

Professor Lee Kwok On, Matthew (李國安), aged 60, PhD, has been an Independent Non-executive Director of the Company since November 2009. He also serves as the chairman of the Remuneration Committee of the Company and a member of each of the Audit Committee and Strategic Committee of the Company.

DIRECTORS AND KEY PERSONNELS

Professor Lee is the Vice-President (Development & External Relations) and Chair Professor of Information Systems & E-Commerce at the City University of Hong Kong, and he is also a member of the University Court and University Senate. He has been an independent non-executive director of Computer and Technologies Holdings Limited (Stock Code: 00046.HK) since April 1998. He is the Chairman of the Hong Kong Committee for Pacific Economic Cooperation (HKCPEC) and a member of the Hong Kong Deposits Protection Board.

Graduated from a number of world-class universities, Professor Lee has obtained the following qualifications: BEng, MBA (University of Sheffield), MSc (University of Oxford), PhD in Computer Science (University of Manchester), LLB, and LLM in Commercial & Corporate Law (University of London). He qualified as a Barrister-at-Law in Hong Kong and England and Wales, and is a Chartered Engineer (UK Engineering Council), and a professional member of the British Computer Society.

Mr. Lee Kwan Hung, Eddie (李均雄), aged 54, has been an Independent Non-executive Director of the Company since November 2015. He also serves as a member of the Nomination Committee of the Company.

Mr. Lee received his Bachelor's degree in Laws and Postgraduate Certificate in Laws from the University of Hong Kong in 1988 and 1989 respectively. He was admitted as a solicitor in Hong Kong in 1991 and in England and Wales in 1997.

Mr. Lee is currently a consultant at Messrs. Howse Williams. He was a partner of Messrs. Woo, Kwan, Lee & Lo from April 2001 to February 2011. Mr. Lee successively served as a manager and a senior manager in the Listing Division of the Stock Exchange of Hong Kong from December 1992 to April 1994. He serves as an independent non-executive director to multiple listed companies in Hong Kong, including Embry Holdings Limited (Stock Code: 01388.HK) since November 2006, NetDragon Websoft Holdings Limited (Stock Code: 00777.HK) since June 2008, Newton Resources Ltd. (Stock Code: 01231.HK) since December 2010, Tenfu (Cayman) Holdings Company Limited (Stock Code: 06868.HK) since August 2011, China BlueChemical Ltd. (Stock Code: 03983.HK) since June 2012, Landsea Green Properties Co., Ltd. (Stock Code: 00106.HK) since July 2013, Red Star Macalline Group Corporation Ltd. (Stock Code: 01528.HK) since February 2015, FSE Services Group Limited (Stock Code: 00331.HK) since November 2015 and Ten Pao Group Holdings Limited (Stock Code: 01979.HK) since November 2015.

In the previous three years, Mr. Lee was an independent non-executive director of Futong Technology Development Holdings Limited (Stock Code: 00465.HK) from November 2009 to November 2017 and Asia Cassava Resources Holdings Limited (Stock Code: 00841.HK) from January 2009 to May 2018.

KEY PERSONNELS

Mr. Ho Ka Yiu, Simon (何嘉耀), aged 41, was appointed as the Chief Financial Officer and Company Secretary of the Company in December 2018. Mr. Ho holds a Bachelor's degree in Accountancy from The Hong Kong Polytechnic University. He is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Ho has nearly 20 years of experience in auditing, professional accounting and financial management. Prior to joining the Company, he worked in several international audit firms and served as a chief financial officer, company secretary and authorised representative in a listed company in Hong Kong.

DIRECTORS AND KEY PERSONNELS

Mr. Kam Yun Kwong, Dick (甘潤光), aged 55, is the founder of Gallant Tech Limited which was established in 2006. Mr. Kam joined the Group in January 2012. Mr. Kam is currently the General Manager of Gallant Tech Limited and is responsible for driving the business of the Group's Automation platform. Mr. Kam has over 24 years of experience in equipment distribution business and has developed very strong business network in PRC with sound knowledge in surface mount technology ("**SMT**") and electronics assembly process. He was the General Manager in American Tec Co Ltd. before the setup of his own business. Mr. Kam obtained a Higher Certificate in Electronic Engineer from The Hong Kong Polytechnic University. He was granted an IMBA degree from the Victoria University of Wellington in New Zealand.

* *For identification purpose only*

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the publication of the 2018 annual report of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Directors	Details of Changes
Executive Directors	
Ms. Ye Weiqing	Appointed as an executive director and a member of each of the Strategic Committee and Investment Committee of the Company on 30 August 2019
Mr. Lau Wan Po	Resigned as a non-executive director of Glory Sun Land Group Limited (Stock Code: 00299.HK, a company listed on the Stock Exchange) on 30 May 2019 and re-designated as an executive director and a member of the Investment Committee of the Company on 1 March 2019
Mr. Li Minbin	Resigned as an executive director of Glory Sun Land Group Limited (Stock Code: 00299.HK, a company listed on the Stock Exchange) on 30 May 2019
Non-executive Director	
Mr. Zhang Chi	Re-designated as a non-executive director and a member of the Audit Committee of the Company on 30 August 2019
Mr. Chen Kaiben	Resigned as a non-executive director and a member of the Audit Committee of the Company on 30 August 2019
Independent Non-executive Director	
Professor Lee Kwok On, Matthew	Appointed as a board member of Hong Kong Deposit Protection Board with effect from 1 July 2019

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors and Key Personnels".

REPORT OF THE DIRECTORS

The Board is pleased to present this annual report together with the audited consolidated financial statements of Glory Sun Financial Group Limited and its subsidiaries for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in Note 42 to the consolidated financial statements.

A business review of the Group during the year under review and a discussion on the Group's future business development, possible risks and uncertainties that the Group may be facing and important events affecting the Company occurred during the year ended 31 December 2019 are provided in the section headed "Chairman's Statement" on pages 8 to 17 and the section headed "Management Discussion and Analysis" on pages 18 to 34 of this annual report.

An analysis of the Group's performance during the year ended 31 December 2019 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 18 to 34 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 74 to 77.

The Board does not recommend the payment of any dividend for the year ended 31 December 2019 (2018: the payment of a final dividend of HK0.20 cent per ordinary share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods for determining eligibility to attend and vote at the 2020 annual general meeting:

Latest time to lodge transfer documents for registration:	4:30 p.m., Wednesday, 27 May 2020
Closure of register of members:	Thursday, 28 May 2020 to Tuesday, 2 June 2020 (both days inclusive)
Record Date:	Tuesday, 2 June 2020

In order to be eligible to attend and vote at the 2020 annual general meeting, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than the respective latest dates and time set out above.

REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the past five financial years, as extracted from the consolidated financial statement, and restated as appropriate, is set out on the inside front cover. This summary does not form part of the consolidated financial statements.

DONATIONS

During the year ended 31 December 2019, the Group made external donations of approximately HK$16,600 (2018: HK$50,000).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the placing of new shares under general mandate mentioned above, neither the Company, nor any of its subsidiaries, purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2019.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 39 to the consolidated financial statements and in the consolidated statement of changes in equity on page 79.

DISTRIBUTABLE RESERVES

As of 31 December 2019, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) ("**Companies Law**") of the Cayman Islands, amounted to approximately HK$3,110.9 million (2018: HK$2,570.7 million). No dividend (2018: HK0.20 cent) has been proposed for the year. Under the Companies Law, HK$4,824.6 million as of 31 December 2019 (2018: HK$4,193.2 million) is distributable from share premium account of the Company to the shareholders of the Company provided that immediately following the date on which the dividend, if any, is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's share premium account may be distributed in the form of fully paid bonus shares.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

During the year, 71.3% (2018: 7.8%) of the Group's revenue and 39.1% (2018: 44.6% of the Group's purchases, were attributable to the Group's five largest customers and five largest suppliers, respectively; and 35.4% (2018: 2.0%) of the Group's revenue and 12.9% (2018: 17.5%) of the Group's purchases were attributable to the Group's largest customer and supplier, respectively.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors of the Company during the year were:

Executive Directors

Mr. Yao Jianhui (Chairman)
Ms. Ye Weiqing (Co-Chairman) (appointed as Executive Director on 30 August 2019)
Mr. Lau Wan Po (Vice Chairman) (re-designated on 1 March 2019)
Mr. Li Minbin
Mr. Huang Wei

Non-Executive Director

Mr. Zhang Chi (re-designated on 30 August 2019)
Mr. Chen Kaiben (resigned on 30 August 2019)

Independent Non-Executive Directors

Mr. Wong Chun Bong
Professor Lee Kwok On, Matthew
Mr. Lee Kwan Hung, Eddie

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-Executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

The biographical details of the current Directors of the Company are set out on pages 35 to 38 of the annual report and can be found on the Company's website.

DIRECTORS' SERVICE CONTRACTS

All of the executive Directors and non-executive Director had respectively entered into a service contracts with the Company. Details of the service contracts include: (1) a term of directorship for three years with effect from the date of appointment, reappointment or re-election; and (2) the contracts shall be terminated according to the terms of each contract.

Each of the independent non-executive Directors had signed a letter of appointment with the Company. Details of the letter of appointments mainly include: (1) a term of directorship for three years with effect from the date of appointment, reappointment or re-election; and (2) the letter of appointment shall be terminated according to the terms of each letter of appointment.

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

REMUNERATION OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and the five highest paid individuals are set out in Notes 12 and 10, respectively to the consolidated financial statements.

The remuneration of the Directors is determined with reference to the Directors' duties, responsibilities and performance and the Group's results.

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or were in existence during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As of 31 December 2019, the interests and short positions of the Directors and chief executives of the Company or their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) to be recorded in the register required to be kept by the Company under section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules were as follows:

Interests and short positions in shares and underlying shares of the Company

Name of Director	Capacity in which interests in shares are held	Interests in shares	Total interests in shares	Approximate percentage of shares in issue as at 31 December 2019 (Note 1)
Yao Jianhui	Beneficial owner	44,468,000 (L)	13,462,227,600 (L)	45.19
	Interest in controlled corporation	13,417,759,600 (L) (Note 2)		

Note 1: As at 31 December 2019, the total issued share capital of the Company amounted to 29,787,512,211 shares.

Note 2: As at 31 December 2019, these shares were beneficially owned by (i) Tinmark Development Limited being interested in 10,794,943,600 shares in the Company, (ii) Bao Xin Development Limited being interested in 2,400,000,000 shares in the Company, and (iii) Glory Sun Land Development Limited being interested in 222,816,000 shares in the Company respectively. As (i) Tinmark Development Limited and Bao Xin Development Limited are wholly owned by Bao Xin International Group Limited, (ii) Glory Sun Land Group Limited is controlled by Bao Xin International Group Limited, and (iii) Bao Xin International Group Limited is wholly owned by Mr. Yao Jianhui ("**Mr Yao**"), Mr Yao as the chairman of the Company is deemed to be interested in the shares owned by Bao Xin International Group Limited by virtue of the SFO.

Abbreviations: "L" stands for long position

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES IN THE ASSOCIATED CORPORATION OF THE COMPANY

Interests and short positions in shares and underlying shares of Glory Sun Land Group Limited, an associated corporation of the Company

Name of Director	Capacity in which interests in shares are held	Interests in shares	Total interests in shares	Approximate percentage of shares in issue as at 31 December 2019 (Note 1)
Yao Jianhui	Beneficial owner	1,314,000 (L)	3,145,858,700 (L)	69.14
	Interest in controlled corporation	3,144,544,700 (L) (Note 2)		
Li Minbin	Beneficial owner	306,500 (L)	306,500 (L)	0.01
Zhang Chi	Beneficial owner	1,220,000 (L)	1,220,000 (L)	0.03

Note 1: As at 31 December 2019, the total issued share capital of Glory Sun Land Group Limited amounted to 4,550,104,797 shares.

Note 2: As at 31 December 2019, these shares were beneficially owned by (i) Hong Kong Bao Xin Asset Management Limited being interested in 1,979,263,913 shares in Glory Sun Land Group Limited, (ii) Hong Kong Bao Kai Assets Holdings Limited (formerly known as Hong Kong Bao Da Financial Holdings Limited) being interested in 1,144,151,739 shares in Glory Sun Land Group Limited, and (iii) Glory Sun Securities Limited (formerly known as China Goldjoy Securities Limited) being interested in 21,129,048 shares in Glory Sun Land Group Limited respectively. As (i) Hong Kong Bao Xin Asset Management Limited and Hong Kong Bao Kai Assets Holdings Limited are wholly-owned subsidiaries of the Company, (ii) Glory Sun Securities Limited is a non-wholly owned subsidiary of the Company in which the Company holds an effective interest of 89.54%, and (iii) Mr Yao is a controlling shareholder (as defined in the Listing Rules) of the Company, Mr Yao is deemed to be interested in the shares in Glory Sun Land Group Limited held by the Company by virtue of the SFO.

Abbreviations: "L" stands for long position.

Save as disclosed above, as of 31 December 2019, none of the Directors or chief executives of the Company or their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) to be recorded in the register maintained by the Company under section 352 of the SFO or; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the Scheme (as defined in the section headed "Share Option Scheme" below), at no time during the year ended 31 December 2019 was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangements to enable the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Save for the disclosed, none of the Directors or chief executives of the Company or their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right during the year ended 31 December 2019.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, every Director, other officer and auditor shall be entitled to be indemnified out of assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director, Auditor or other officer of the Company about the execution of the duties of his/her office or otherwise in relation thereto. The Company has arranged appropriate Directors' and Officers' liability insurance coverage for the Directors and officers of the Company.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, so far as is known to the Directors, the following, not being a Director or the chief executives of the Company, have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of the SFO:

Interests and short positions in the shares and underlying shares of the Company

Name of Shareholder	Capacity in which interests in shares are held	Number of shares held	Approximate percentage of shares in issue as at 31 December 2019 (Note 1)
Bao Xin International Group Limited	Interest in controlled corporation	13,417,759,600 (L)	45.04
Bao Xin Development Limited	Beneficial owner	2,400,000,000 (L)	8.06
	Interest in controlled corporation	222,816,000 (L)	0.75
Tinmark Development Limited	Beneficial owner	10,794,943,600 (L)	36.24
	Interest in controlled corporation	222,816,000 (L)	0.75
Glory Sun Financial Group Limited	Interest in controlled corporation	222,816,000 (L)	0.75
GREAT SPHERE DEVELOPMENTS LIMITED	Interest in controlled corporation	222,816,000 (L)	0.75
Bao Xin International Asset Management Limited	Interest in controlled corporation	222,816,000 (L)	0.75
Hong Kong Bao Xin Asset Management Limited	Interest in controlled corporation	222,816,000 (L)	0.75
Bao Kai Assets Holdings International Limited (Formerly known as "Bao Da Financial International Holdings Limited")	Interest in controlled corporation	222,816,000 (L)	0.75
Hong Kong Bao Kai Assets Holdings Limited (Formerly known as "Hong Kong Bao Da Financial Holdings Limited")	Interest in controlled corporation	222,816,000 (L)	0.75

REPORT OF THE DIRECTORS

Name of Shareholder	Capacity in which interests in shares are held	Number of shares held	Approximate percentage of shares in issue as at 31 December 2019 (Note 1)
Glory Sun Financial Holdings Limited	Interest in controlled corporation	222,816,000 (L)	0.75
GOLDEN AFFLUENT LIMITED	Interest in controlled corporation	222,816,000 (L)	0.75
PROFICIENT POWER LIMITED	Interest in controlled corporation	222,816,000 (L)	0.75
Glory Sun Securities Limited	Interest in controlled corporation	222,816,000 (L)	0.75
Glory Sun Land Group Limited	Interest in controlled corporation	222,816,000 (L)	0.75
New Sports Investment Holding Limited	Interest in controlled corporation	222,816,000 (L)	0.75
Qianhai Sports Group Limited	Beneficial owner	222,816,000 (L)	0.75
前海人壽保險股份有限公司	Beneficial owner	4,219,560,000 (L)	14.17
Taiping Assets Management (HK) Company Limited	Investment manager	4,219,560,000 (L) (Note 2)	14.17

Note 1: As at 31 December 2019, the total issued share capital of the Company amounted to 29,787,512,211 shares.

Note 2: Taiping Assets Management (HK) Company Limited is an investment manager of 前海人壽保險股份有限公司, and is thus deemed to be interested in such shares.

Abbreviations: "L" stands for long position.

Save as disclosed above, as of 31 December 2019, the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register kept by the Company under section 336 of the SFO.

RETIREMENT SCHEMES

The Group participates in several defined contribution retirement plans which cover the Group's eligible employees in the PRC, and a mandatory provident fund scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in Note 10 to the consolidated financial statements.

SHARE OPTION SCHEME OF THE COMPANY

On 24 November 2010, the Company adopted a share option scheme (the "**2010 Share Option Scheme**") and the major terms of the 2010 Share Option Scheme were summarised as follows:

(a) Purpose of the 2010 Share Option Scheme

The purpose of the 2010 Share Option Scheme was (i) to attract and retain the best quality personnel for the development of the Company's businesses; (ii) to provide additional incentives to employees; and (iii) to promote the long term financial success of the Company by aligning the interests of option holders to its shareholders.

(b) Participants of the 2010 Share Option Scheme

Pursuant to the 2010 Share Option Scheme, the Company may at its absolute discretion grant options to any employee of the Company or its subsidiaries (including any director, whether executive or non-executive and whether independent or not, of the Company or its subsidiaries) who is in full-time or part-time employment with the Company or its subsidiaries at the time when an option is granted to such employee, or any person who, in the sole discretion of the Board, have contributed or may contribute to the Group.

(c) Total number of shares available for issue under the 2010 Share Option Scheme

As at the date of this report, the total number of shares of the Company available for issue under the 2010 Share Option Scheme is 2,214,859,810, representing approximately 7.44% of the entire issued share capital of the Company as of the date of this report.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2010 Share Option Scheme and any other schemes of the Company shall not exceed 30% of the total number of shares in issue from time to time.

(d) Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of shares in issue, unless approved by the Shareholders in the manner as stipulated in the 2010 Share Option Scheme.

(e) Time of exercise of options

An option may be exercised in accordance with the terms of the 2010 Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which may commence on the date on which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination thereof. No minimum period for which the option must be held before it can be exercised is specified in the 2010 Share Option Scheme.

(f) The subscription price per Share

The subscription price per share in respect of an option granted under the 2010 Share Option Scheme is such price as determined by the Board at the time of the grant of the options, but in any case the subscription price shall not be lower than the higher of:

- the closing price of the share as stated in the daily quotation sheets issued by the Stock Exchange on the date on which the options are offered, which must be a business day;
- the price being the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date on which the options are offered; and
- the nominal value of a share on the date on which the options are offered.

(g) Payment on acceptance of option

A non-refundable sum of HK$1 or other amount as determined by the Board by way of consideration for the grant of an option is required to be paid by each of the grantee upon acceptance of the granted option.

(h) Duration of the 2010 Share Option Scheme

The 2010 Share Option Scheme will remain in force for a period of 10 years from its adoption date (i.e. 24 November 2010). The 2010 Share Option Scheme will terminate or expire (as the case may be) on the earlier of (i) the approval of the shareholders in a general meeting, and (ii) at the close of business on the day immediately preceding the tenth anniversary of the adoption date (the "**2010 Share Option Scheme Period**").

After the 2010 Share Option Scheme Period, the Company cannot grant new options but for so long as there are options granted but not yet exercised, outstanding vested or unvested options, the 2010 Share Option Scheme will remain in full force and effect of such outstanding vested or unvested options or otherwise as may be required in accordance with the 2010 Share Option Scheme. As at the date of this report, a total of 12,020,000 share options had been granted by the Company under the 2010 Share Option Scheme. The number of outstanding share option as at 31 December 2019 is nil.

SHARE OPTION SCHEME OF GLORY SUN LAND GROUP LIMITED

2014 Share Option Scheme

On 26 March 2014, Glory Sun Land Group Limited (stock code: 00299.HK) ("**Glory Sun Land**") adopted a new share option scheme (the "**2014 Share Option Scheme**") and the major terms of the 2014 Share Option Scheme were summarised as follows:

(a) Purpose of the 2014 Share Option Scheme

The purpose of the 2014 Share Option Scheme was (i) to attract and retain the best quality personnel for the development of the businesses of Glory Sun Land; (ii) to provide additional incentives to employees, consultants, agents, representatives, advisers, suppliers of goods or services, customers, contractors, business allies and joint venture partners; and (iii) to promote the long term financial success of Glory Sun Land by aligning the interests of option holders to its shareholders.

(b) Participants of the 2014 Share Option Scheme

Pursuant to the 2014 Share Option Scheme, Glory Sun Land may at its absolute discretion grant options to any employee, consultant, service provider, agent, customer, partner or joint- venture partner of Glory Sun Land or its subsidiaries (including any director, whether executive or non-executive and whether independent or not, of Glory Sun Land or its subsidiaries) who is in full-time or part-time employment with Glory Sun Land or its subsidiaries at the time when an option is granted to such employee, or any person who, in the sole discretion of the board, have contributed or may contribute to Glory Sun Land and its subsidiaries.

(c) Total number of shares available for issue under the 2014 Share Option Scheme

The total number of shares may be granted under the 2014 share Option Scheme is 24,691,756 shares after adjustments for share subdivision in 2015 and share consolidation in 2017, which represents 0.54% of the total number of shares in issue at the date of this report.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2014 Share Option Scheme and any other schemes of Glory Sun Land shall not exceed 30% of the total number of shares in issue from time to time.

(d) Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the total number of shares in issue, unless approved by the shareholders of Glory Sun Land in the manner as stipulated in the 2014 Share Option Scheme.

(e) Time of exercise of options

An option may be exercised in accordance with the terms of the 2014 Share Option Scheme at any time during a period to be determined and notified by the directors of Glory Sun Land to each grantee, which may commence on the date on which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination thereof. No minimum period for which the option must be held before it can be exercised is specified in the 2014 Share Option Scheme.

(f) The subscription price per share

The subscription price per share in respect of an option granted under the 2014 Share Option Scheme is such price as determined by the board of Glory Sun Land at the time of the grant of the options, but in any case the subscription price shall not be lower than the higher of:

- the closing price of the share as stated in the daily quotation sheets issued by the Stock Exchange on the date on which the options are offered, which must be a business day;
- the price being the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date on which the options are offered; and
- the nominal value of a share on the date on which the options are offered.

(g) Payment on acceptance of option

A non-refundable sum of HK$10 or other amount as determined by the board of Glory Sun Land by way of consideration for the grant of an option is required to be paid by each of the grantee upon acceptance of the granted option.

(h) Duration of the 2014 Share Option Scheme

The 2014 Share Option Scheme will remain in force for a period of 10 years from its adoption date (i.e. 26 March 2014). The 2014 Share Option Scheme will terminate or expire (as the case may be) on the earlier of (i) the approval of the shareholders of Glory Sun Land in a general meeting, and (ii) at the close of business on the day immediately preceding the tenth anniversary of the adoption date (the "**2014 Share Option Scheme**").

After the 2014 Share Option Scheme period, Glory Sun Land cannot grant new options but for so long as there are options granted but not yet exercised, outstanding vested or unvested options, the 2014 Share Option Scheme will remain in full force and effect of such outstanding vested or unvested options or otherwise as may be required in accordance with the 2014 Share Option Scheme. As at the date of this report, a total of 31,100,000 share options (after adjustments for share subdivision in 2015 and share consolidation in 2017) had been granted by Glory Sun Land under the 2014 Share Option Scheme. The number of outstanding share options as at 31 December 2019 is nil.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

Each of the Group's Executive Directors, Non-Executive Director and Independent Non-Executive Directors has confirmed that none of them is engaged in, or interested in any business which, directly or indirectly, competes or may compete with the business of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company maintained a sufficient public float as required under the Listing Rules as of the date of this annual report.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee was established on 28 November 2009 with written terms of reference set out in the Corporate Governance Code (the "**CG Code**"). The principal duties of the audit committee includes the review of the Group's financial reporting matters, risk management and internal control procedures.

At present, the Audit Committee comprises one Non-Executive Director, namely Mr. Zhang Chi and two Independent Non-Executive Directors, namely Mr. Wong Chun Bong and Professor Lee Kwok On, Matthew, of which Mr. Wong Chun Bong is the Chairman.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, including the review of the audited financial statements of the Group for the year ended 31 December 2019. The consolidated financial statements for the year ended 31 December 2019 have been audited by the Company's independent auditor, BDO Limited.

CORPORATE GOVERNANCE

Details of the corporate governance of the Group are set out in the section headed "Corporate Governance Report" in this annual report.

AUDITOR

The consolidated financial statements of the Company for the two years ended 31 December 2018 and 2019 have been audited by BDO Limited. BDO Limited were appointed as the auditors of the Company on 14 December 2018 upon the resignation of PricewaterhouseCoopers who have acted as the auditors of the Company for the preceding financial years of 2015, 2016 and 2017.

BDO Limited will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for the re-appointment of BDO Limited as the auditors of the Company is to be proposed at the forthcoming annual general meeting of the Company.

By order of the Board

YAO Jianhui
Chairman

Hong Kong, 30 March 2020

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving high standards of corporate governance. An internal corporate governance policy was adopted by the Board aiming at providing greater transparency, quality of disclosure as well as more effective risk management and internal control. The execution and enforcement of the Company's corporate governance system is monitored by the Board under its terms of reference as formally adopted on 2 November 2015, including but not limited to the development and review of the Company's policies and practices on corporate governance and to ensure their compliance with legal and regulatory requirements, and to review and monitor the training and continuous professional development of the Directors and senior members of the Company.

In line with the best corporate governance practice, the Company has established an Audit Committee, a Remuneration Committee, a Nomination Committee, a Strategic Committee and an Investment Committee. The Board and all subordinate committees evaluate and monitor their respective effectiveness on a regular basis in accordance with their terms of reference.

The Company believes that its commitment to high standard practices will translate into long-term value and ultimately making returns to shareholders. The Company's management pledges to building longer-term interests for shareholders via, for example, conducting business in a socially responsible and professional manner.

The Board procedures are in compliance with the articles of association (the "**Articles**") of the Company as well as relevant rules and regulations. For the year ended 31 December 2019, there were no significant changes to the Articles.

CORPORATE SOCIAL RESPONSIBILITY & ENVIRONMENTAL MATTERS

The Group is determined to be a good corporate citizen by fulfilling its corporate social responsibilities and contributing to the society for the good of the community. In 2019, the Group provided donations to worthwhile organisations that help the needy and participated in various charitable activities. Meanwhile, it cares for its employees by providing safe and healthy working environment and regularly hosting events and activities for the employees to benefit from work-life balance. In 2019, the Group organised Christmas party, annual dinner and dress casual day.

The Group encourages its employees to minimise the use of paper by using e-files. While ensuring the observance of high level of confidentiality, employees are prompted to use reusable papers. The Group has largely replaced its lighting systems from metal halide lamps to light-emitting diode (LED) energy-saving lighting to reduce carbon emissions.

Details of the environmental policies and performance of the Group are disclosed in the 2019 Environmental, Social and Governance Report to be published in compliance with the requirements under the Listing Rules.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Company maintains a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. During the year under review, the Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 to the Listing Rules, except the deviations disclosed herein.

According to the code provision A.2.1 of the CG code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yao Jianhui ("**Mr. Yao**") currently assumes the roles of both the Chairman and the Chief Executive Officer of the Company. The Company deviates from this provision as it believes that by holding both roles, Mr. Yao will be able to provide the Group with strong and consistent leadership. It allows for more effective and efficient business planning and decisions as well as execution of long-term business strategies of the Group. As such, the structure is beneficial to the business prospects of the Group. Furthermore, the Company's present management structure comprises sufficient number of independent non-executive directors and all major decisions are made after consultation with the Board, appropriate Board Committees and key personnel. The Board, therefore, believes that a balance of power and authority have been and will continue to be maintained.

Under code provision E.1.2, chairman of the board should attend the annual general meeting. Mr. Yao, the Chairman of the Board, was unable to attend the Company's annual general meeting held on 30 May 2019 due to fixed business travel schedule. He had arranged Mr. Lau Wan Po, the Vice Chairman and executive Director of the Company, who is very familiar with the Group's business and operations, to attend and chair the meeting. Other Directors, including one executive Director and three independent non-executive Directors at the time, being the chairman or members of the Audit Committee, Remuneration Committee and Nomination Committee, together with the external independent auditors attended the annual general meeting and answered questions from the attending shareholders and investors. All resolutions proposed were duly passed by shareholders' voting at the meeting.

THE BOARD

The Board provides leadership and guidance to the Group's activities, overseeing the Group's businesses, strategic decisions and financial performances. The Board has delegated its powers to the management for the Group's daily management and operations.

BOARD COMMITTEES

The Board has established an audit committee, a remuneration committee, a nomination committee, a strategic committee and an investment committee with clearly defined written terms of reference. Each committee reports to the Board on its decisions or recommendations, unless there are legal or regulatory restrictions on its ability to do so.

Audit Committee

The Company has established the Audit Committee on 28 November 2009, with written terms of reference in compliance with the Listing Rules. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting matters, risk management and internal control procedures. The Audit Committee comprises one non-executive director, namely Mr. Zhang Chi (appointed on 30 August 2019) and two independent non-executive directors, namely Mr. Wong Chun Bong and Professor Lee Kwok On, Matthew. The Audit Committee has reviewed and approved the preliminary announcement of the Group's results for the year ended 31 December 2019.

Nomination Committee

The Company has established the Nomination Committee on 28 November 2009, with written terms of reference consistent with those set out in the CG Code. The principal duties of the Nomination Committee include considering and recommending to the Board on the appointment of all the Directors. The Nomination Committee comprises three members, namely Mr. Yao Jianhui, Mr. Wong Chun Bong and Mr. Lee Kwan Hung, Eddie, of which Mr. Yao Jianhui is the Chairman. During the year, the Nomination Committee has duly discharged the above duties.

Remuneration Committee

The Company has established the Remuneration Committee on 28 November 2009, with written terms of reference consistent with those set out in the CG Code. The principal duties of the Remuneration Committee include determining and reviewing the remuneration packages of all the Directors and senior management of the Company. The senior management of the Company comprises only the Executive Directors of the Company. The Remuneration Committee comprises three members, namely Professor Lee Kwok On, Mathew, Mr. Yao Jianhui and Mr. Wong Chun Bong, of which Professor Lee Kwok On, Matthew is the Chairman. During the year, the Remuneration Committee has duly discharged the above duties.

Strategic Committee

The Company has established the Strategic Committee on 28 March 2012. The principal duties of the Strategic Committee include considering and recommending to the Board on the Group's business strategies and investment opportunities. The Strategic Committee comprises five members, namely Mr. Yao Jianhui, Ms. Ye Weiqing (appointed on 30 August 2019), Mr. Lau Wan Po, Mr. Li Minbin and Professor Lee Kwok On, Matthew, of which Mr. Yao Jianhui is the Chairman. During the year, the Strategic Committee has duly discharged the above duties.

Investment Committee

The Company has established Investment Committee on 26 August 2016. The principal duties of the Investment Committee include considering the investment and fund raising proposals made by the Company and its subsidiaries. The Investment Committee comprises five members, namely Mr. Yao Jianhui, Ms. Ye Weiqing (appointed on 30 August 2019), Mr. Lau Wan Po (appointed on 1 March 2019), Mr. Li Minbin and Mr. Huang Wei, of which Mr. Yao Jianhui is the Chairman. During the year, the Investment Committee has duly discharged the above duties.

CORPORATE GOVERNANCE REPORT

ATTENDANCE OF DIRECTORS AT VARIOUS MEETINGS

The attendance of individual members of the Board at Board meetings, meetings of the Board Committees and general meetings during the year ended 31 December 2019, as well as the number of such meetings held, are set out as follows:

Directors	Board Meetings	Audit Committee Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	Strategic Committee Meetings	Investment Committee Meetings	General Meeting Meetings
Executive Directors							
Mr. Yao Jianhui	6/9		1/2	2/3	0/0	3/3	0/5
Ms. Ye Weiqing (Note 1)	2/2					1/1	2/2
Mr. Lau Wan Po (Note 2)	8/9				0/0	1/1	3/5
Mr. Li Minbin	9/9				0/0	3/3	5/5
Mr. Huang Wei	6/9						1/5
Non-Executive Director							
Mr. Zhang Chi (Note 3)	6/9	0/1				2/2	0/5
Mr. Chen Kaiben (Note 4)	4/6						1/5
Independent Non-Executive Directors							
Mr. Wong Chun Bong	8/9	5/5	2/2	3/3			3/5
Professor Lee Kwok On, Matthew	8/9	4/5		3/3	0/0		2/5
Mr. Lee Kwan Hung, Eddie	8/9		2/2				3/5

Notes:

1. Ms. Ye Weiqing was appointed as Executive Director on 30 August 2019.
2. Mr. Lau Wan Po was re-designated from Non-Executive Director to Executive Director on 1 March 2019.
3. Mr. Zhang Chi was re-designated from Executive Director to Non-Executive Director on 30 August 2019.
4. Mr. Chen Kaiben resigned as Non-executive Director on 30 August 2019.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered that diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversified perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be made upon the merits of the selected candidates and their contribution to the Board.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Directors must keep abreast of their collective responsibilities. Each newly appointed Director or alternate Director would receive materials covering the Group's businesses and director's duties and responsibilities. The Company provides the Directors with market news and regulatory updates for them to understand the latest development of regulatory and compliance issues.

During the year ended 31 December 2019, the Directors participated in the following trainings:

Directors	Types of training
Executive Directors	
Mr. Yao Jianhui	A, B
Ms. Ye Weiqing (appointed as Executive Director on 30 August 2019)	A, B
Mr. Lau Wan Po (re-designated as Executive Director on 1 March 2019)	A, B
Mr. Li Minbin	A, B
Mr. Huang Wei	A, B
Non-Executive Director	
Mr. Zhang Chi (re-designated on 30 August 2019)	A, B
Independent Non-Executive Directors	
Mr. Wong Chun Bong	A, B
Professor Lee Kwok On, Matthew	A, B
Mr. Lee Kwan Hung, Eddie	A, B

A: attending seminars and/or conferences and/or forums
B: reading newspapers, journals and updates relating to the economy, latest changes and development of the Listing Rules, corporate governance practices, and etc.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company adopts the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct of the Group regarding securities transactions of the Directors. All Directors have confirmed that throughout the year ended 31 December 2019, they have complied with the provisions of the Model Code.

TERM OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the Independent Non-Executive Directors has signed a letter of appointment with the Company, with a term of directorship for 3 years with effect from the date of appointment, reappointment or re-election. Upon the expiry of the aforesaid term of 3 years, the appointments shall be subject to the approval by the Board of the Company. The term of appointment shall be terminable by either the Independent Non-Executive Director or the Company by giving the other party not less than 3 months' prior notice in writing.

INTERNAL CONTROL

Risk management and internal control report

The Group has established and adopted the "Glory Sun Financial Group Risk Management System" as a simple and effective management procedure for all business units. Pursuant to which, risks were identified, reviewed and prioritised to facilitate resources allocation for the appropriate risk management. The Group has also engaged independent consultants to conduct review of the internal control system of our financial services segment. The management, through the framework, also developed clear understanding on the material risks faced by the Group, which formed the basis for its decision and project implementation, thereby enabling the Group to deliver better operating results.

It is the sole responsibility of the Board to build and maintain a comprehensive and effective risk management and internal control system for the Group for the purpose of safeguarding shareholders' investment and the Group's assets. Such system is designed to identify and manage the risk of failure to achieve business objectives. This risk management and internal control report describes the structure and major features of the risk management and internal control system.

Risk management structure

Based on the different functions performed by each component, the risk management structure of the Group is organised into three basic lines of defence under the leadership of the Board, namely the business departments and subordinate units directly under the Group; the Risk Management Committee; and the Audit Committee and internal audit department.

		Functions & Duties
Ultimate responsible body	Board	• The right to give guidance and final decision on the risk management system and risk response plan. • To monitor the dynamics among staff, corporate strategy, risk, internal control and compliance.
Monitoring (third line of defence)	Audit Committee and Internal Audit Department	• Monitor the implementation of risk management and the timely report of outcomes to the Board. • To review the risk assessment report and review the effectiveness of the risk management mechanism of the Group at least once a year.
Management (second line of defence)	Risk Management Committee	• Responsible for the establishment and optimisation of the risk management framework of the Group and the supervision and coordination of risk identification, assessment, mitigation, as well as the risk management report and presentation.
Implementation (first line of defence)	Business departments and subordinate units directly under the Group	• To perform self-review and inspection of the risk management work by the respective department or its subordinate units of the Group, so as to identify and rectify deficiencies in a timely manner.

CORPORATE GOVERNANCE REPORT

Risk management measures

The overall risk management process of the Group comprises knowing the objective, identification of risk incidents, risk assessment and response, risk monitoring, risk management report and presentation.

Knowing the objective   Risk identification   Risk assessment   Risk response   Report

Risk control

The major objectives and management measures of each of the above step of risk control are set out below:

1. **Knowing the objective:** Knowing the objective of the Group is the prerequisite of risk identification, risk assessment and risk response. The Group must first set an objective before identifying and assessing the risks that may affect the ability to achieve objective, and taking the necessary actions to control those risks.

2. **Risk identification:** Risk identification involves the identification of risk incidents in all business segments, operations and major business procedures through questionnaire and survey, group discussion, expert consultation, scenario analysis, policy analysis, benchmarking and interview, as well as the establishment and annual update of the risk database. The Group needs to identify the internal and external risks relating to attaining the control objective so as to determine the corresponding risk appetite.

3. **Risk assessment:** The Group assesses major risk incident that may affect the ability to achieve objective from the perspectives of vulnerability and the impact on the objective upon the occurrence of risk incidents, and prioritises such risks for the Group to reasonably allocate resources to implement or optimise risk response plan, thereby maintaining the overall risk at an acceptable level. The risk management team conducts annual reviews on parameters of risk assessment (i.e., vulnerability and impact) and report to the Audit Committee for the final approval by the Board.

4. **Risk response:** The Group formulates and implements risk control plan based on the nature of risk incidents and its tolerance to such incidents. The risk control plan can be in the form of special proposal or management system in the daily operation of the Group, with the purpose of maintaining the overall risk at an acceptable level.

   There are four basic strategies of risk response:

   - Avoiding risk: refers to the withdrawal from activities that may create risks as a way of risk prevention;

   - Transferring risk: refers to reducing the possibility of risk or its impact, or the sharing of risk by means of shifting the risk;

- Mitigating risk: refers to reducing the possibility of risk or its impact through taking reasonable precaution and management measures; and

- Accepting risk: refers to the case where the Group does not take any measures to interfere the impact of the risk, in the event that the risk materialises in the future, the Group will bear all consequences of the risk.

5. **Report:** The risk report of the Group can be divided into regular risk report and special risk report. The regular risk report is the annual report prepared by the risk management committee on risks and risk control in the course of the operation and development of the Group, which will be submitted to the audit committee and the Board.

The above risk management system aims at managing but not eliminating the risk of failure to achieve business objectives. Furthermore, the Board will only give reasonable but not absolute assurance that there will be no material misrepresentation or loss.

Review on system effectiveness

The review on effectiveness of the risk management and internal control system for 2019 covers the year ended 31 December 2019, in which the Board has performed annual review on the effectiveness of the risk management and internal control system of the Group through the Audit Committee, and was of the opinion that the existing risk management and internal control system was sufficient and effective. During the review, the Board has reviewed the adequacy of resources, staff qualification and experience of the audit and financial reporting function of the Group through the Audit Committee, and has not identified any material deficiencies. The Board was not aware of any material issues that may affect the shareholders and require their attention, and was of the view that the internal control of the Group was in full compliance with all of the code provisions relating to internal control under the Corporate Governance Code.

In conclusion, the Board strives to enhance the risk management and internal control system of the Group on an on- going basis.

Procedures and internal controls for the handling and dissemination of inside information

In accordance with the requirements of the Securities and Futures Ordinance and the Listing Rules, the Group shall disclose to the public any insider information as soon as possible after such information comes to the attention of the Group, unless such information is within the scope under any safe harbours provision in the Securities and Futures Ordinance. The Group will ensure such information will be kept confidential before it is fully announced to the public. If the Group considers that the confidentiality required cannot be kept, or such information may have leaked already, such information will be disclosed to the public immediately. We also endeavour to ensure that the information contained in the annual report shall not be deceptive or misleading in all material aspects, and there are no other material matters the omission of which would make the information contained therein to be deceptive or misleading, such that the insider information disclosed can be made available to the public in an equal, timely and effective manner.

In addition, if there occurs any significant risk events, the related information will be disclosed to appropriate authorities and personnel in a complete, accurate and timely manner, so that appropriate decisions and measures can be made and implemented by the Group to deal with such risk events. Meanwhile, in order to further develop the risks management culture of the enterprise, as well as to enhance the risk awareness of our staff, the Group has already rolled out training programs, so that we can assure to maintain the balance between business expansion and risk management in our operation.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of financial statements of each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the financial statements for the year ended 31 December 2019, the Directors have selected suitable accounting policies and applied them consistently, approved adoption of all Hong Kong Financial Reporting Standards, made appropriate judgement and estimates, prepared the financial statements on a going-concern basis.

The Group has announced its annual results in a timely manner within the limits of three months after the end of the relevant period, as laid down in the Listing Rules.

AUDITOR'S REMUNERATION

The remuneration in respect of services provided by BDO Limited, the external auditors of the Company, for the year ended 31 December 2019 is summarised as follows:

	HK$'000
Audit services	
— Annual audit services	6,560
Non-audit services	
— Review of interim financial statements	1,050
— Others (mainly reporting accountant's work in connection with the notifiable transactions of the Group and agreed-upon procedures)	2,785
	10,395

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has arranged appropriate insurance cover for the Directors' and officers' liabilities in respect of legal actions against the Directors and officers of the Company and its subsidiaries arising out of corporate activities of the Group.

COMMUNICATION WITH SHAREHOLDERS

The Board established a shareholders communication policy in 2014 and made it available on the Company's website. The policy is subject to review on a regular basis to ensure its effectiveness.

The Group has established and maintains different communication channels with its shareholders. Annual reports and other corporate communications are published on the websites of the Company and the Stock Exchange. General meetings and investor meetings were held either face-to-face or via telephone conference. The Group reports to the shareholders twice a year and maintains a regular dialogue with investors.

Shareholders are provided with contact details of the Company, including email address and postal address, in order for them to make queries that they may have with respect to the Company. They can also send their enquiries to the Board by these means. In addition, shareholders can contact Tricor Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend. The website of the Company has also set out details on how shareholders can convene an extraordinary meeting, and the procedures for shareholders to put forward proposals at shareholders' meeting.

The annual general meeting provides an useful forum for shareholders to exchange their views with the Board.

SHAREHOLDER'S RIGHTS

(i) Procedures for Shareholders to convene an Extraordinary General Meeting ("EGM")

The Board shall, on the requisition in writing by the shareholder(s) to the Secretary of the Company of not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, forthwith proceed to convene an EGM in accordance with the Memorandum and Articles of Association of the Company.

If within twenty-one days of such deposit the Board fails to proceed to convene the EGM, the requisitionist(s), or any of them representing more than one half of the total voting rights of all of them, may themselves do so but any meeting so convened shall not be held after the expiration of three months from the said date.

(ii) Procedures for putting forward proposals at General Meeting ("GM")

Shareholders can submit a written requisition to move a resolution at GM. The number of shareholders shall represent at least 5% of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the GM.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the GM. It must also be signed by all of the shareholders concerned and be deposited at 18/F., Wing On Centre, 111 Connaught Road Central, Hong Kong for the attention of the "Company Secretary" no less than six weeks before the GM in case of a requisition requiring notice of a resolution and no less than one week before the GM in case of any other requisitions.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses giving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

If the requisition is verified to be not in order or the requisitionists have failed to deposit sufficient money to meet the Company's expenses for the said purpose, the requisitionists will be advised of the result and accordingly, no action will be taken by the Company in that regard.

(iii) Shareholders' Enquiries

Shareholders may make enquiries or direct concerns to the Board in writing by addressing for the attention of the "Company Secretary" by mail at 18/F., Wing On Centre, 111 Connaught Road Central, Hong Kong.

DIRECTORS' AND AUDITOR'S ACKNOWLEDGEMENT

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2019.

The auditors of the Company acknowledges its reporting responsibilities in the auditor's report on the consolidated financial statements for the year ended 31 December 2019.

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

On behalf of the Board

Yao Jianhui
Chairman

Hong Kong, 30 March 2020

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF GLORY SUN FINANCIAL GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Glory Sun Financial Group Limited (formerly known as China Goldjoy Group Limited) (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 74 to 256, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Step acquisition of Glory Sun Land Group Limited

Refer to notes 5B(vi) and 46A(a) to the consolidated financial statements

During the year, the Group had completed the step acquisition transaction on 37.16% equity interest in Glory Sun Land Group Limited ("**Glory Sun Land**") (formerly known as New Sports Group Limited). Upon completion of the acquisition transaction on 23 April 2019, the Group's interest in Glory Sun Land increased from 29.19% as at 31 December 2018 to 66.35% and Glory Sun Land has become a subsidiary of the Company.

The step acquisition has been accounted for as a business combination using the acquisition method under HKFRS 3 (Revised) "Business Combinations", where the consideration transferred, the amount of any non-controlling interest, the fair values of the identifiable assets acquired and liabilities assumed, the Group's previously held equity interests in Glory Sun Land and treasury shares have been used in the measurement of goodwill of the step acquisition at the acquisition transaction date.

Management has engaged an independent professional valuer (the "**GSL Management Expert**") to assist the management in performing valuation of the fair values of the identifiable assets acquired and liabilities assumed of Glory Sun Land and its subsidiaries (collectively referred to as "**Glory Sun Land Group**") at the date of the step acquisition.

We have identified the accounting for the step acquisition as a key audit matter because of the significant judgement exercised in measuring the fair values of the identifiable assets acquired and liabilities assumed that could have a material effect to the gain on bargain purchase recognised.

Our response:

Our key procedures in relation to the step acquisition of Glory Sun Land included:

— Understanding the management's identification process of assets acquired and liabilities assumed of Glory Sun Land Group on the date of the step acquisition;

— Assessing the appropriateness of the valuation methodologies and the reasonableness of underlying key assumptions and estimation used by the management;

— Involving an auditor's expert to assist us in evaluating and assessing the appropriateness of the valuation methodologies and the reasonableness of the key assumptions and estimations used in the valuation of the fair value of the identifiable assets acquired and liabilities assumed of Glory Sun Land Group; and

— Assessing the independence, competence and objectivity of the GSL Management Expert and auditor's expert.

Valuation of investment properties

Refer to notes 4.8, 5B(vii) and 18 to the consolidated financial statements

The Group's investment properties amounted to approximately HK$9,011,837,000 as at 31 December 2019 and a fair value gain of approximately HK$23,935,000 was accounted for under "fair value gain on investment properties" in the consolidated statement of comprehensive income for the year.

Management has engaged independent professional valuers (the "**IP Management Expert**") to assist the management in performing the valuation of the Group's investment properties at the end of the reporting period. Valuations of the Group's investment properties are dependent on certain key inputs, assumptions and estimations that require significant management judgement. The valuation was inherently subjective due to the significant estimates used and significant changes in these estimates could result in material changes to the valuation of the investment properties.

Our response:

Our key procedures in relation to the valuation of investment properties included:

— Assessing the appropriateness of the valuation methodologies and the reasonableness of the key assumptions and estimations used in the valuation of the fair value of the investment properties;

— Checking the appropriateness of key input data used in the valuation of the fair value of the investment properties;

— Involving an auditor's expert to assist us in evaluating and assessing the appropriateness of the valuation methodologies and the reasonableness of the key assumptions and estimations used in the valuation of the fair value of the investment properties;

— Assessing the adequacy of related disclosures in the consolidated financial statements; and

— Assessing the independence, competence and objectivity of the IP Management Expert and auditor's expert.

Impairment assessment of intangible assets

Refer to notes 4.5, 4.10(iii), 4.19, 5B(ii), 5B(iii) and 19 to the consolidated financial statements

The Group had intangible assets amounted to approximately HK$726,735,000 as at 31 December 2019. For the year ended 31 December 2019, the impairment loss recognised in respect of intangible assets was approximately HK$142,755,000.

Management reviewed regularly whether there are any indicators of impairment of intangible assets with finite lives.

INDEPENDENT AUDITOR'S REPORT

Impairment assessment of intangible assets *(Continued)*

The intangible assets with indefinite useful lives are subject to annual impairment review. For the purpose of performing impairment assessment, all intangible assets including goodwill have been allocated to its respective cash generating units ("**CGUs**"). These CGUs which included goodwill are tested for impairment at least annually.

Management tests whether intangible assets has suffered any impairment. For the operating right, management has engaged independent professional valuer as management's expert (the "**IA Management Expert**") in assisting the assessment of its recoverable amounts. In carrying out the impairment assessment, significant management judgement was used to determine the underlying key assumptions and estimations.

Our response:

Our key procedures in relation to the management's impairment assessment on intangible assets included:

— Assessing the appropriateness of the valuation methodology in respect of the assessment of the recoverable amounts;

— Assessing the reasonableness of the underlying key assumptions and estimations used;

— Checking the appropriateness of key input data used in the assessment of the recoverable amounts;

— Involving an auditor's expert to assist us in assessing the reasonableness of key assumptions and estimations and appropriateness of the valuation methodology for the impairment assessment of the operation right; and

— Evaluating the independence, competence and objectivity of the IA Management Expert and auditor's expert.

Assessment of net realisable value of inventories of properties

Refer to notes 4.14, 5B(viii), 26 and 27 to the consolidated financial statements

The Group had properties under development and completed properties held for sale of approximately HK$7,855,386,000 and HK$1,146,584,000 respectively as at 31 December 2019 in relation to the property investment and development segment.

Inventories of properties are stated at the lower of their costs and their net realisable values. The determination of net realisable value involves significant management judgements and is critically dependent upon the management's assessment of estimated selling prices of these properties, estimated costs to completion and estimated costs necessary to make the sale.

INDEPENDENT AUDITOR'S REPORT

Assessment of net realisable value of inventories of properties *(Continued)*

Our response:

Our key procedures in relation to the management's assessment of net realisable value of inventories of properties included:

— Assessing the appropriateness of the basis of the determination of net realisable value of properties under development and completed properties held for sale, and evaluating the reasonableness and consistency of the key assumptions used by management;

— Assessing the reasonableness of the Group's estimated selling prices, on a sample basis, by comparing them to recent transacted prices and prices of comparable properties; and

— Assessing, on sample basis, the reasonableness of construction costs to be incurred to complete the properties under development estimated by management, based on underlying documentation such as budgets of development project costs and existing construction contracts.

Impairment assessment of trade receivables and contract assets

Refer to notes 4.12(ii), 5B(iv), 29 and 30(a) to the consolidated financial statements

As at 31 December 2019, the Group had trade receivables and contract assets of approximately HK$321,315,000 and HK$250,550,000 respectively after loss allowance for expected credit losses ("**ECL**") of approximately HK$3,235,000 and HK$69,688,000 respectively.

Management performed the assessment on the recoverability of the trade receivables and contract assets and the sufficiency of loss allowances for ECL. The Group measures loss allowances for trade receivables and contract assets based on lifetime ECL. Assessment on the recoverability of certain trade receivables and contract assets and the sufficiency of the related loss allowances for ECL are performed with the assistance of independent professional valuer as management's expert (the "**ECL Management Expert**").

In carrying out impairment assessment of trade receivables and contract assets under the ECL model, significant management judgement was used to determine the underlying estimations.

INDEPENDENT AUDITOR'S REPORT

Impairment assessment of trade receivables and contract assets *(Continued)*

Our response:

Our key procedures in relation to the management's impairment assessment of trade receivables and contract assets included:

— Assessing whether trade receivables and contract assets had been appropriately grouped by management based on their shared credit risk characteristics;

— Assessing the appropriateness of the key input data, on a sample basis, used by management and the ECL Management Expert to develop the historical loss rates and assessing the sufficiency, reliability and relevance of that data;

— Involving an auditor's expert to assist our assessment on the appropriateness of methodology in determining the historical loss rate and evaluating the reasonableness of the forward-looking information;

— Testing the calculation of ECL provisions applying the ECL rates to the respective categories of the trade receivables and contract assets outstanding at the reporting date; and

— Evaluating the independence, competence and objectivity of the ECL Management Expert and auditor's expert.

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 the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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 the terms of our engagement, 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.

INDEPENDENT AUDITOR'S REPORT

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional 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 Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

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

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

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

BDO Limited
Certified Public Accountants
Lo Ngai Hang
Practising Certificate Number P04743

Hong Kong, 30 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (Re-presented)
Continuing operations			
Revenue	6	10,887,820	1,483,230
Cost of sales		(8,934,072)	(971,771)
Gross profit		1,953,748	511,459
Other gains/(losses) — net	7	23,854	(37,219)
Other income	7	39,397	52,648
Gain on bargain purchase from acquisition of subsidiaries	46	696,412	44,042
Gain on bargain purchase from acquisition of an associate	20	–	344,877
Loss on remeasurement of pre-existing interest in an associate	46A(a)	(176,869)	–
Fair value gain on investment properties	18	23,935	255,733
Distribution costs		(74,585)	(30,308)
Administrative expenses		(655,071)	(250,709)
Profit from operations		1,830,821	890,523
Finance costs — net	11	(192,483)	(56,980)
Share of results of associates	20	20,631	15,089
Profit before income tax from continuing operations		1,658,969	848,632
Income tax expense	13	(595,443)	(134,419)
Profit for the year from continuing operations		1,063,526	714,213
Discontinued operations			
Loss for the year from discontinued operations	9	(88,727)	(38,617)
Profit for the year	8	974,799	675,596
Profit/(loss) attributable to:			
Owners of the Company			
— Continuing operations		757,799	697,859
— Discontinued operations		(73,507)	(27,032)
		684,292	670,827
Non-controlling interests			
— Continuing operations		305,727	16,354
— Discontinued operations		(15,220)	(11,585)
		290,507	4,769
		974,799	675,596

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (Re-presented)
Profit for the year		**974,799**	675,596
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Currency translation differences		**(195,962)**	(234,985)
Release of exchange reserve upon disposal of subsidiaries	45	**4,674**	–
Share of other comprehensive income of associates	20	**(72,113)**	(30,422)
Items that will not be reclassified to profit or loss:			
Revaluation surplus upon transfer of owner-occupied property to investment properties	18	**75,566**	–
— deferred tax arising from revaluation thereof		**(10,376)**	–
Net change in fair value of equity investments designated at fair value through other comprehensive income		**(315,667)**	(2,051,800)
Other comprehensive income for the year		**(513,878)**	(2,317,207)
Total comprehensive income for the year		**460,921**	(1,641,611)
Total comprehensive income for the year attributable to:			
Owners of the Company		**208,761**	(1,632,515)
Non-controlling interests		**252,160**	(9,096)
		460,921	(1,641,611)
Earnings per share from continuing and discontinued operations	15		
— Basic (HK cents)		**2.55**	2.60
— Diluted (HK cents)		**2.55**	2.60
Earnings per share from continuing operations	15		
— Basic (HK cents)		**2.82**	2.70
— Diluted (HK cents)		**2.82**	2.70
Loss per share from discontinued operations	15		
— Basic (HK cents)		**(0.27)**	(0.10)
— Diluted (HK cents)		**(0.27)**	(0.10)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	322,671	409,910
Prepaid land lease payments	17	–	4,839
Investment properties	18	9,011,837	3,082,784
Intangible assets	19	726,735	189,087
Investments in associates	20	321,780	1,154,558
Financial assets at fair value through other comprehensive income	21	904,840	903,857
Finance lease receivables	22(C(ii))	61,480	91,394
Deposits and other receivables	23	111,430	24,275
Loans and advances	28	78,000	–
Derivative financial assets	24	13,753	–
Deferred tax assets	37	40,019	–
		11,592,545	5,860,704
Current assets			
Inventories	25	23,156	42,081
Properties under development	26	7,855,386	863,272
Completed properties held for sale	27	1,146,584	353,118
Loans and advances	28	1,190,715	960,394
Trade receivables	29	321,315	154,417
Contract assets	30(a)	250,550	37,224
Finance lease receivables	22(C(ii))	54,173	44,244
Prepayments, deposits and other receivables	23	4,275,164	207,684
Current tax recoverable		20,818	–
Financial assets at fair value through profit or loss	31	128,851	982,589
Client trust bank balances	32	376,677	261,084
Pledged bank deposits and restricted deposits	32	889,611	67,893
Time deposits with original maturity over three months	32	–	39,350
Cash and cash equivalents	32	1,313,570	907,123
		17,846,570	4,920,473
Total assets		29,439,115	10,781,177

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Current liabilities			
Trade and bills payables	33	4,313,930	779,925
Contract liabilities	30(b)	798,585	291,438
Accruals and other payables	34	1,502,480	637,512
Consideration payable	36	300,620	–
Borrowings	35	6,190,104	1,654,504
Lease liabilities	22(A)	5,412	–
Financial guarantees	50	33,180	–
Current tax liabilities		466,631	100,654
		13,610,942	3,464,033
Net current assets		4,235,628	1,456,440
Total assets less current liabilities		15,828,173	7,317,144
Non-current liabilities			
Borrowings	35	3,690,642	31,847
Lease liabilities	22(A)	28,698	–
Consideration payable	36	136,019	–
Deferred tax liabilities	37	1,211,543	320,543
		5,066,902	352,390
Total liabilities		18,677,844	3,816,423
NET ASSETS		10,761,271	6,964,754
EQUITY			
Share capital	38	2,978,751	2,586,981
Reserves	39	4,648,403	3,715,486
Equity attributable to owners of the Company		7,627,154	6,302,467
Non-controlling interests	43	3,134,117	662,287
TOTAL EQUITY		10,761,271	6,964,754

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 March 2020 and were signed on its behalf.

Yao Jianhui
Chairman

Li Minbin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Merger reserve (Note 39(a)) HK$'000	Capital reserve (Note 39(b)) HK$'000	Statutory reserve (Note 39(c)) HK$'000	Other reserves (Note 39(d)) HK$'000	Financial assets at fair value through other comprehensive income reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018	2,467,933	3,700,285	(215,150)	12,411	103,755	(216,087)	82,430	112,679	1,221,291	522,807	7,792,354
Profit for the year	–	–	–	–	–	–	–	–	670,827	4,769	675,596
Other comprehensive income:											
Net change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	–	(2,051,800)	–	–	–	(2,051,800)
Share of other comprehensive income of associates	–	–	–	–	–	(30,422)	–	–	–	–	(30,422)
Currency translation differences	–	–	–	–	–	–	–	(221,120)	–	(13,865)	(234,985)
Total other comprehensive income	–	–	–	–	–	(30,422)	(2,051,800)	(221,120)	–	(13,865)	(2,317,207)
Total comprehensive income	–	–	–	–	–	(30,422)	(2,051,800)	(221,120)	670,827	(9,096)	(1,641,611)
Proceeds from shares issued (Note 38)	119,048	630,952	–	–	–	–	–	–	–	–	750,000
Dividend paid	–	(131,936)	–	–	–	–	–	–	–	–	(131,936)
Transactions with non-controlling interests (Note 43)	–	–	–	–	–	47,371	–	–	–	148,576	195,947
Transfer of accumulated gain of fair value through other comprehensive Income within equity	–	–	–	–	–	–	(41,232)	–	41,232	–	–
Transfer to statutory reserve	–	–	–	–	14,792	–	–	–	(14,792)	–	–
At 31 December 2018	2,586,981	4,199,301	(215,150)	12,411	118,547	(199,138)	(2,010,602)	(108,441)	1,918,558	662,287	6,964,754

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Merger reserve (Note 39(a)) HK$'000	Capital reserve (Note 39(b)) HK$'000	Statutory reserve (Note 39(c)) HK$'000	Treasury share HK$'000	Other reserves (Note 39(d)) HK$'000	Financial assets at fair value through other comprehensive income reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2019	2,586,981	4,199,301	(215,150)	12,411	118,547	-	(199,138)	(2,010,602)	(108,441)	1,918,558	662,287	6,964,754
Profit for the year	-	-	-	-	-	-	-	-	-	684,292	290,507	974,799
Other comprehensive income:												
Net change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	(298,692)	-	-	(16,975)	(315,667)
Share of other comprehensive income of associates	-	-	-	-	-	-	(72,113)	-	-	-	-	(72,113)
Release of other reserve upon step acquisition of an associate to a subsidiary	-	-	-	-	-	-	852	-	-	(852)	-	-
Release of exchange reserve upon disposal of subsidiaries	-	-	-	-	-	-	-	-	4,674	-	-	4,674
Revaluation surplus upon transfer of owner-occupied properties to investment properties, net of taxation	-	-	-	-	-	-	57,563	-	-	-	7,627	65,190
Currency translation differences	-	-	-	-	-	-	28,282	-	(195,245)	-	(28,999)	(195,962)
Total other comprehensive income	-	-	-	-	-	-	14,584	(298,692)	(190,571)	(852)	(38,347)	(513,878)
Total comprehensive income	-	-	-	-	-	-	14,584	(298,692)	(190,571)	683,440	252,160	460,921
Placing of new shares (Note 38(c))	240,000	360,000	-	-	-	-	-	-	-	-	-	600,000
Arising from step acquisition (Note 46A(a))	150,850	324,329	-	-	-	(70,187)	-	-	-	-	2,177,166	2,582,158
Financial effect arising from acquisition of subsidiaries under common control	-	-	(694,678)	-	13,536	-	-	-	-	(186,673)	(440,119)	(1,307,934)
Disposal of subsidiaries (Note 45)	-	-	-	-	-	-	-	-	-	-	52,174	52,174
Deemed contribution from shareholder arise from disposal of subsidiaries	-	-	-	-	-	-	1,412	-	-	-	991	2,403
Capital contributions from non-controlling interest equity holders	-	-	-	-	-	-	(3,578)	-	-	-	14,708	11,130
Transactions with non-controlling interests (Note 43)	920	1,839	-	-	-	-	785,785	-	-	-	414,750	1,203,294
Transfer to statutory reserve	-	-	-	-	90,180	-	-	-	-	(90,180)	-	-
Put option lapsed	-	-	-	-	-	-	247,146	-	-	-	-	247,146
Dividend paid	-	(54,775)	-	-	-	-	-	-	-	-	-	(54,775)
At 31 December 2019	2,978,751	4,830,694	(909,828)	12,411	222,263	(70,187)	846,211	(2,309,294)	(299,012)	2,325,145	3,134,117	10,761,271

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Cash used in operations	44(a)	(2,723,868)	(3,816)
Hong Kong profits tax paid		(7,886)	(92,077)
PRC corporate income tax paid		(135,186)	(107,217)
Net cash used in operating activities		(2,866,940)	(203,110)
Cash flows from investing activities			
Additions of property, plant and equipment		(24,286)	(10,172)
Payment for construction costs of investment properties		(730,071)	(174,996)
Additions of intangible assets		(2,264)	(1,760)
Purchase of financial assets at fair value through other comprehensive income		(157,797)	(2,304,827)
Disposal of subsidiaries, net of cash disposed	45	3,914	–
Proceeds received from disposal of property, plant and equipment		1,814	9,954
Proceeds received from disposal of partial interest of an associate		31,285	20,000
Purchases of bond		(166,950)	–
Net cash outflow arising from deemed disposal of a subsidiary		–	(7,009)
Proceeds received from disposal of financial assets at fair value through other comprehensive income		–	1,258,050
Proceeds from disposal of financial assets at amortised cost		–	60,000
Interest received		11,241	9,087
Dividend received from other investments		8,663	20,069
Investments in associates	20	–	(861,895)
Cash acquired from/(payment for) acquisition of subsidiaries, net	46	258,665	(875,299)
Payment of consideration in relation to acquisition of subsidiaries in prior year		(10,000)	–
Increase in pledged bank deposits		(580,505)	–
Decrease/(increase) in time deposits with original maturity over three months		39,247	(40,853)
Net cash used in investing activities		(1,317,044)	(2,899,651)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from financing activities			
Capital contribution from non-controlling interest equity holders		11,130	–
Advance from an non-controlling interest		45,519	–
Advance from related parties		79,772	–
Drawdown of bank and other borrowings		9,048,958	1,913,994
Repayment of bank and other borrowings		(6,769,224)	(984,602)
Repayment of principal portion on lease liabilities		(10,048)	–
Repayment of interest portion on lease liabilities		(835)	–
Proceeds from issuance of corporate bonds		1,132,600	143,000
Interest paid		(466,273)	(64,518)
Proceeds from issuance of shares		600,000	750,000
Settlement of corporate bonds		(146,614)	–
Dividends paid	14	(54,775)	(131,936)
Transactions with non-controlling interests		1,157,516	195,947
Net cash generated from financing activities		4,627,726	1,821,885
Net increase/(decrease) in cash and cash equivalents		443,742	(1,280,876)
Cash and cash equivalents at beginning of year		907,123	2,231,369
Exchange loss on cash and cash equivalents		(37,295)	(43,370)
Cash and cash equivalents at end of year	32	1,313,570	907,123

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Glory Sun Financial Group Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is 18/F., Wing On Centre, 111 Connaught Road Central, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 42 to the consolidated financial statements.

Pursuant to the passing of a special resolution at the extraordinary general meeting held on 30 April 2019, the English name of the Company was changed from "China Goldjoy Group Limited" to "Glory Sun Financial Group Limited" and the Chinese name of the Company was changed from "中國金洋集團有限公司" to "寶新金融集團有限公司". The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies of the Cayman Islands on 2 May 2019 and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Hong Kong Companies Registry on 22 May 2019.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 Adoption of new or revised HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations ("**the new HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2019:

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

The impact of the adoption of HKFRS 16 Leases have been summarised in 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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 Adoption of new or revised HKFRSs *(Continued)*

HKFRS 16 — Leases ("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(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 consolidated statement of financial position as a right-of-use asset and a lease liability, with the narrow exception to 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.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) 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.

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.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 Adoption of new or revised HKFRSs *(Continued)*

HKFRS 16 *(Continued)*

(b) 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 consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases are required to be capitalised in the consolidated 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 lease liabilities for leases for which at the 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.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 Adoption of new or revised HKFRSs *(Continued)*

HKFRS 16 *(Continued)*

(b) Accounting as a lessee (Continued)

(i) Lease liabilities

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be 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 shall use the Group's incremental borrowing rate.

The following payments for the right-to-use 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.

Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made and 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.

There are recognition exemptions for short-term leases. Short-term leases are leases with a lease term of 12 months or less at the commencement date. Payments associated with short-term leases are recognised on a straight-line basis as expenses in profit or loss.

In prior years, rental payable under operating leases were charged to profit or loss on a straight line basis over the lease term.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 Adoption of new or revised HKFRSs *(Continued)*

HKFRS 16 *(Continued)*

(b) Accounting as a lessee (Continued)

(ii) Right-of-use assets

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for 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 applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group's leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

(c) Accounting as a lessor

The Group has leased out its investment property 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 on these consolidated financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 Adoption of new or revised HKFRSs *(Continued)*

HKFRS 16 *(Continued)*

(d) Transitional impact and practice expedients applied

The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

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 all the right-of-use assets at 1 January 2019 for leases previously classified as operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. 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 weighted average of the incremental borrowing rates applied to lease liabilities recognised in the consolidated statement of financial position at 1 January 2019 was 6.30%.

To ease the transition to HKFRS 16, the Group applied the following practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ending on or before 31 December 2019; and

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 Adoption of new or revised HKFRSs *(Continued)*

HKFRS 16 *(Continued)*

(d) Transitional impact and practice expedients applied (Continued)

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 at 31 December 2018	12,995
Less: commitments relating to leases with remaining lease term ending on or before 31 December 2019	(1,065)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	1,195
	13,125
Less: total future interest expenses	(596)
Lease liabilities at 1 January 2019	12,529
Of which are:	
— current lease liabilities	8,928
— non-current lease liabilities	3,601
	12,529

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 Adoption of new or revised HKFRSs *(Continued)*

HKFRS 16 *(Continued)*

(d) Transitional impact and practice expedients applied (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included. The information presented for 2018 has not been restated.

	Carrying amounts at 31 December 2018 HK$'000	Impacts of adopting HKFRS 16 HK$'000	Carrying amounts at 1 January 2019 HK$'000
Assets:			
Prepaid land lease payments	4,839	(4,839)	–
Property, plant and equipment	409,910	17,368	427,278
Liabilities:			
Lease liabilities (non-current)	–	3,601	3,601
Lease liabilities (current)	–	8,928	8,928

Right-of-use assets relating to operating leases and prepaid land lease payments in respect of the land use right in the People's Republic of China (the "**PRC**") is currently recognised as right-of-use assets upon application of HKFRS 16 and are included in the same line item as property, plant and equipment as that within which the corresponding assets.

Right-of-use assets related to interests in leasehold land where the interest in the land is held for development as inventories are included in the same line item as properties under development and completed properties held for sale as that within which the corresponding assets.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

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

Amendments to HKFRS 3	Definition of 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]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

The Group is in the process of making an assessment of what the impact of these amendments and new or revised HKFRSs is expected to be in the period of initial application. So far the Group did not aware any aspect of the new standards which are likely to have significant impact on the consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, HKASs and Interpretations (hereinafter collectively referred to as the "**HKFRS**") issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

3. BASIS OF PREPARATION *(Continued)*

(b) Common control combination

On 19 September 2019, an indirect non-wholly owned subsidiary of the Company (the "**Acquiring Subsidiary**") entered into the sale and purchase agreement with Baoneng Real Estate Company Limited ("**Baoneng Real Estate**"), a company controlled by Mr. Yao Jianhui ("**JH Yao**") and Mr. Yao Zhenhua ("**ZH Yao**"), the elder brother of JH Yao, as concert parties (the "**Controlling Parties**"), to acquire the entire equity interest of Shenzhen Baoneng Hengchuang Industrial Limited ("**Nanning Project Company**") and its subsidiaries (collectively "**Nanning Project Group**") at a total consideration of RMB300,000,000 (equivalent to approximately HK$333,900,000) (the "**Nanning Project Acquisition**"). Since the Group and Nanning Project Group are under the control by the Controlling Parties as concert parties together before and after the Nanning Project Acquisition, the Nanning Project Acquisition is considered as a combination of businesses under common control. Further details about the Nanning Project Acquisition have been set out in the circular of the Company dated 29 November 2019.

The Nanning Project Acquisition was completed on 24 December 2019 ("**Completion Date of Nanning Project Acquisition**"). Upon the completion of the Nanning Project Acquisition, Nanning Project Company became an indirect non-wholly owned subsidiary of the Company. As the Nanning Project Acquisition was regarded as business combinations under common control, the Nanning Project Acquisition have been accounted for based on the principles of merger accounting in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations ("**AG5**") issued by the HKICPA.

Under merger accounting, the results of acquisition have been combined from the date when they first came under the control of controlling party. The assets and liabilities of acquisition have been reflected at their existing carrying values at the date of combination. No amount has been recognised in respect of goodwill or excess of the acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, which, instead, has been recorded in merger reserve in equity.

The Acquiring Subsidiary is an indirect wholly owned subsidiary of Glory Sun Land Group Limited ("**Glory Sun Land**") (formerly known as New Sports Group Limited). On 23 April 2019 (the "**Step Acquisition Completion Date**"), the Group completed the acquisition of 37.16% additional equity interest in Glory Sun Land (the "**Step Acquisition**"). As at the Step Acquisition Completion Date, after taking into the pre-existing equity interest in Glory Sun Land held by the Group and the additional equity interest in Glory Sun Land acquired by the Group in the course of the Step Acquisition, Glory Sun Land became the non-wholly owned subsidiary of the Company. Glory Sun Land is a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange. The substantial shareholders of the Company are the Controlling Parties acting in concert; and the Controlling Parties and their associates together hold more than 51% equity interests in the Company.

3. BASIS OF PREPARATION *(Continued)*

(b) Common control combination *(Continued)*

In this respect, upon the completion of the Step Acquisition, the directors of the Company considered that the Step Acquisition Completion Date was regarded as the effective date when both the Nanning Project Group and the Group first came under common control.

Consequently, the assets and liabilities acquired in the common control combinations are stated at their carrying amounts as if they had been held or incurred by the Group from the later of the date on which the combining entities first came under the control of the Controlling Parties or the relevant transactions giving rise to the assets or liabilities arose, which is on the Step Acquisition Completion Date.

(c) Re-presentation due to discontinued operations

The presentation of comparative information in respect of the consolidated statement of comprehensive income for the year ended 31 December 2018 has been re-presented in order to disclose the discontinued operations separately from continuing operations.

As the re-presentation do not affect the consolidated statement of financial position, it is not necessary to disclose comparative information as at 1 January 2018.

(d) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in the accounting policies set out in note 4 below.

(e) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income 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 into 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, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to 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.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

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. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

4.2 Merger accounting for business combination involving entities or businesses under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The Group adopts merger accounting in accordance with AG 5 issued by the HKICPA for common control combinations.

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using their carrying amounts prior to the business combinations. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

4.3 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 Associates

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.

Associates 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' net assets except that losses in excess of the Group's interest in the associate 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 are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate 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 associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investment in an associate is accounted for using equity method as mentioned above.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.5 Goodwill

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4.19), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4.6 Property, plant and equipment

Property, plant and equipment other than construction-in-progress are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Property, plant and equipment *(Continued)*

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	20–40 years
Leasehold improvement	Shorter of the lease term and 2–10 years
Furniture and fixtures and office equipment	2–10 years
Machinery and factory equipment	2–10 years
Computer equipment	2–5 years
Motor vehicles	4–10 years
Yacht	4–10 years
Land and properties leased for own use	Shorter of assets expected useful lives and lease term

Construction in progress represents buildings under construction and plant and equipment pending installation, and 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.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount. The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by an end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in other reserves. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained earnings.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Prepaid land lease payments held for own use under operating leases *(policy applicable prior to 1 January 2019)*

Prepaid land lease payments represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

4.8 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

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

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Leasing

(A) Policy applicable from 1 January 2019

(i) As a lessee

All leases are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist 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 lease liabilities for low-value assets and leases for which at the 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.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for 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. Except for right-of-use asset that meets the definition of an investment property, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 and are carried at fair value. For right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at cost less accumulated depreciation and any accumulated losses. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Leasing *(Continued)*

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

(i) As a lessee (Continued)

Lease liability

The 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 Group's incremental borrowing rate.

The following payments for the right-to-use 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.

Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made and 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Leasing *(Continued)*

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

(ii) As a lessor

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 has leased out its investment property to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

(B) Policy applicable prior to 1 January 2019

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

(i) As a lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the lease term and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease. The land and buildings elements of property leases are considered separately for the purposes of lease classification.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Leasing *(Continued)*

(B) Policy applicable prior to 1 January 2019 *(Continued)*

(ii) As a lessor

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.

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

4.10 Intangible assets (other than goodwill)

(i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expenses.

Contractual customer relationships	7 years
License	Indefinite
Trademarks and patents	3–10 years
Other intangible assets	5–8 years
Operating right	15 years

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Intangible assets (other than goodwill) *(Continued)*

(ii) Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product; and
- sale of the product will generate future economic benefits; and expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in cost of sales.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

(iii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4.19).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Discontinued operations

A discontinued operation is a component of the Group (i.e. the operations and cash flows of which can be clearly distinguished from the rest of the Group) that either has been disposed of, or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the component meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier.

When an operation is classified as discontinued, a single amount is presented in the consolidated statement of comprehensive income, which comprises:

— The post-tax profit or loss of the discontinued operation; and

— The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

4.12 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 ("**FVTPL**"), 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 in their entirety when determining whether their cash flows are solely payment of principal and interest.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

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 two measurement categories into which the Group classifies its debt instruments:

Amortised cost: 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 rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, 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 FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Equity instruments

On 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 FVOCI 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 and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, 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 loss ("**ECL**") on trade receivables, contract assets and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established 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 ECLs are based on the 12 months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Financial instruments *(Continued)*

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, 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.

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

— failure to make payments of principal or interest on their contractually due dates;

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

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

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower 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 (2) the financial asset is more than 90 days past due; or (3) significant financial difficulty of the issuer or the counterparty; or (4) a breach of contract, such as a default or past due event; or (5) the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or (6) it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or (7) the disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Financial instruments *(Continued)*

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

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

Write-off policy

The gross carrying amount of a financial asset or contract 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.

(iii) Financial liabilities

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

Financial liabilities at FVTPL

Financial liabilities at FVTPL 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 FVTPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Financial instruments *(Continued)*

(iii) Financial liabilities *(Continued)*

Financial liabilities at FVTPL (Continued)

Financial liabilities may be designated upon initial recognition as at FVTPL 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 FVTPL 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 the 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 and bills payables, accruals and other payables, lease liabilities, consideration payable and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

(iv) Effective interest method

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

(v) Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Financial instruments *(Continued)*

(vi) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in Note 4.12(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

(vii) Derecognition

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

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

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(viii) Offsetting of financial instruments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4.14 Properties under development and completed properties held for sale

Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the anticipated sales proceeds of properties sold in the ordinary course of business, less estimated selling expenses and the anticipated costs to completion and the estimated costs necessary to make the sale.

Development cost of property comprises cost of land, construction costs, borrowing costs capitalised and other direct costs attributable to the development of such properties.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

4.15 Revenue recognition

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 in time. Control of the goods or service is transferred over time if the Group’s performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.15 Revenue recognition *(Continued)*

If control of the goods or services transfers 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 in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services 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. 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.

(i) Sale of goods

Customers obtain control of the goods when the automated production related products are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the goods. There is generally only one performance obligation. Invoices are usually payable within 60 days.

Some of the Group's contracts with customers from the sale of goods provides customers a right of return (a right to exchange another product). These rights of return do not allow the returned goods to be refund in cash. The right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability and a right to recover returned goods assets are recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.15 Revenue recognition *(Continued)*

(ii) Sale of properties

The Group develops and sells commercial and residential properties. Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the Group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component.

(iii) Commission and brokerage income

Commission and brokerage income on dealings in securities and futures contracts are recognised as revenue on the transactions dates when the relevant contract notes are executed.

(iv) Securities investment income

Securities investment income includes net gain/loss on financial assets and liabilities at FVTPL including realised gains/losses which are recognised on trade dates; and unrealised fair value gains/losses which are recognised in the period in which they arise.

(v) Trading of commodities

Revenue from the sale of commodities is recognised when control of the commodities have transferred, being when the commodities have been shipped to the customer's specific location (delivery). The Group is primarily responsible for fulfilling the promise to provide the specified goods or service, has inventory risk before the specified good or service has been transferred to a customer and has discretion in establishing the price for the specified goods or service. A receivable is recognised by the Group when the commodities are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.15 Revenue recognition *(Continued)*

(vi) Others

— Licence fee income is recognised when the Group has delivered the software and documentation to the licence, the related service conditions have been fulfilled and collectability of the licence fee is reasonably assured.

— Consultancy fee income is recognised on a time proportion basis.

— Management fee income and performance fee income are recognised when services are rendered.

— Installation income and maintenance income are recognised when services are rendered.

— Interest income is recognised on a time-proportion basis using the effective interest method. Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

— Dividend income is recognised when the right to receive the dividend is established.

— Rental income under operating lease is recognised on a straight-line basis over the term of the relevant leases.

— Revenue from construction contracts is recognised when the outcome of a construction contract can be estimated reliably, revenue and costs are recognised when or as the construction projects are transferred to the customer. Depending on the terms of the contracts and the laws that are applicable to the contracts, control of the construction projects may transfer over time or at a point in time. If construction projects have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.15 Revenue recognition *(Continued)*

(vi) Others *(Continued)*

— Revenue from advertising spaces comprise mainly display based and performance based advertisements.

Revenue from displaying advertisements to the users of online games, mobile applications and other online platforms, and from sales of advertising spaces is recognised when the service is performed at the point an advertisement is displayed.

Revenue from performance based advertisements is recognised on a per-click basis when the users click on the content for pay for click advertisements, or on a per-display basis, when the advertising contents are displayed to users for pay for instant display advertisements.

— Revenue from publication of magazines is recognised when control of the goods has transferred, being at the point the customer the magazines are delivered.

— Revenue from training services is recognised over the time of the service performed to customers.

— Revenue from yacht club services comprise mainly income from members and other customers. Revenue from provision of yacht club services to membership holders are recognised over the membership period in which the yacht club services are performed. Payment for the membership therefore is recognised as a contract liability over the membership period. Revenue from yacht parking services is recognised over the time of the services performed to customers. Revenue from provision of yacht club services to other customers is recognised at the point services performed to the customers.

— Online game operation:

The Group operates its online games through cooperation with various third-party game distribution platforms including online application stores, web-based and mobile game portals and derives its revenue from sales of in-game currency and items.

The Group's online games allow players to play for free. Players can purchase in-game virtual currency, which can be used to obtain in-game items and premium features, commonly known as virtual items, to enhance their game-playing experience.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.15 Revenue recognition *(Continued)*

(vi) Others *(Continued)*

— Online game operation: *(Continued)*

Players purchase the Group's in-game currency through the platforms' own charging systems by remitting the payment directly to the platforms. After deducting the commission charged by the platforms, the platforms remit the rest of net proceeds to the Group. The portion of the proceeds received by the Group is calculated based on the standard price of in-game virtual currency sold and agreed share ratio in contracts with the platforms.

The Group is responsible for providing ongoing updates of new contents, technical support for the operation of the games. The platforms are responsible for distribution, marketing, platform maintenance, payer authentication and payment collections from players.

Certain third-party platforms like mobile game portals offer various marketing discounts from time to time to players to encourage spending on these platforms. The actual prices paid by individual players may be lower than the standard prices of virtual currency. Such marketing discounts are neither available to be tracked reliably nor borne by the Group. As such, the Group is not able to make a reasonable estimate of the gross revenue (the actual amounts paid by the players). For revenue related to these platforms, it is measured at the fair value of the consideration received or receivable, which is the net amount from these third-party platforms.

The in-game items and premium features, which are purchased by virtual currency, are considered value-added services. Once the players purchase virtual currency, the proceeds are recognised as a contract liability over a pre-specified period or throughout the whole game life representing the entity's obligation to provide services to date. The revenue will be recognised after the virtual currency is used to purchase in-game items or premium features which is either upon consumption or ratably over the practical usage period predetermined in the game or throughout the estimated user life of paying players as appropriate. The Group monitors the operational statistics and usage patterns of the virtual items.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.15 Revenue recognition *(Continued)*

Contract assets and liabilities

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

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

Contract asset is recognised when (i) the Group has the right to consideration under the contracts with customer from the sale of automated production related products but not billed because the rights are conditioned on the Group's future performance in achieving specified milestones at the reporting date on the product certification; (ii) the Group completes the construction works under such services contracts but yet certified by architects, surveyors or other representatives appointed by customers; or (iii) the customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.16 Income taxes

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 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 reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. 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.

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

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. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.17 Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which it/they operate(s) (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange reserve (attributed to minority interests as appropriate).

Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange 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 on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the exchange reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.18 Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve 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.

(ii) Defined contribution retirement plan

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

(iii) 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.

4.19 Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- prepaid land lease payments; and
- investments in subsidiaries and associates.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.19 Impairment of assets (other than financial assets) *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (see note 4.5), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

4.20 Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.21 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

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, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.22 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

4.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

4.25 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans.

The cost of equity-settled transactions with employees and other providing similar services is measured by reference to the fair value at the date at which they are granted.

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

The fair value of the options granted is considered by:

— including any market performance conditions (for example, an entity's share price);

— excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

— including the impact of any non-vesting conditions (for example, the requirement for employees to save).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.25 Share-based payments *(Continued)*

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

4.26 Client trust bank balances

The Group maintains trust and segregated accounts with authorised financial institutions to hold clients' deposits arising from normal business transactions. The Group has classified the clients' monies as client trust bank balances under the current assets in the consolidated statement of financial position as the Group is allowed to retain some or all of the interest income on the clients' monies and recognised corresponding accounts payable to the respective customers in the current liabilities clients on grounds that it is liable for any loss or misappropriation of clients' monies. Under the Hong Kong Securities and Futures Ordinance (Cap. 571), the Group is not allowed to use the clients' monies to settle its own obligation.

4.27 Fiduciary activities

Apart from the client trust bank balances as mentioned above, the Group provides brokerage and asset management services and the Group acts in a fiduciary capacity which results in the holding or placing of assets on behalf of its customers. These assets and any gains or losses arising thereon are not included in these consolidated financial statements as the Group has no contractual rights to these assets and its gains or losses under fiduciary activities.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.28 Put option arrangements

The potential cash payments related to put options issued by the Group over the equity of subsidiaries are accounted for as financial liabilities when such options may only be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of shares in the subsidiaries. The amount that may become payable under the option on exercise is initially recognised at fair value within other payables with a corresponding charge directly to equity.

Such options are subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first becomes exercisable. The charge arising is recorded as a financing cost. In the event that the option expires or unexercised, the liability is derecognised with a corresponding adjustment to equity.

4.29 Service concession arrangements

Service concession arrangements are accounted for as follows if:

(i) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

(ii) the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

The Group's rights over the infrastructure

Infrastructure constructed by the Group under service concession arrangements is not recognised as property, plant and equipment of the Group because the contractual service arrangement does not convey the right to control the use of the infrastructure to the Group. The operator has access to operate the infrastructure to provide the public service on behalf of the grantor in accordance with the terms specified in the contract.

Consideration received or receivable by the Group for the construction services

Consideration received or receivable by the Group for the construction services rendered under service concession arrangement is recognised at its fair value as a financial asset or an intangible asset.

An intangible asset is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset is accounted for in accordance with the policy set out for "Intangible assets (other than goodwill)" above.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.29 Service concession arrangements *(Continued)*

Construction or upgrade services

Revenue and costs relating to construction or upgrade services are accounted for in accordance with the policy set out for "Construction contracts" below.

Operating services

Revenue relating to operating services are accounted for in accordance with the policy for "Revenue recognition" below. Costs for operating services are expensed in the period in which they are incurred.

4.30 Related parties

(a) A person or a close member of that person's family is related to the Group if 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 the Company's parent.

(b) An entity is related to the Group if 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 the Group or an entity related to the Group.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.30 Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions apply: (Continued)

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

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

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

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

A. Critical judgements

(i) Assessment of fund investments as structured entities

Management has assessed whether the funds in which it invests should be classified as structured entities. Management has considered the voting rights and other similar rights afforded to investors in these funds, including the rights to remove the fund manager or redeem holdings. Judgement is made on an individual investment in each fund where the Group has ownership interest or acts as fund manager or both. Management has evaluated whether these rights of investors are the dominant factor in controlling the funds, or whether the contractual agreement with the fund manager is the dominant factor in controlling these funds.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

A. Critical judgements *(Continued)*

(ii) Control agreements

The Group conducts its provision of online game services through Kingworld (Beijing) Technology Co., Ltd. (the "**Structured Subsidiary**"). The Group does not have any equity interests in the Structured Subsidiary. The directors of the Company assessed whether or not the Group has control over the Structured Subsidiary based on whether the Group has the power over the Structured Subsidiary, has right to variable returns from its involvement with the Structured Subsidiary and has the ability to affect those returns through its power over the Structured Subsidiary. After assessment, the directors of the Company concluded that the Group has control over the Structured Subsidiary as a result of the Control Agreements (as defined in note 9(a)), and accordingly, the Group has consolidated the financial position and results of the Structured Subsidiary in the consolidated financial statements.

Nevertheless, the Control Agreements may not be as effective as direct legal ownership in providing the Group with direct control over the Structured Subsidiary and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Structured Subsidiary. The directors of the Company, based on the advice of their legal counsels, consider that the Control Agreements are in compliance with the relevant PRC laws and regulations and are legally enforceable.

(iii) Deferred tax for investment properties

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

A. Critical judgements *(Continued)*

(iv) Principal versus agent consideration

Significant judgements include determining whether the Group is acting as the principal in a transaction. The Group is a principal in a transaction if the Group obtains control of the products sold or services provided before they are transferred to customers. If control is unclear, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned as commissions from products sold or services provided.

B. Key sources of estimation uncertainty

In addition to disclosed elsewhere in the consolidated financial statements, other key sources estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial period are as follows:

(i) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for property, plant and equipment at the end of the reporting period. The property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. For the purposes of impairment testing, assets are allocated to its respective cash-generating units. Management judgement is required in the area of asset impairment particularly in assessing: (i) whether the carrying amount of an asset can be supported by the recoverable amount, being the higher of fair value less cost of disposal or value in use; and (ii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

(ii) Impairment of intangible assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for intangible assets (other than goodwill) with finite useful life at the end of the reporting period. The intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. For the purposes of impairment testing, assets are allocated to its respective cash-generating units. Management judgement is required in the area of asset impairment particularly in assessing: (i) whether the carrying amount of an asset can be supported by the recoverable amount, being the higher of fair value less cost of disposal or value in use; and (ii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

B. Key sources of estimation uncertainty *(Continued)*

(iii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated. For the purposes of impairment testing, goodwill is allocated to its respective cash-generating units. Management judgement is required in the area of goodwill impairment particularly in assessing: (i) whether the carrying amount of an cash generating unit can be supported by the recoverable amount, being the higher of fair value less cost of disposal or value in use; and (ii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

(iv) Impairment of trade receivables and contract assets

The Group measures loss allowances for trade receivables and contract assets based on lifetime ECL. For trade receivables and contract assets which are individually significant and credit-impaired, the management assesses credit losses individually by estimating the contractual cash flow expected to receive, based on the evidence of credit-impairment and forward-looking information. Except for trade receivables and contract assets which are individually significant and credit-impaired, the management uses provision matrix to assess ECL, which is based on collective credit risk characteristics. The ECL rates are based on the Group's historical loss rates, taking into consideration forward-looking information. The impairment of trade receivables and contract assets involves management's accounting estimations and judgements.

(v) Estimates of current tax and deferred tax

The Group is mainly subject to income taxes in jurisdictions in Hong Kong and PRC. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred income tax provisions in the period in which such determination is made.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

B. Key sources of estimation uncertainty *(Continued)*

(v) Estimates of current tax and deferred tax *(Continued)*

The Group is subject to land appreciation tax in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its land appreciation taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related taxes. The Group recognises these land appreciation taxes based on management's best estimates according to the understanding of the tax rules, by using a single best estimate of the most likely outcome approach. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and deferred tax provisions in the periods in which such taxes have been finalised with local tax authorities.

(vi) Fair value measurement on the acquisition of subsidiaries

The purchase price was allocated to the identifiable assets and liabilities acquired based on management's estimates of fair value with the assistance of the external independent valuer engaged by the Group.

The valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from selling prices in an active market for similar properties, together with the location, the size and the age of the properties, and uses assumptions that are mainly based on market conditions existing on acquisition date.

The intangible assets identification and the valuation process for intangible assets requires significant judgement by management in respect of estimates of future cash flows and associated discount rates to ensure the valuation techniques and inputs used are reasonable and supportable. Where there are any changes on inputs of valuation, a change on the results on bargain purchase may arise.

(vii) Fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of comprehensive income.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

B. Key sources of estimation uncertainty *(Continued)*

(viii) Net realisable value of inventories of properties

Included in the consolidated statement of financial position at 31 December 2019 is inventories of properties with an aggregate carrying amount of approximately HK$9,001,970,000 (2018: HK$1,216,390,000), which is stated at the lower of the cost and net realisable value. Based on the experience of the directors of the Company and the nature of the subject properties, the directors of the Company determine the net realisable value of the underlying properties which involves, inter-alia, considerable analysis of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and a forecast of future sales based on zero growth rate of property price. If the actual net realisable values of the underlying inventories of properties are more or less than expected as a result of change in market condition and/or significant variation in the budgeted development costs, material reversal of or provision for impairment losses may result. The directors of the Company estimate the costs to completion and costs necessary to make the sale by reference to the actual development cost of other similar completed projects of the Group.

(ix) Revenue recognition

As explained in policy note 4.15, revenue from construction contracts are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached the related contract assets disclosed in note 30(a) do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

6. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer of the Company (the "**CEO**") that are used to make strategic decisions.

The reportable segments were classified as follows:

Continuing operations:

— Automation segment represents the trading of automated production related equipment trading business in Hong Kong and the PRC;

— Financial Services segment represents regulated business activities in respective to financial services under the Hong Kong Securities and Future Ordinance ("**SFO**") in Hong Kong;

— Property Investment and Development segment represents the properties investment activities, property development projects and provision of construction works in Hong Kong and the PRC;

— Securities Investment segment represents the investment activities through direct investments in listed and unlisted securities;

— Trading of Commodities segment represents trading of commodities in the PRC; and

— Others segment represents operation of a yacht club, provision of education and training services, operation of golf practise court and trading of seafood in the PRC.

Discontinued operations:

— Manufacturing segment represents the LED manufacturing of a range of high-technology and new energy products business in the PRC; and

— Provision of Online Game Services segment represents design, development and operation of the mobile and web games and platform services in the PRC.

6. SEGMENT INFORMATION *(Continued)*

During the year ended 31 December 2019, the Group identified its manufacturing business and the provision of online game and platform services business as discontinued operations upon disposal of subsidiaries and further disclosed in note 9.

The revenue from external parties is measured in a manner consistent with that in the consolidated financial statements.

Inter-segment pricing is based on similar terms as those available to other external parties.

Revenue from external customers for Manufacturing and Automation segments are derived from the sales of goods net of returns and installation and maintenance income. Revenue from Securities Investment segment is derived from realised and unrealised gains/(losses) of financial assets at FVTPL and commission income on dealing in securities. Revenue from Financial Services segment includes commission and brokerage income on dealings in securities and future contracts, interest income from money lending, management fee and performance fee income from financial services. Revenue from Property Investment and Development segment is derived from the sale of properties, construction contracts and rental income. Revenue from Provision of Online Game Services segment is derived from online game operation. Revenue from Trading of Commodities segment is derived from trading of commodities. Revenue from Others segment is derived from education and training services, yacht club services and other revenue.

The Group's revenue derived from external customers located in Hong Kong and the PRC, is approximately HK$180,266,000 (2018: HK$187,042,000) and approximately HK$11,017,198,000 (2018: HK$1,382,618,000) respectively. The remaining balances of the Group's revenue represented securities trading in Financial Services segment and Securities Investment segment, represents securities investment loss of approximately HK$261,817,000 (2018: securities investment gain of approximately HK$12,921,000).

The CEO assesses the performance of the operating segments based on a measure of operating, which is in a manner consistent with that of the consolidated financial statements. The measurement of segment results excludes the effect of unallocated corporate income and expenses, as these type of activities are managed by central finance and accounting function, which manages the working capital of the Group. In addition, loss on remeasurement on pre-existing interest in an associate, share of results of associates, gain on bargain purchase from acquisition of subsidiaries/an associate and taxation are not allocated to segments.

6. SEGMENT INFORMATION *(Continued)*

The Group's revenue by segment and the reportable segment information is reconciled to profit before income tax as follows:

	Discontinued operations			Continuing operations							
	Provision of Online Game Services HK$'000	Manufacturing HK$'000	Sub-total HK$'000	Automation HK$'000	Financial Services HK$'000	Property Investment and Development HK$'000	Securities Investment HK$'000	Trading of commodities HK$'000	Others HK$'000	Sub-total HK$'000	Total HK$'000
Year ended 31 December 2019											
Revenue	37	47,790	47,827	634,160	182,459	5,070,416	(260,755)	5,160,354	115,509	10,902,143	10,949,970
Inter-segment revenue	–	–	–	–	(7,031)	(7,292)	–	–	–	(14,323)	(14,323)
Revenue from external customers	37	47,790	47,827	634,160	175,428	5,063,124	(260,755)	5,160,354	115,509	10,887,820	10,935,647
Segment results	59,429	(148,151)	(88,722)	54,797	73,459	1,717,552	(309,812)	(2,731)	(155,958)	1,377,307	1,288,585
Unallocated other gains — net											10,847
Unallocated other income											62
Loss on remeasurement on pre-existing interest in an associate											(176,869)
Unallocated administrative expenses											(164,530)
Unallocated finance costs — net											(104,891)
Share of results of associates											20,631
Gain on bargain purchase from acquisition of subsidiaries											696,412
Profit before income tax											1,570,247

6. SEGMENT INFORMATION *(Continued)*

	Discontinued operation	Continuing operations					
	Manufacturing HK$'000	Automation HK$'000	Financial Services HK$'000	Property Investment and Development HK$'000	Securities Investment HK$'000	Sub-total HK$'000	Total HK$'000
Year ended 31 December 2018							
Revenue	99,351	567,061	185,850	714,972	30,771	1,498,654	1,598,005
Inter-segment revenue	–	–	(7,077)	(8,347)	–	(15,424)	(15,424)
Revenue from external customers	99,351	567,061	178,773	706,625	30,771	1,483,230	1,582,581
Segment results	(39,120)	46,441	38,776	468,724	14,035	567,976	528,856
Unallocated other losses — net							(10,597)
Unallocated other income							20,662
Unallocated administrative expenses							(33,275)
Unallocated finance costs — net							(56,100)
Share of results of associates							15,089
Gain on bargain purchase from acquisition of an associate							344,877
Profit before income tax							809,512

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION *(Continued)*

Other segment information

	Discontinued operations			Continuing operations								
	Provision of Online Game Services HK$'000	Manufacturing HK$'000	Sub-total HK$'000	Automation HK$'000	Financial Services HK$'000	Property Investment and Development HK$'000	Securities Investment HK$'000	Trading of Commodities HK$'000	Others HK$'000	Unallocated HK$'000	Sub-total HK$'000	Total HK$'000
Year ended 31 December 2019												
Depreciation and amortisation	(6)	(6,687)	(6,693)	(1,509)	(16,306)	(12,545)	(459)	–	(47,922)	(185)	(78,926)	(85,619)
Reversal of impairment on loans and advance and margin loans	–	–	–	–	3,774	–	–	–	–	–	3,774	3,774
(Provision for)/reversal of impairment on other receivables	–	–	–	(77)	(85)	(5,387)	85	–	(111)	–	(5,575)	(5,575)
(Provision for)/reversal of impairment on trade receivables	–	(63,509)	(63,509)	293	–	(114)	–	(1)	(414)	–	(236)	(63,745)
(Provision for)/reversal of impairment on contract assets	–	–	–	4	–	(70,875)	–	–	–	–	(70,871)	(70,871)
Provision for impairment on property, plant and equipment (Note 16)	–	(8,335)	(8,335)	–	–	–	–	–	(54,611)	–	(54,611)	(62,946)
Provision for impairment on intangible assets (Note 19)	–	(2,661)	(2,661)	–	–	–	–	–	(140,094)	–	(140,094)	(142,755)
Written-down of inventories to net realisable value	–	(19,699)	(19,699)	(152)	–	–	–	–	–	–	(152)	(19,851)
Finance income	–	2,947	2,947	1,772	560	3,527	1,493	32	54	8,841	16,279	19,226
Finance costs	–	–	–	(788)	(9,274)	(52,997)	(8,107)	(2,598)	(21,266)	(113,732)	(208,762)	(208,762)
Finance income/(costs) — net	–	2,947	2,947	984	(8,714)	(49,470)	(6,614)	(2,566)	(21,212)	(104,891)	(192,483)	(189,536)
Additions to non-current assets (other than financial assets and deferred tax assets)	781	477	1,258	277	440	5,972,567	87	–	922,408	7,838	6,903,617	6,904,875

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

	Discontinued operation	Continuing operations						
	Manufacturing HK$'000	Automation HK$'000	Financial Services HK$'000	Property Investment and Development HK$'000	Securities Investment HK$'000	Unallocated HK$'000	Sub-total HK$'000	Total HK$'000
Year ended 31 December 2018								
Depreciation and amortisation	(4,095)	(229)	(9,177)	(3,910)	(559)	(6,903)	(20,778)	(24,873)
Provision for impairment on loans and advance and margin loans	–	–	(29,067)	–	–	–	(29,067)	(29,067)
Provision for impairment on other receivables	–	(19)	(15)	(344)	(117)	(1)	(496)	(496)
(Provision for)/reversal of impairment on trade receivables	(5,009)	(21)	–	508	–	–	487	(4,522)
Reversal of impairment on contract assets	–	327	–	–	–	–	327	327
Written-down of inventories to net realisable value	(7,113)	–	–	–	–	–	–	(7,113)
Additions to non-current assets (other than financial assets and deferred tax assets)	4,864	1,419	720	526,534	1,563	861,895	1,392,131	1,396,995

Segment assets and liabilities

The information provided to the CEO with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. Segment assets comprise all assets exclude assets held by head office and the inactive subsidiaries and other unallocated assets that are not directly attributable to the reportable segments.

The total amount of non-current assets (other than financial assets and deferred tax assets) located in the PRC and Hong Kong is approximately HK$9,423,794,000 (2018: HK$3,116,338,000) and approximately HK$959,229,000 (2018: HK$1,724,840,000) respectively.

The information provided to the CEO with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements. Segment liabilities comprise all liabilities exclude liabilities held by head office and the inactive subsidiaries and other unallocated liabilities that are not directly attributable to the reportable segments.

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

Reportable segment assets and liabilities are reconciled to total assets and liabilities as follows:

	Discontinued operations		Continuing operations						
	Provision of Online Game Services HK$'000	Manufacturing HK$'000	Automation HK$'000	Financial Services HK$'000	Property Investment and Development HK$'000	Securities Investment HK$'000	Trading of Commodities HK$'000	Others HK$'000	Total HK$'000
As at 31 December 2019									
Segment assets	–	–	488,684	2,394,020	23,614,286	670,270	73,148	764,731	28,005,139
Unallocated assets:									
Property, plant and equipment									5,543
Financial assets at FVOCI									199,030
Investments in associates									321,780
Prepayments, deposits and other receivables									4,648
Pledged bank deposits and restricted deposits									556,000
Cash and cash equivalents									333,222
Derivative financial assets									13,753
Total assets									29,439,115
Segment liabilities	–	–	158,624	807,018	14,627,487	226,286	502,401	288,641	16,610,457
Unallocated liabilities:									
Accruals and other payables									27,839
Borrowings									1,730,984
Deferred tax liabilities									2,654
Consideration payable									300,620
Lease liabilities									5,290
Total liabilities									18,677,844

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

Reportable segment assets and liabilities are reconciled to total assets and liabilities as follows: *(Continued)*

	Discontinued operation	Continuing operations				
	Manufacturing HK$'000	Automation HK$'000	Financial Services HK$'000	Property Investment and Development HK$'000	Securities Investment HK$'000	Total HK$'000
As at 31 December 2018						
Segment assets	144,107	472,818	1,484,548	4,938,722	1,927,674	8,967,869
Unallocated assets:						
Property, plant and equipment						258,861
Financial assets at FVOCI						148,126
Investments in associates						1,154,558
Prepayments, deposits and other receivables						41,180
Financial assets at FVTPL						155,191
Cash and cash equivalents						55,392
Total assets						10,781,177
Segment liabilities	49,840	175,051	745,807	1,880,175	336,371	3,187,244
Unallocated liabilities:						
Accruals and other payables						12,720
Borrowings						436,202
Current tax liabilities						100,654
Deferred tax liabilities						79,603
Total liabilities						3,816,423

6. SEGMENT INFORMATION *(Continued)*

Disaggregation of the Group's revenue from major products or service lines:

	2019 HK$'000	2018 HK$'000 (Re-presented)
Continuing operations:		
Revenue from contracts with customers within the scope of HKFRS 15		
— Sale of goods	629,715	558,903
— Sale of properties	4,960,466	666,078
— Installation and maintenance income	4,445	8,158
— Commission and brokerage income	41,986	80,490
— Management fee and performance fee income	18,090	6,172
— Trading of commodities	5,160,354	–
— Training services	46,047	–
— Yacht club services	60,027	–
— Construction contracts	12,280	–
— Others	9,435	–
	10,942,845	1,319,801
Revenue from other sources		
— Securities investment (loss)/profit	(261,817)	12,921
— Interest income	116,414	109,961
— Rental income	90,378	40,547
	(55,025)	163,429
Revenue from continuing operations	10,887,820	1,483,230
Discontinued operations:		
Revenue from contracts with customers within the scope of HKFRS 15		
— Online game operation (Note 9(a))	37	–
— Sale of goods (Note 9(b))	47,790	99,351
Revenue from discontinued operations	47,827	99,351
Timing of revenue recognition		
At a point in time	10,854,228	1,412,980
Transferred over time	136,444	6,172
	10,990,672	1,419,152

6. SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue attributed from customers that contributing for 10% or more of the Group's total revenue during the year, are as follows:

	2019 HK$'000	2018 HK$'000
Customer A	**3,855,601**	–
Customer B	**1,755,238**	–
Customer C	**1,118,447**	–

Customer A is from Property Investment and Development segment and customer B and C are from Trading of Commodities segment for the year ended 31 December 2019 (2018: No revenue is generated from these customers).

7. OTHER GAINS/(LOSSES) — NET AND OTHER INCOME

	2019 HK$'000	2018 HK$'000 (Re-presented)
Continuing operations:		
Other gains/(losses) — net		
Fair value gain on derivative financial assets	8,895	–
Fair value loss on financial guarantee	(15,970)	–
Fair value loss on contingent consideration payable	(5,409)	–
Gain from derecognition of financial guarantee contract	27,348	–
Gain on disposal of partial interest of an associate	–	1,285
Loss on conversion of a financial asset at fair value through profit or loss from preference shares to ordinary shares	–	(7,156)
Gain/(loss) on disposal of property, plant and equipment	397	(1)
Gain/(loss) on disposal of subsidiaries	95	(6,347)
Provision for impairment of loans and advances and margin loans	–	(25,000)
Others	8,498	–
	23,854	(37,219)
Other income		
Dividend income	8,663	20,007
Write-back of trade and other payables	–	2,300
Government subsidies (Note)	5,539	4,326
Property management income	7,278	–
Others	17,917	26,015
	39,397	52,648
Discontinued operations		
Other (losses)/gains — net and other income		
(Loss)/gain on disposal of property, plant and equipment	(3,194)	1,622
Dividend income	–	62
Sub-licensing income	–	1,677
Write-back of trade and other payables	–	1,015
Others	2,060	1,167
	(1,134)	5,543

Note:

Government subsidies include subsidies from relevant government authorities for (i) encouragement of development of culture and creative companies; and (ii) support of the Group's automation business (2018: support the Group's automation business). The Group recognises the government subsidies when it fulfills all the conditions specified in the subsidy notice or relevant law and regulations.

8. PROFIT FOR THE YEAR

Profit for the year is arrived at after charging/(crediting):

	2019			2018		
	Continuing operations HK$'000	Discontinued operations HK$'000	Total HK$'000	Continuing operations HK$'000 (Re-presented)	Discontinued operation HK$'000 (Re-presented)	Total HK$'000
Amortisation of intangible assets (Note 19)	37,926	295	38,221	7,047	270	7,317
Amortisation of prepaid land lease payments (Note 17)	–	–	–	138	–	138
Auditor's remuneration						
— Audit services	6,834	16	6,850	3,299	47	3,346
— Non-audit services	3,835	–	3,835	1,145	–	1,145
Cost of inventories	503,979	29,888	533,867	447,597	64,360	511,957
Cost of properties sold	3,164,343	–	3,164,343	481,121	–	481,121
Cost of commodities sold	5,157,760	–	5,157,760	–	–	–
Depreciation:						
— Owned property, plant and equipment (Note 16)	22,838	6,398	29,236	13,593	3,825	17,418
— Right-of-use-assets including within leasehold land and buildings (Note 16)	18,162	–	18,162	–	–	–
Directors' and chief executive's emoluments (Note 12)	16,541	–	16,541	7,213	–	7,213
Employee benefit expenses (Note 10)	162,149	11,502	173,651	134,511	30,339	164,850
(Gain)/loss on disposal of property, plant and equipment (Note 7)	(397)	3,194	2,797	1	(1,622)	(1,621)
Net foreign exchange loss/(gain)	16,840	(582)	16,258	(5,510)	5,323	(187)
Total minimum lease payments for leases previously classified as operating leases under HKAS 17 (Note (a))	–	–	–	18,991	–	18,991
Short-term leases	4,917	1,473	6,390	–	–	–
(Reversal of)/provision for impairment on loans and advance and margin loans (Note 28)	(3,774)	–	(3,774)	29,067	–	29,067
Provision for impairment on other receivables	5,575	–	5,575	496	–	496
Provision for/(reversal of) impairment on trade receivables (Note 29)	236	63,509	63,745	(487)	5,009	4,522
Provision for/(reversal of) impairment on contract assets (Note 30(a))	70,871	–	70,871	(327)	–	(327)
Research and development expenses	–	7,049	7,049	–	3,713	3,713
Provision for impairment on property, plant and equipment (Note 16)	54,611	8,335	62,946	–	–	–
Provision for impairment on intangible assets (Note 19)	140,094	2,661	142,755	–	–	–
Written-down of inventories to net realisable value (Note (b))	152	19,699	19,851	–	7,113	7,113

8. PROFIT FOR THE YEAR *(Continued)*

Notes:

(a) The Group has initially applied HKFRS 16 using the cumulative effect 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. See note 2.1.

(b) Written-down of inventories to net realisable value of approximately HK$152,000 (2018: Nil) was included in "cost of sales" of the consolidated statement of comprehensive income and approximately HK$19,699,000 (2018: HK$7,113,000) was included in the "loss for the year from discontinued operations" of the consolidation statement of comprehensive income.

9. DISCONTINUED OPERATIONS

(a) Discontinued Operation — Online game operation

On 29 June 2019, the Group entered into a sale and purchase agreement to dispose of its entire equity interest in a non-wholly owned subsidiary, Kingworld Holdings Limited ("**Kingworld Holdings**"). Kingworld Holdings and its subsidiaries were principally engaged in provision of online game services. Details of the assets and liabilities disposed of and the gain on disposal are disclosed in note 45(a).

	2019 **HK$'000**	2018 HK$'000
Revenue	**37**	–
Cost of sales	**(1,468)**	–
Selling expenses	**(9)**	–
Administrative expenses	**(1,524)**	–
Other income and gains	**30**	–
Loss before income tax	**(2,934)**	–
Income tax expense	**–**	–
Loss after income tax from discontinued operation	**(2,934)**	–
Gain on disposal of subsidiaries (Note 45(a))	**62,363**	–
Profit for the year from discontinued operation	**59,429**	–
Cash flows from discontinued operation:		
Operating cash flows	**(2,390)**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. DISCONTINUED OPERATIONS *(Continued)*

(a) Discontinued Operation — Online game operation *(Continued)*

A gain of approximately HK$62,363,000 arose on the disposal of Kingworld Holdings. No tax charge or credit arose from the disposal.

A series of control agreements (the "**Control Agreements**") was entered into between a non-wholly owned subsidiary of the Company incorporated in the PRC, Kingworld Wuxian (Beijing) Sports Technology Co., Ltd. ("**Kingworld Wuxian**"), Kingworld (Beijing) Technology Co., Ltd. ("**Kingworld Beijing**"), Mr. Zhou Xu and Ms. Xu Rong who are the registered equity holders of Kingworld Beijing.

The Control Agreements enabled the Group, through Kingworld Wuxian, to control Kingworld Beijing (the "**Structured Subsidiary**") with particulars as follows:

— exercise effective financial and operational control over the Structured Subsidiary;

— exercise owners' voting rights of the Structured Subsidiary;

— receive substantially all of the economic benefits generated by the Structured Subsidiary in consideration for the business supports, technical and consulting services provided by the Group;

— obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Structured Subsidiary from the respective owners at a minimum purchase price permitted under the PRC laws and regulations, and all or part of the assets of the Structured Subsidiary at the net book value of such assets or such minimum purchase price permitted under the PRC laws and regulations. The Group may exercise such options at any time until it has acquired all equity interests and/or all assets of the Structured Subsidiary; and

— obtain pledges over the entire equity interests of the Structured Subsidiary from their respective owners as collateral security for all of the Structured Subsidiary's payments due to the Group under the Control Agreements.

The Group did not have any equity interest in the Structured Subsidiary. However, as a result of the Control Agreements, the Group had rights to variable returns from its involvement with the Structured Subsidiary and had the ability to affect those returns through its power over the Structured Subsidiary and is considered to control the Structured Subsidiary. Consequently, the Company regarded the Structured Subsidiary as indirect subsidiaries for accounting purpose.

The Group acquired Kingworld Holdings in April 2019 through the step acquisition from an associate to a subsidiary and therefore the comparative of the consolidated statement of comprehensive income and the related notes have not been re-presented.

9. DISCONTINUED OPERATIONS *(Continued)*

(b) Discontinued operation — Manufacturing

The Group entered into sale and purchase agreements to dispose of its entire equity interests in two non-wholly owned subsidiaries, Shenzhen Bao Yao Construction Engineering Co. Limited ("**Bao Yao Construction**") and Bao Yao International Technology Limited ("**Bao Yao International**") on 15 November 2019 and on 30 December 2019 respectively. The subsidiaries were principally engaged in the LED manufacturing of a range of high-technology and new energy products business. The results and cash flows of the discontinued operation of manufacturing business for the years ended 31 December 2019 and 2018, were as follows:

	2019 HK$'000	2018 HK$'000
Revenue	47,790	99,351
Cost of sales	(56,868)	(91,446)
Selling expenses	(501)	(8,285)
Administrative expenses	(104,124)	(45,163)
Other losses, net and other income	(1,164)	5,543
Finance income	2,947	880
Loss before income tax	(111,920)	(39,120)
Income tax (expense)/credit	(5)	503
Loss after income tax from discontinued operation	(111,925)	(38,617)
Loss on disposal of subsidiaries	(36,231)	–
Loss for the year from discontinued operation	(148,156)	(38,617)
Cash flows from discontinued operation:		
Operating cash flows	24,986	(25,466)
Investing cash flows	2,042	(4,154)
Financing cash flows	(37,619)	(13,144)
Total cash flows	(10,591)	(42,764)

A loss of approximately HK$36,231,000 arose on the disposal of Bao Yao International and Bao Yao Construction. No tax charge or credit arose from the disposal. Details of the assets and liabilities disposed of and the loss on disposal of Bao Yao International and Bao Yao Construction are disclosed in notes 45(c) and 45(d) respectively.

10. EMPLOYEE BENEFIT EXPENSES (EXCLUDING BENEFITS AND INTERESTS OF DIRECTORS)

	2019 HK$'000	2018 HK$'000 (Re-presented)
Continuing operations:		
Wages and salaries	**124,585**	115,874
Other employee benefits	**14,980**	9,602
Pension costs-defined contribution plans and social security costs	**22,584**	9,035
	162,149	134,511
Discontinued operations:		
Wages and salaries	**10,283**	28,927
Other employee benefits	**443**	1,222
Pension costs-defined contribution plans and social security costs	**776**	190
	11,502	30,339

(i) The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "**MPF Scheme**"), which is a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group (the employer) and its Hong Kong employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a cap of HK$1,500 and thereafter contributions are voluntary.

(ii) As stipulated by the rules and regulations in the PRC, the subsidiaries operating in the PRC contribute to state-sponsored retirement plans for its employees. These subsidiaries are required to contribute certain percentage of the employees, the basic salaries and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

10. EMPLOYEE BENEFIT EXPENSES (EXCLUDING BENEFITS AND INTERESTS OF DIRECTORS) *(Continued)*

(iii) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two directors (2018: one director), whose emoluments are reflected in the analysis presented in note 12. The emoluments payable to the remaining three individuals (2018: four individuals) during the year are as follows:

	2019 HK$'000	2018 HK$'000
Basic salaries, bonuses, other allowances and benefits in kind	6,065	12,250
Retirement benefit-defined contribution scheme	53	72
	6,118	12,322

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands		
HK$1,500,001–HK$2,000,000	1	–
HK$2,000,001–HK$2,500,000	2	2
HK$3,000,001–HK$3,500,000	–	1
HK$3,500,001–HK$4,000,000	–	1

No inducement for joining the Group or compensation for loss of office was paid or payable to any five highest paid individuals during the year (2018: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. FINANCE INCOME/(COSTS) — NET

	2019 HK$'000	2018 HK$'000 (Re-presented)
Continuing operations:		
Finance income:		
— Interest income on bank deposits	16,279	8,029
— Interest income on financial assets at amortised costs	–	178
	16,279	8,207
Finance costs:		
— Bank loans	(211,268)	(65,904)
— Trust receipt loans	(711)	(2,317)
— Corporate bonds	(78,960)	(5,230)
— Other loans	(152,500)	–
— Lease liabilities	(1,766)	–
— Interest on loans from related parties (Note 51(c))	(35,084)	(3,596)
— Adjustment on put option liability in relation to acquisition of subsidiaries	–	(4,413)
— Imputed interest on consideration payable (Note 36)	(14,127)	–
	(494,416)	(81,460)
Less: Interest capitalised on		
— investment properties under construction	42,604	5,337
— properties under development	243,050	10,936
Finance costs from continuing operations charged to consolidated statement of comprehensive income	(208,762)	(65,187)
Finance costs from continuing operations, net	(192,483)	(56,980)
Discontinued operations:		
Finance income:		
— Interest income on bank deposits (Note 9(b))	34	880
— Others (Note 9(b))	2,913	–
Finance income from discontinued operations	2,947	880

Note:

The weighted average capitalisation rate for the year on fund's borrowed is at a rate of 7.45% (2018: 3.59%) per annum.

12. BENEFITS AND INTERESTS OF DIRECTORS

Directors' and chief executive's emoluments

The remuneration of each director and the chief executive of the Company paid/payable by the Group for the year ended 31 December 2019 is set out below:

Name of director	Fees HK$'000	Salaries allowances and benefit in kind (Note e) HK$'000	Discretionary bonuses (Note f) HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Executive directors					
Yao Jianhui	600	830	323	53	1,806
Li Minbin	1,140	1,698	998	97	3,933
Huang Wei	360	–	–	–	360
Lau Wan Po (Note a)	1,525	1,932	4,218	21	7,696
Ye Weiqing (Note b)	203	–	–	–	203
Zhang Chi (Note d)	207	204	28	68	507
Non-executive directors					
Chen Kaiben (Note c)	–	111	53	29	193
Lau Wan Po (Note a)	418	–	–	–	418
Zhang Chi (Note d)	105	–	–	–	105
Independent non-executive directors					
Wong Chun Bong	600	–	–	–	600
Lee Kwan Hung	360	–	–	–	360
Lee Kwok On, Matthew	360	–	–	–	360
	5,878	4,775	5,620	268	16,541

Note a: Re-designated from non-executive director to executive director on 1 March 2019

Note b: Appointed on 30 August 2019

Note c: Appointed on 1 November 2018 and resigned on 30 August 2019. The director is unconditionally waived his entitlement to a director's fee of HK$20,000 in respect of the year ended 31 December 2019.

Note d: Re-designated from executive director to non-executive director on 30 August 2019

Note e: Being salaries, allowances and benefits in kind paid or payable in connection with the management of the affairs of the Company and its subsidiaries

Note f: Discretionary bonuses are determined on the performance of the employees

12. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

Directors' and chief executive's emoluments *(Continued)*

The remuneration of each director and the chief executive of the Company paid/payable by the Group for the year ended 31 December 2018 is set out below:

Name of director	Fees	Salaries allowances and benefits In kind (Note d)	Discretionary bonuses (Note e)	Employer's contribution to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
Yao Jianhui	600	1,209	198	66	2,073
Li Minbin	540	1,545	753	110	2,948
Zhang Chi	312	49	14	29	404
Huang Wei (Note a)	60	–	–	1	61
Non-executive directors					
Huang Wei (Note a)	300	–	–	–	300
Lau Wan Po (Note b)	267	–	–	–	267
Chen Kaiben (Note c)	20	–	–	–	20
Independent non-executive directors					
Wong Chun Bong	420	–	–	–	420
Lee Kwan Hung	360	–	–	–	360
Lee Kwok On, Matthew	360	–	–	–	360
	3,239	2,803	965	206	7,213

Note a: Re-designated from non-executive director to executive director on 1 November 2018

Note b: Appointed on 3 July 2018

Note c: Appointed on 1 November 2018 and unconditionally waived his entitlement to a director's fee of HK$20,000 in respect of the year ended 31 December 2018

Note d: Being salaries, allowances and benefits in kind paid or payable in connection with the management of the affairs of the Company and its subsidiaries

Note e: Discretionary bonuses are determined on the performance of the employees

12. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

Directors' and chief executive's emoluments *(Continued)*

Except for Chen Kaiben, there were no arrangements under which a director waived or agreed to waive any emoluments during the years ended 31 December 2019 and 2018. No inducement for joining the Group or compensation for loss of office was paid or payable to any directors during the year (2018: Same).

The remuneration shown represented remuneration received from the Group by these directors in their capacity as employee to the Group and/or in their capacity as directors of the Company.

During the year ended 31 December 2019, the Group does not pay consideration to any third parties for making available directors' services (2018: Nil).

As at 31 December 2019, there is no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors (2018: Nil).

Save as disclosed in Note 51, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: Nil).

13. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as following:

	2019 HK$'000	2018 HK$'000 (Re-presented)
Continuing Operations:		
Current income tax		
— Hong Kong Profits tax	**17,669**	22,638
— PRC enterprise income tax	**192,825**	134,946
— PRC land appreciation tax	**430,228**	30,105
	640,722	187,689
Over provision in prior years	**(764)**	(1,214)
	639,958	186,475
Deferred income tax (Note 37)	**(44,515)**	(52,056)
	595,443	134,419
Discontinued Operations:		
— PRC enterprise income tax	**5**	(6)
Over provision in prior year	**–**	(497)
	5	(503)
Total income tax expense from continuing and discontinued operations	**595,448**	133,916

Hong Kong Profits tax has been provided at the rate of 16.5% (2018: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Company which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The statutory income tax rate applicable to entities operating in the PRC is 25% (2018: 25%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. INCOME TAX EXPENSE *(Continued)*

PRC land appreciation tax ("**LAT**") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including leasehold land payments and all property development expenditures. The Group has estimated the tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations.

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the domestic tax rates applicable to profits in the respective jurisdiction as follows:

	2019 HK$'000	2018 HK$'000 (Re-presented)
Profit/(loss) before income tax		
— Continuing operations	1,658,969	848,632
— Discontinued operations	(88,722)	(39,120)
	1,570,247	809,512
Tax calculated at domestic tax rates applicable to profits in the respective jurisdiction	358,816	147,311
Tax effect of revenue not taxable for tax purposes	(147,195)	(66,092)
Tax effect of expenses not deductible for tax purposes	30,678	11,122
Tax effect of share of results of associates	(3,404)	(2,490)
Tax effect of tax losses not recognised	47,421	23,234
Utilisation of tax losses previously not recognised	(12,775)	(37)
Provision for land appreciation tax	430,228	30,105
Tax effect on land appreciation tax	(107,557)	(7,526)
Over provision in prior years	(764)	(1,711)
Income tax expense	595,448	133,916

14. DIVIDENDS

(a) No dividend in respect of the year ended 31 December 2019 was proposed during the year ended 31 December 2019. (2018: final dividend in respect of the financial year ended 31 December 2018 of HK0.20 cent per share amounting to a total dividend of approximately HK$51,740,000, is to be proposed. The amount of 2018 proposed final dividend is based on 25,869,806,100 shares in issue as at 31 December 2018. These consolidated financial statements do not reflect this dividend payable.)

(b) Dividends attributable to the previous financial year, approved and paid during the year:

	2019 HK$'000	2018 HK$'000
Final dividend paid in respect of prior year — HK0.20 cent per share (2018: HK0.51 cent per share)	54,775	131,936

15. EARNINGS PER SHARE

The basic earnings per share for the year is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue less treasury shares held by the Group of 26,863,329,000 (2018: 25,810,611,000) during the year. There were no potential dilutive ordinary share outstanding for both years and therefore the dilutive earnings per share is the same as basic earnings per share.

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2019 '000	2018 '000
Weighted average number of ordinary shares in issue less treasury shares held by the Group during the year for basic earnings per share	26,863,329	25,810,611

15. EARNINGS PER SHARE *(Continued)*

(a) From continuing and discontinued operations

The calculation of the basic earnings per share attributable to owners of the Company is based on the following:

	2019	2018
Profit attributable to owners of the Company (HK$'000)	**684,292**	670,827
Basic earnings per share (expressed in Hong Kong cents per share)	**2.55**	2.60

(b) From continuing operations

The calculation of the basic earnings per share attributable to owners of the Company from continuing operations is based on the following:

	2019	2018 (Re-presented)
Profit attributable to owners of the Company (HK$'000)	**757,799**	697,859
Basic earnings per share (expressed in Hong Kong cents per share)	**2.82**	2.70

(c) From discontinued operations

The calculation of the basic earnings per share attributable to owners of the Company from discontinued operations is based on the following:

	2019	2018 (Re-presented)
Loss attributable to owners of the Company (HK$'000)	**(73,507)**	(27,032)
Basic loss per share (expressed in Hong Kong cents per share)	**(0.27)**	(0.10)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvement, furniture and fixtures and office equipment HK$'000	Machinery and factory equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2018							
Cost	554,703	35,066	45,117	8,675	6,259	94,695	744,515
Accumulated depreciation and impairment	(156,282)	(21,707)	(32,597)	(3,767)	(3,236)	(93,668)	(311,257)
	398,421	13,359	12,520	4,908	3,023	1,027	433,258
For the year ended 31 December 2018							
Opening net book amount	398,421	13,359	12,520	4,908	3,023	1,027	433,258
Additions	–	3,877	3,164	1,411	1,011	709	10,172
Transfer from construction in progress	–	1,598	–	–	–	(1,598)	–
Acquisition of a subsidiary (Note 46A(c))	–	201	–	147	495	–	843
Disposals	(6,008)	(1,233)	(997)	(9)	(86)	–	(8,333)
Depreciation	(9,319)	(4,033)	(1,887)	(1,454)	(725)	–	(17,418)
Exchange realignment	(7,977)	236	(23)	(636)	(74)	(138)	(8,612)
Closing net book amount	375,117	14,005	12,777	4,367	3,644	–	409,910
At 31 December 2018							
Cost	530,718	40,333	47,024	9,574	7,947	–	635,596
Accumulated depreciation and impairment	(155,601)	(26,328)	(34,247)	(5,207)	(4,303)	–	(225,686)
Net book amount	375,117	14,005	12,777	4,367	3,644	–	409,910

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Buildings HK$'000	Leasehold improvement, furniture and fixtures and office equipment HK$'000	Machinery and factory equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Yacht HK$'000	Land and properties leased for own used HK$'000 (Note (e))	Total HK$'000
At 1 January 2019									
Costs									
At 31 December 2018 as originally presented	530,718	40,333	47,024	9,574	7,947	–	–	–	635,596
Initial application of HKFRS 16 (Note 2.1)	–	–	–	–	–	–	–	17,738	17,738
	530,718	40,333	47,024	9,574	7,947	–	–	17,738	653,334
Accumulated depreciation and impairment	(155,601)	(26,328)	(34,247)	(5,207)	(4,303)	–	–	–	(225,686)
Initial application of HKFRS 16 (Note 2.1)	–	–	–	–	–	–	–	(370)	(370)
	(155,601)	(26,328)	(34,247)	(5,207)	(4,303)	–	–	(370)	(226,056)
Restated balance as at 1 January 2019	375,117	14,005	12,777	4,367	3,644	–	–	17,368	427,278
For the year ended 31 December 2019									
Restated balance as at 1 January 2019	375,117	14,005	12,777	4,367	3,644	–	–	17,368	427,278
Additions	–	15,578	438	7,856	311	103	–	23,196	47,482
Transfer to investment properties (Note 18)	(223,983)	–	–	–	–	–	–	–	(223,983)
Acquisition of subsidiaries (Note 46A(a), 46A(b))	4,626	32,722	–	–	2,155	34,256	2,838	113,249	189,846
Acquisition of subsidiaries under common control (Note 46B)	–	3,428	–	–	393	–	–	–	3,821
Disposal of subsidiaries (Note 45(a))	–	(718)	–	–	–	–	–	–	(718)
Disposals	–	(916)	(2,752)	–	(943)	–	–	–	(4,611)
Depreciation	(8,206)	(17,017)	(1,528)	(1,398)	(809)	–	(278)	(18,162)	(47,398)
Impairment	–	(21,019)	(8,335)	–	(31)	(32,693)	(868)	–	(62,946)
Exchange realignment	(248)	(1,013)	(28)	(22)	(491)	(1,565)	(342)	(2,391)	(6,100)
Closing net book amount	147,306	25,050	572	10,803	4,229	101	1,350	133,260	322,671
At 31 December 2019									
Cost	302,247	76,023	34,118	17,143	8,375	32,794	2,473	151,457	624,630
Accumulated depreciation and impairment	(154,941)	(50,973)	(33,546)	(6,340)	(4,146)	(32,693)	(1,123)	(18,197)	(301,959)
Net book amount	147,306	25,050	572	10,803	4,229	101	1,350	133,260	322,671

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

Notes:

(a) For the year ended 31 December 2019, management identified impairment indicator of certain leasehold improvement, office equipment, motor vehicles, construction in progress and yacht due to decline in performance in the yacht club and education business. The Group assessed the recoverable amounts of these property, plant and equipment allocated to their respective cash-generating units ("**CGU(s)**") and as a result the carrying amount of these property, plant and equipment was written down to their recoverable amount. An impairment loss of approximately HK$54,611,000 (2018: nil) was recognised in the consolidated statement of comprehensive income for continuing operations.

The recoverable amounts of CGUs are determined based on the higher of fair values less cost to disposal and value in use calculation.

The recoverable amount of the CGU related to the yacht club business has been determined based on value in use calculations, which is arrived at on the basis of valuation carried out by an independent professional valuer. These calculations use cash flow projections based on the most recent financial forecasts approved by the directors of the Company covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 1% and 3%. The growth rates do not exceed the long-term average growth rates for the business in which the CGUs operate.

The key assumptions for the cash flow projections are those regarding the discount rates, annual projected revenue over five-year period and growth rates. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The annual projected revenue over five-year period and growth rates are based on past performance and expectations of market development.

The key assumptions used for the cash flow projections of the CGU related to the yacht club business in 2019 are (i) discount rate of 20% (2018: nil); and (ii) annual projected revenue over five-year period ranged from HK$51,236,000 to HK$109,063,000 (2018: nil).

The recoverable amount of the CGU related to education business has been determined based on fair value less costs of disposal which is arrived at on the bases of valuation carried out by an independent professional valuer. The fair value less cost of disposal of the CGU is level 3 recurring fair value measurement. The key assumptions to determine the fair value less cost of disposal under income approach using present value technique are discount rates and annual projected revenue over five-year period. The pre-tax discount rate used is 18%.

(b) Depreciation expense of approximately HK$9,457,000 (2018: HK$2,329,000) was charged to cost of sales and approximately HK$37,941,000 (2018: HK$15,089,000) was charged to administrative expenses, respectively for both continuing and discontinued operations.

(c) The Group's buildings situated in the PRC and Hong Kong are under medium term leases. The Group is in the process of applying for real estate ownership certificates of certain factory buildings and the carrying amounts of such construction in progress and buildings, which is included in property, plant and equipment, amounted to approximately HK$5,319,000 (2018: HK$13,083,000).

(d) Buildings with carrying value amounted to approximately HK$137,039,000 (2018: HK$255,894,000) have been pledged to a bank to secure the Group's bank borrowings.

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

Notes: *(Continued)*

(e) The Group has initially applied HKFRS 16 using the modified retrospective method 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. The net book value of the Group's right-of-use assets included in property, plant and equipment as at 1 January 2019 and 31 December 2019 represented the properties leased for own use and leasehold land and carried at depreciated cost.

Right-of-use assets

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

	Notes	At 31 December 2019 HK$'000	At 1 January 2019 HK$'000
Ownership interests in leasehold land held for own use, carried at depreciated cost in the PRC	(i)	101,458	4,839
Other properties leased for own use, carried at depreciated cost	(ii)	31,802	12,529

Notes:

(i) Leasehold land for own use

The Group has obtained the right to use a parcel of land in the PRC for its operation of golf club. The lease term is medium-term leases. Lump sum payments were made upfront to lease the land, and there are no ongoing payments to be made under the terms of the land lease.

(ii) Properties leased for own use

The Group has obtained the right to use properties as its various offices through tenancy agreements with independent third parties and a related party, a company in which Mr. JH Yao has significant influence over the related party. The leases with independent third parties typically run for an initial period of 2 to 5 years. The lease with the related party runs for an initial period of 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

During the year ended 31 December 2019, the total additions to right-of-use assets included in land and properties leased for own used amounting to HK$136,445,000, in which approximately HK$113,249,000 was arising from acquisition of subsidiaries. The details in relation to these leases are set out in note 22.

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

Notes: *(Continued)*

(e) *(Continued)*

Right-of-use assets *(Continued)*

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 HK$'000	2018 HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land	5,464	–
Other properties leased for own use	12,698	–
	18,162	–
Interest on lease liabilities (Note 11)	1,766	–
Expense relating to short-term leases and other leases with remaining lease term ended on or before 31 December 2019	6,390	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	–	18,991

The total cash outflow for leases for the year ended 31 December 2019 was HK$10,883,000. Details of the maturity analysis of lease liabilities are set out in note 22.

17. PREPAID LAND LEASE PAYMENTS

	HK$'000
At 1 January 2018	4,105
Amortisation	(138)
Exchange realignment	872
At 31 December 2018	4,839
Initial application of HKFRS 16 (Note 2.1)	(4,839)
At 1 January 2019 and 31 December 2019	–

18. INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
At fair value		
At 1 January	3,082,784	2,447,232
Acquisition of subsidiaries (Note 46A)	3,492,611	339,869
Acquisition of subsidiaries under common control (Note 46B)	1,647,004	–
Transfer from property, plant and equipment (Note 16)	223,983	–
Capitalised subsequent expenditure	772,675	182,456
Fair value gain	23,935	255,733
Revaluation surplus arising from reclassification from property, plant and equipment	75,566	–
Exchange realignment	(306,721)	(142,506)
At 31 December	9,011,837	3,082,784

The Group measured the deferred tax relating to the temporary differences of these investment properties using the tax rates and the tax bases that are consistent with the expected manner of recovery of these investment properties.

Investment properties with carrying value amounted to approximately HK$4,561,551,000 have been pledged as securities to secure the Group's bank borrowings and other loans (2018: pledged for bank borrowings of HK$1,264,920,000) (Note 35).

During the year, the Group has capitalised borrowing costs amounting to approximately HK$42,604,000 (2018: HK$5,337,000) on investment properties under construction in the PRC.

For details of the failure to meet the development milestones contracted in the relevant state-owned land use rights grant contracts for property development project of which certain investment properties under construction situated on of Guangxi Shengze Investment Company Limited ("**Guangxi Shengze**") and Guangxi Baohui Property Company Limited("**Guangxi Baohui**") are set out in note 26.

(a) Amounts recognised in profit and loss for investment properties

	2019 HK$'000	2018 HK$'000
Rental income	90,378	40,547
Direct operating expenses from properties that generated rental income	20,270	15,402
Direct operating expenses from properties that did not generate rental income	6,070	3,607

18. INVESTMENT PROPERTIES *(Continued)*

(b) Fair value measurement of investment properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

	Fair value measurements at 31 December 2019		
Description	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurements			
Investment properties:			
— Office, workshop, dormitory, shop, car parks, hotel and shopping arcade			
— the PRC	1,055,973	7,600,264	8,656,237
— Office and residential properties			
— Hong Kong	127,300	228,300	355,600
	1,183,273	7,828,564	9,011,837

18. INVESTMENT PROPERTIES *(Continued)*

(b) Fair value measurement of investment properties *(Continued)*

(i) Fair value hierarchy *(Continued)*

	Fair value measurements at 31 December 2018		
Description	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurements			
Investment properties:			
— Office, workshop, dormitory, shop, car parks, hotel and shopping arcade			
— the PRC	–	2,871,984	2,871,984
— Office and residential properties			
— Hong Kong	66,700	144,100	210,800
	66,700	3,016,084	3,082,784

During the year ended 31 December 2019, investment properties situated in Hong Kong of HK$68,400,000 were vacant upon the expiry of tenancy agreement on 30 April 2019 and was transferred from level 3 to level 2 in the fair value hierarchy. Except for that, there were no transfer among the fair value hierarchy (2018: no transfer into or out of Level 3 or any other level).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

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

18. INVESTMENT PROPERTIES *(Continued)*

(b) Fair value measurement of investment properties *(Continued)*

(i) Fair value hierarchy *(Continued)*

Fair value measurements using significant unobservable inputs (Level 3)

The fair value of investment properties is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below:

	2019 HK$'000	2018 HK$'000
Opening balance (level 3 recurring fair value)	**3,016,084**	2,381,632
Acquisition of subsidiaries	**2,341,933**	339,869
Acquisition of subsidiaries under common control (Note 46B)	**1,647,004**	–
Transfer out of level 3	**(68,400)**	–
Transfer from property, plant and equipment (Note 16)	**223,983**	–
Capitalised subsequent expenditure	**772,675**	182,456
Fair value gain	**86,158**	254,633
Revaluation surplus arising from reclassification from property, plant and equipment	**75,566**	–
Exchange realignment	**(266,439)**	(142,506)
Closing balance	**7,828,564**	3,016,084

(ii) Valuation techniques and inputs

Valuation processes of the Group

Independent valuations of the Group's investment properties located in the PRC were performed by the external valuers, D&P China (HK) Limited ("**D&P**"), a division of Duff & Phelps, and Valtech Valuation Advisory Limited (2018: D&P) to determine the fair value of the investment properties as at 31 December 2019.

For the investment properties located in Hong Kong, the valuations at 31 December 2019 and 2018 were performed by the external valuer, APAC Asset Valuation and Consulting Limited.

D&P, Valtech Valuation Advisory Limited and APAC Asset Valuation and Consulting Limited are independent and professionally qualified valuers that hold recognised relevant professional qualification and have recent experience in the locations and category of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

18. INVESTMENT PROPERTIES *(Continued)*

(b) Fair value measurement of investment properties *(Continued)*

(ii) Valuation techniques and inputs *(Continued)*

Valuation processes of the Group (Continued)

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer ("**CFO**"). Discussions of valuation processes and results are held between the CFO, the valuation team and external valuers at least once every six months, in line with the Group's interim and annual reporting dates. As at 31 December 2019 and 2018, the fair values of the properties were determined by external valuers.

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

Valuation techniques

Completed properties in Shenzhen, the PRC

As at 31 December 2019 and 2018, the valuations were determined using income approach (term and reversionary method) based on the following significant unobservable inputs:

Vacancy rates	Based on current and expected future market conditions after expiry of any current lease.
Reversionary yield	Based on actual location, size and quality of the properties and taking into account market data at the valuation date.
Current market rent rates	Based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts and external evidence such as current market rents for similar properties.

18. INVESTMENT PROPERTIES *(Continued)*

(b) Fair value measurement of investment properties *(Continued)*

(ii) Valuation techniques and inputs *(Continued)*

Valuation techniques (Continued)

Properties under construction in Shenzhen, the PRC

As at 31 December 2019 and 2018, the valuations were determined using combination of market approach and depreciated replacement method based on the following significant unobservable inputs:

Accommodation value	Accommodation value represents the unit rate where the transaction price is divided by permitted plot ratio gross floor area.
Incurred construction	Incurred construction cost represented the accumulated construction cost incurred as costs of date of valuation.

Properties under construction in Ganzhou, the PRC

As at 31 December 2019 and 2018, the valuations of properties under development in Ganzhou, the PRC were determined using market approach based on the following significant unobservable input:

Estimated construction costs	These are largely consistent with internal budgets developed by the Group's finance department, based on management's experience and knowledge of market conditions, less cost of percentage of completion on the construction. Estimated construction costs also include a reasonable profit margin.

18. INVESTMENT PROPERTIES *(Continued)*

(b) Fair value measurement of investment properties *(Continued)*

(ii) Valuation techniques and inputs *(Continued)*

Valuation techniques (Continued)

Properties under construction in Shantou and Nanning, the PRC

As at 31 December 2019, the valuations were determined using direct comparison approach based on the following significant unobservable inputs:

Market prices of comparables	Based on the actual location, type and quality of the properties and supported comparable sales as available in the relevant market. The construction cost incurred and estimated construction cost to complete the development as at the date of valuation are also taken into account.

Properties in Changsha, Shenyang, Hefei, the PRC

As at 31 December 2019, the valuations were determined using direct comparison approach based on the following inputs:

Market prices of comparables	Based on recent market prices without any significant adjustment being made to the market observable data.

Completed properties in Hong Kong

As at 31 December 2019 and 2018, the Group engaged external valuer to perform the valuation using income approach and direct comparison approach. While the valuations of certain properties located in Hong Kong had taken into consideration of existing tenancies, such properties were valued by applying income approach and the fair value measurement of such properties were classified as Level 3 with the following significant unobservable input:

Reversionary yield	Based on actual location, size and quality of the properties and taking into account market data at the valuation date.

For the properties which were vacant were valued by applying direct comparison approach without any significant adjustment being made to the market observable data, the fair value measurement was classified as level 2.

During the year ended 31 December 2019, an office was vacant upon the expiry of the tenancy agreement on 30 April 2019 and the valuation technique was changed from income approach to direct comparison approach following the vacant possession. The fair value measurement of such properties was reclassified to level 2.

Other than described above, there were no changes in valuation techniques during the year.

18. INVESTMENT PROPERTIES *(Continued)*

(b) Fair value measurement of investment properties *(Continued)*

(ii) Valuation techniques and inputs *(Continued)*

Valuation inputs

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties included in level 3 in the fair value hierarchy:

Description	Fair value at 31 December		Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability-weighted averaged)		Relationship of unobservable inputs to fair value
	2019 HK$'000	2018 HK$'000			2019	2018	
Completed properties in — Shenzhen, the PRC	1,326,857	1,104,550	Income approach (term and reversionary method)	Vacancy rates	5–10%	3%–15%	The higher the vacancy rates, the lower the fair value
				Reversionary yield	6%	6%	The higher the reversionary yield, the lower the fair value
				Current market rent rates	RMB34 – 61 per square meter per month	RMB34 – 60 per square meter per month	The higher the current market rent rates, the higher the fair value
Properties under construction in — Shenzhen, the PRC	834,992	713,314	Combination of market approach for land and depreciated replacement method for buildings	Accommodation value	RMB2,330 per square meter	RMB2,320 per square meter	The higher the accommodation value, the higher the fair value
				Incurred construction costs	RMB776 per square meter	RMB269 per square meter	The higher the incurred construction costs, the higher the fair value
Properties under construction in — Ganzhou, the PRC	1,116,747	1,054,120	Market approach	Estimated construction costs	RMB5,952 – 6,270 per square meter	RMB5,234 – 6,646 per square meter	The higher the estimated construction costs, the lower the fair value
Properties under construction in — Shantou, the PRC	2,476,425	–	Direct comparison approach	Price per square meter	RMB27,000 – 53,333 per square meter	–	The higher the market prices, the higher the fair value
Properties under construction in — Nanning, the PRC	1,845,243	–	Direct comparison approach	Price per square meter	RMB25,773 – 33,514 per square meter	–	The higher the market prices, the higher the fair value
Completed properties in Hong Kong	228,300	144,100	Income approach	Reversionary yield	2.1%	2.4%	The higher the reversionary yield, the lower the fair value

18. INVESTMENT PROPERTIES *(Continued)*

(b) Fair value measurement of investment properties *(Continued)*

(ii) Valuation techniques and inputs *(Continued)*

Valuation inputs (Continued)

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the reversionary yield with higher vacancy rates resulting in higher yields. For investment properties under development, increases in estimated construction costs that enhance the properties features may result in an increase of future rental values when the properties are completed. An increase in future rental income may be linked with higher costs. If the remaining lease term increase, the yield may decrease.

The valuation for investment properties under construction was also arrived at by making reference to comparable sales as available in the relevant market. The construction cost incurred and estimated construction cost to complete the development as at the date of valuation are also taken into account.

19. INTANGIBLE ASSETS

	Goodwill HK$'000	Trademark and patents HK$'000	Contractual customers relationships HK$'000	License HK$'000	Operating right HK$'000	Other intangible assets HK$'000	Total HK$'000
At 1 January 2018							
Cost	151,358	5,685	55,710	10,997	–	4,440	228,190
Accumulated amortisation and impairment	(3,400)	(4,116)	(24,453)	–	–	(1,551)	(33,520)
Net book amount	147,958	1,569	31,257	10,997	–	2,889	194,670
For the year ended 31 December 2018							
Opening net book amount	147,958	1,569	31,257	10,997	–	2,889	194,670
Additions	–	1,760	–	–	–	–	1,760
Amortisation	–	(270)	(6,340)	–	–	(707)	(7,317)
Exchange realignment	–	(26)	–	–	–	–	(26)
Closing net book amount	147,958	3,033	24,917	10,997	–	2,182	189,087
At 31 December 2018							
Cost	147,958	7,175	55,710	10,997	–	4,440	226,280
Accumulated amortisation and impairment	–	(4,142)	(30,793)	–	–	(2,258)	(37,193)
Net book amount	147,958	3,033	24,917	10,997	–	2,182	189,087
For the year ended 31 December 2019							
Opening net book amount	147,958	3,033	24,917	10,997	–	2,182	189,087
Acquisition of a subsidiary (Note 46A(a))	–	–	–	–	749,172	–	749,172
Additions	–	–	–	–	2,264	–	2,264
Amortisation	–	(295)	(6,340)	–	(31,143)	(443)	(38,221)
Impairment	–	(2,661)	–	–	(140,094)	–	(142,755)
Exchange realignment	–	(77)	–	–	(32,735)	–	(32,812)
Closing net book amount	147,958	–	18,577	10,997	547,464	1,739	726,735
At 31 December 2019							
Cost	147,958	3,984	55,710	10,997	818,656	4,440	1,041,745
Accumulated amortisation and impairment	–	(3,984)	(37,133)	–	(271,192)	(2,701)	(315,010)
Net book amount	147,958	–	18,577	10,997	547,464	1,739	726,735

19. INTANGIBLE ASSETS *(Continued)*

(a) Impairment test for goodwill

Management considered each operating segments represents a separate CGU for the purpose of goodwill impairment testing.

As of 31 December 2019, the carrying amounts of goodwill allocated to the Automation and Financial Services segments amounted to approximately HK$43,722,000(2018: HK$43,722,000) and approximately HK$104,236,000(2018: HK$104,236,000) respectively.

The recoverable amounts of the CGUs are determined based on value-in-use calculations or fair value less cost of disposal with reference to market price, whichever is higher.

For value-in-use calculations, management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts.

For Automation segment and Financial Services segments, the Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years with a terminal value related to the future earnings potential of CGUs beyond the next five years to determine the recoverable amount of CGUs. The financial budgets and growth rates are estimated based on past performance and its expectations of market development. The key assumptions used for the value-in-use calculations are as follows:

	Automation	Financial Services
For the year ended 31 December 2019		
Growth rate	**5%**	**10%**
Discount rate	**10%**	**10%**
For the year ended 31 December 2018		
Growth rate	5%	5%
Discount rate	10%	10%

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of CGUs to exceed the aggregate recoverable amount of CGUs.

19. INTANGIBLE ASSETS *(Continued)*

(b) For the year ended 31 December 2019, management identified impairment indicator of operating right due to decline in performance in the segment of yacht club and education respectively. The Group assessed the recoverable amount of the operating right allocated to its respective CGU and as a result the carrying amount of the operating right was written down to its recoverable amount of approximately HK$547,464,000. An impairment loss of approximately HK$140,094,000 (2018: nil) was recognised in the consolidated statement of comprehensive income for continuing operations. The key input and assumptions of the impairment assessment of these CGUs are summarised in note 16 to these consolidated financial statements.

As at 31 December 2019, the average remaining amortisation period of operating right was 15 years (2018: Nil).

20. INVESTMENTS IN ASSOCIATES

	Notes	2019 HK$'000	2018 HK$'000
At 1 January		1,154,558	–
Contribution to a newly incorporated associate	(a)	–	450,000
Acquisition of an associate	(b)	–	411,895
Transfer from financial assets at FVOCI	(b)	–	6,358
Transfer from financial assets at FVTPL	(b)	–	6,761
Gain on bargain purchase on acquisition of an associate	(b),(c)	–	344,877
Step acquisition from an associate to a subsidiary	46A(a)	(781,296)	–
Disposal of partial interest of an associate	(a)	–	(50,000)
Share of results of associates	(c)	20,631	15,089
Share of other comprehensive income of associates		(72,113)	(30,422)
At 31 December		321,780	1,154,558

20. INVESTMENTS IN ASSOCIATES *(Continued)*

Notes:

(a) In February 2018, the Group invested in Yunnan International Holding Group Limited and its subsidiaries ("**Yunnan Group**") in a paid up capital contribution of HK$450,000,000 to acquire approximately 36% of the equity interest in Yunnan Group. Further on 31 October 2018, the Group disposed 4% equity interests in Yunnan Group to an independent third party at cash consideration of HK$51,285,000. As at 31 December 2018, cash consideration of HK$20,000,000 was received and the remainder of HK$31,285,000 was included in other receivables and expected to be received within one year based on the term of the share transfer agreement. As at 31 December 2019, the consideration receivable was fully settled. Upon the partial disposal, the Group held 32% equity interest as at 31 December 2019 and 2018.

(b) On 28 November 2018, the Group acquired 28.18% of equity interests in Glory Sun Land at cash consideration of approximately HK$411,895,000. The Group recognised a gain on bargain purchase of approximately HK$344,877,000 during the year ended 31 December 2018. As at 31 December 2018, the Group holds 29.19% equity interests in Glory Sun Land.

The financial effect arising from the acquisition of Glory Sun Land as an associate was summarised as follows:

	As at 28 November 2018 HK$'000
Consideration in cash	411,895
1.01% interests held by the Group in FVOCI and FVTPL prior to the acquisition	13,119
Total consideration	425,014
Total identifiable net assets attributable to owners of the associate	2,637,518
Group's share of net assets of the associate	769,891
Gain on bargain purchase from acquisition of an associate	(344,877)

On 23 April 2019, the Group completed the Step Acquisition of Glory Sun Land. As a result, the Group's interest in Glory Sun Land increased from 29.19% to 66.35% on 23 April 2019 and Glory Sun Land became a subsidiary of the Company. Further details of the Step Acquisition are set out in note 46A(a) to the consolidated financial statements.

20. INVESTMENTS IN ASSOCIATES *(Continued)*

Notes: *(Continued)*

(c) The financial effects of the Group's associates recognised in the profit or loss are summarised below.

	2019 HK$'000	2018 HK$'000
Gain on bargain purchase from acquisition of an associate	–	344,877
Share of results of associates	20,631	15,089
	20,631	359,966
Loss on remeasurement of pre-existing interest in an associate (Note 46A(a))	(176,869)	–

(d) Set out below are the associates of the Group as at 31 December 2019 and 2018. The associates as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group.

Name	Country of incorporation	Place of business	Ownership interest 2019	Ownership interest 2018	Principal activities
Advanced Radio Device Technologies, Inc. ("**ARDT**")	Korea	Korea	43%	43%	Research and development, manufacturing sales and marketing of semiconductors for communication and related equipment
Tekmar, Inc.	the United States of American (the "**USA**")	The USA	37.76%	37.76%	Research and development, manufacturing sales of carrier grade wireless telecommunication systems and components
Yunnan Group	Hong Kong	Hong Kong	32%	32%	Investment holdings and trading
Glory Sun Land	Cayman Islands	The PRC	N/A (Note (b))	29.19%	Property development and investment, trading of commodities, of cultural sports operation of a yacht club, provision of training services and provision of online game service and platform service

ARDT, Tekmar, Inc. and Yunnan Group are private companies and there is no quoted market price available for their shares. There are no contingent liabilities relating to the Group's interest in the associates. Glory Sun Land's shares are listed on the Main Board of the Stock Exchange, with quoted market price of HK$0.47 per share as at 31 December 2018.

The Group has fully impaired the interest in Tekmar, Inc. and ARDT in prior years and did not have any unrecognised share of losses of associates.

All of the above associates are accounted for using equity method in the consolidated financial statements.

20. INVESTMENTS IN ASSOCIATES *(Continued)*

Summarised financial information for the associates material to the Group

The following table illustrates the summarised financial information of material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements:

Yunnan Group

	2019 HK$'000	2018 HK$'000
As at 31 December		
Current		
Current assets	1,148,085	1,080,503
Current liabilities	(1,283,757)	(789,809)
Non-current		
Non-current assets	1,141,233	866,300
Non-current liabilities	–	–
Net assets	1,005,561	1,156,994
Group's share of net assets of Yunnan Group for the year	321,780	370,238
Year/period ended from date of incorporation to 31 December		
Revenue for the year/period	2,621,801	1,071,657
Profit for the year/period	73,655	49,550
Other comprehensive income for the year/period	(225,089)	(142,555)
Total comprehensive income for the year/period	(151,434)	(93,005)
Group's share of total comprehensive income of associate for the year/period ended from date of incorporation to 31 December	(48,458)	(29,762)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. INVESTMENTS IN ASSOCIATES *(Continued)*

Summarised financial information for the associates material to the Group *(Continued)*

Glory Sun Land and its subsidiaries ("Glory Sun Land Group")

	2019 HK$'000	2018 HK$'000
As at 31 December		
Current		
Current assets	–	8,536,977
Current liabilities	–	(7,316,066)
Non-current		
Non-current assets	–	4,145,410
Non-current liabilities	–	(1,386,395)
Net assets	–	3,979,926
Period ended from 1 January 2019 to Step Acquisition Completion Date/date of acquisition to 31 December		
Revenue for the period	**111,630**	18,498
(Loss)/profit for the period	**(22,828)**	17,749
Other comprehensive income for the period	**3,361**	53,925
Total comprehensive income for the period	**(19,467)**	71,674
Total comprehensive income attributable to the non-controlling interest of the associate	**9,107**	(22,242)
Total comprehensive income for the period attributable to owners of the associate	**(10,360)**	49,432
Group's share of total comprehensive income of associate for the period from 1 January 2019 to Step Acquisition Completion Date/date of acquisition to 31 December	**(3,024)**	14,429
Gain on bargain purchase from the acquisition of an associate	–	344,877
Total attributable to the Group	**(3,024)**	359,306

20. INVESTMENTS IN ASSOCIATES *(Continued)*

Summarised financial information for the associates material to the Group *(Continued)*

Glory Sun Land Group *(Continued)*

	2018 HK$'000
Net assets	3,979,926
Less: Non-controlling interests of Glory Sun Land Group	(1,292,976)
	2,686,950
Proportion of the Group's ownership interest in Glory Sun Land Group	29.19%
Group's share of net assets of Glory Sun Land Group	784,320

21. FINANCIAL ASSETS AT FVOCI

Equity investments designated at FVOCI	2019 HK$'000	2018 HK$'000
Listed shares:		
— Equity securities – Norway	15,531	37,649
— Equity securities – the USA	12,233	5,628
— Equity securities – Hong Kong	420,106	340,177
— Equity securities – the PRC	390,256	415,555
	838,126	799,009
Unlisted shares	66,714	104,848
	904,840	903,857

The above equity investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

As at 31 December 2019 and 2018, unlisted securities which quoted market price is not available of aggregated carrying amount of approximately HK$66,714,000 (2018: HK$104,848,000) are measured at fair value determined by using backsolve method which are not based on observable inputs.

The fair values of listed securities are determined on the basis of their quoted market prices at the end of reporting period.

Changes in fair value of the above equity securities are recognised in other comprehensive income and accumulated within the financial assets at FVOCI reserve within equity. The Group transfers amounts from FVOCI reserve to retained earnings when the relevant equity securities are derecognised.

21. FINANCIAL ASSETS AT FVOCI *(Continued)*

As at 31 December 2019, listed investments with an aggregate carrying amount of approximately HK$43,560,000 (2018: Nil) have been pledged as security for the Group's obligations under repurchase agreement as set out in note 35 to the consolidated financial statements.

Financial assets at FVOCI are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
NOK dollar	15,531	37,649
US dollar	78,947	110,477
Hong Kong dollar	420,106	340,177
Renminbi ("**RMB**")	390,256	415,554
	904,840	903,857

22. LEASES

(A) Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current reporting period and at the date of transition to HKFRS 16:

	Total 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
Not later than one year	7,538	9,217	5,412	8,928
Later than one year and not later than five years	12,873	3,908	5,753	3,601
Later than five years	37,637	–	22,945	–
	58,048	13,125	34,110	12,529
Less: total future interest expenses	(23,938)	(596)		
Present value of lease liabilities	34,110	12,529		
The present value of future lease payments are analysed as follows:				
Current liabilities	5,412	8,928		
Non-current liabilities	28,698	3,601		
	34,110	12,529		

22. LEASES *(Continued)*

(B) The Group as lessee

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases of the Group were as follows:

	2018 HK$'000
Not later than one year	9,531
Later than one year and not later than five years	3,464
	12,995

(C) The Group as lessor

(i) Operating lease

The Group's investment properties are leased to a number of tenants for varying terms. The future minimum lease payments receivable under non-cancellable operating leases of the Group were as follows:

	2019 **HK$'000**	2018 HK$'000
Not later than one year	**161,603**	42,429
Later than one year and not later than two years	**82,987**	27,945
Later than two years and not later than three years	**75,499**	22,434
Later than three years and not later than four years	**51,235**	20,044
Later than four years and not later than five years	**34,356**	5,486
More than five years	**181,386**	–
	587,066	118,338

22. LEASES *(Continued)*

(C) The Group as lessor *(Continued)*

(ii) Finance lease

The Group leases machineries to its customers. These leases are classified as finance leases and have remaining lease terms of 1 year to 3 years (2018: 2 years to 4 years). The customers shall purchase or have an option to purchase the leased machineries at the end of lease terms of the finance lease.

	2019 HK$'000	2018 HK$'000
Finance lease receivables, non-current portion	**61,480**	91,394
Finance lease receivables, current portion	**54,173**	44,244
	115,653	135,638

The total future minimum lease receivables under finance leases and their present values were as follows:

	Minimum lease receivables		**Present value of minimum lease receivables**	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Amounts receivable:				
Within one year	**65,896**	59,992	**54,173**	55,829
Later than one year and not later than two years	**44,546**	47,044	**38,521**	37,211
Later than two years and not later than three years	**24,397**	36,361	**22,959**	22,356
Later than three years and not later than four years	**–**	26,404	**–**	20,242
Total minimum finance lease receivables	**134,839**	169,801	**115,653**	135,638
Unearned finance income	**(19,186)**	(34,163)		
Total net finance lease receivables	**115,653**	135,638		
Portion classified as current assets	**(54,173)**	(44,244)		
Non-current portion	**61,480**	91,394		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2019 HK$'000	2018 HK$'000
Utility and other deposits		**63,944**	82,219
Value-added and other tax recoverable		**16,245**	8,200
Consideration receivables		**13,438**	51,813
Consultancy fee income receivable		**–**	20,658
Deposits and prepayment for inventories and investment property		**193,806**	57,157
Prepayments and other deposits	(i)	**3,562,672**	–
Interest receivable		**5,499**	427
Bond receivable	(ii)	**166,950**	–
Other tax assets		**159,036**	–
Others		**205,004**	11,485
		4,386,594	231,959
Less: Non-current portion		**(111,430)**	(24,275)
Current portion		**4,275,164**	207,684

The directors consider the balances of prepayments, deposits and other receivables are recoverable by reference to the nature of these balances and credit history of counterparties where applicable.

Notes:

(i) As at 31 December 2019, included in prepayments and other deposits of approximately HK$1,753,510,000 (2018: nil) represented an amount paid for redevelopment project of certain land parcels in the PRC designated to a subsidiary of the Company by the local PRC government. The remaining balance substantially represented prepayments made to the contractors of property development.

(ii) As at 31 December 2019, the bond receivable is redeemable within one year from an independent third party, which are unsecured and bearing interest at a rate of 8.5% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. DERIVATIVE FINANCIAL ASSETS

	2019 HK$'000	2018 HK$'000
Non-current:		
Put option	13,753	–

The Group shall have the option (the "**Put Option**") to, at the Group's discretion, sell the Option Shares (as defined below) to the seller of Yue Jin Asia Limited ("**Yue Jin Asia**") (Note) at any time within 5 calendar years from 28 December 2016 upon the Shenzhen Dapeng New District Management Committee or any other relevant governmental authority enforcing its rights under the operation entrustment agreement entered into between Shenzhen Yuejin Sports Company Limited and Shenzhen Dapeng New District Management Committee on 27 August 2014 ("**Operation Entrustment Agreement**") for any breach of the Operation Entrustment Agreement by any member of the Yue Jin Asia and its subsidiaries ("**Yue Jin Asia Group**") before 28 December 2016 at the Option Share Price (as defined below).

The consideration for the Option Shares ("**Option Share Price**") shall be the higher of (i) the cash equivalent of the sum of (a) the amount paid in cash by the Group to the seller of Yue Jin Asia and (b) the value of all the consideration shares issued by the Company to the seller of Yue Jin Asia as at the date when the Put Option is exercised; or (ii) the fair market value of the Option Shares to be determined by an independent professional valuer as at the date when the Put Option is exercised.

Where:

Option Shares means all of the issued shares in the capital of Yue Jin Asia as at the completion date of the sale and purchase of the issued shares in the capital of Yue Jin Asia after exercise of the Put Option.

As at 31 December 2019, the Put Option was stated at fair value based on the valuation performed by Valtech Valuation Advisory Limited, an independent firm of professional valuer. The valuer conducted the valuation based on a profit forecast obtained from the Company (level 3 fair value measurement).

Note: Glory Sun Land Group acquired Yue Jin Asia at 2016 and Glory Sun Land become the subsidiary of the Company at the Step Acquisition Completion Date.

25. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	–	6,155
Work in progress	–	2,235
Finished goods	23,156	33,691
	23,156	42,081

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. PROPERTIES UNDER DEVELOPMENT

	2019 HK$'000	2018 HK$'000
Within normal operating cycle included under current assets	**7,855,386**	863,272
The balance comprises:		
— Land cost	**4,042,187**	209,756
— Construction cost	**3,159,302**	601,140
— Capitalised interests	**653,897**	52,376
	7,855,386	863,272

The properties under development are all located in the PRC.

	2019 HK$'000	2018 HK$'000
Properties under development:		
Expected to be completed and available for sale after more than 12 months	**5,551,193**	583,980
Expected to be completed and available for sale within 12 months	**2,304,193**	279,292
	7,855,386	863,272

As at 31 December 2019, the carrying amount of properties under development amounting to approximately HK$3,262,134,000 (2018: Nil) are pledged as securities for bank loans granted to the Group (Note 35).

As at 31 December 2019, the carrying amount of properties under development amounting to approximately HK$1,854,362,000 (2018: Nil) are pledged as securities for other loans granted to the Group.

As at 31 December 2019, the carrying amount of properties under development amounting to approximately HK$433,384,000 (2018: Nil) are pledged for provision of financial guarantees to an associated party of a former equity holder of a subsidiary (Note 50).

26. PROPERTIES UNDER DEVELOPMENT *(Continued)*

According to state-owned land use rights grant contracts dated in September 2013, March 2014 and April 2014 and respective supplementary state-owned land use rights grant contracts dated in May, July and October 2014, these parcels of land in the PRC for the property development project of which certain investment properties under construction of approximately HK$1,845,243,000 and property under development of approximately HK$1,311,447,000 held by the subsidiaries namely Guangxi Shengze, Yunfu Baoneng Property Limited ("**Yunfu Baoneng**") and Guangxi Baohui were required to be completed by March 2017 and June 2017 respectively.

As at 31 December 2019, the development was still under construction. A failure to meet any development milestones contained in the relevant state-owned land use rights grant contracts may lead to a daily penalty of 0.01% of the consideration of state-owned land use rights grant contracts in according with the terms of state-owned land use rights grant contracts. The Group had made submission to relevant land authority on application of extension of completion of development on the ground that such delay has been due to various reasons beyond its control. On 12 October 2019, the relevant land authority entered into an agreement with Guangxi Shengze which agreed to postpone the completion date of development to 21 March 2020. Subsequent to the reporting date on 4 March 2019, the Group had made further submission to relevant land authority on application of extension of completion of development to 30 June 2020. As advised by the Group, there was no formal written notice served to Yunfu Baoneng and Guangxi Baohui by the relevant land authority in respect of the possible breach of state-owned land use rights grant contracts and the relevant land authority has verbally agreed to postpone the completion date to a later date without imposing any penalty.

Up to the date of this report, the Group is still waiting for the written notice of extension from the relevant land authority. After consultation with the PRC legal advisor and taking into account the current status of the construction, the directors of the Company consider that no provision in respect of the possible breach of state-owned land use rights grant contracts is required to be recognised as of the end of reporting period.

27. COMPLETED PROPERTIES HELD FOR SALE

	2019 **HK$'000**	2018 HK$'000
Completed properties held for sale	**1,146,584**	353,118

The completed properties held for sale are all located in the PRC.

As at 31 December 2019, the carrying amount of completed properties held for sale amounting to approximately HK$57,751,000 (2018: Nil) are pledged as securities for bank loans granted to the Group (Note 35).

As at 31 December 2019, the carrying amount of completed properties held for sale amounting to approximately HK$28,172,000 (2018: Nil) are pledged as securities for other loans granted to the Group.

28. LOANS AND ADVANCES

	2019 HK$'000	2018 HK$'000
Loans and advances (Note (a))	**814,379**	437,780
Margin loans receivables (Note (b))	**457,924**	554,976
	1,272,303	992,756
Less: Provision for impairment (Note (c))	**(3,588)**	(32,362)
Loans and advances — net	**1,268,715**	960,394
Less: Non-current portion	**(78,000)**	–
Current portion	**1,190,715**	960,394

Notes:

(a) The loans and advances of approximately HK$701,460,000 (2018: HK$409,761,000) are secured by charges over the properties and listed securities of the borrowers, and/or backed by guarantee. Credit limits are set for borrowers based on the quality of collateral held and the financial background of the borrower.

The carrying amounts of loans and advances are interest bearing and denominated in Hong Kong dollars.

As at 31 December 2019, loans and advances with an aggregate carrying amount of approximately HK$78,000,000 (2018: Nil) have been pledged as security for the Group's obligations under repurchase agreement as set out in Note 35 to the consolidated financial statements.

(b) The credit facility limits granted to margin clients are determined by the discounted market value of the collateral securities accepted by the Group.

The loans to margin clients are secured by the underlying pledged securities and are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call and the clients have to make good the shortfall.

As at 31 December 2019, margin loan receivables were secured by securities pledged by the clients to the Group as collateral with undiscounted market value of approximately HK$1,045,037,000 (2018: HK$3,315,160,000).

28. LOANS AND ADVANCES *(Continued)*

Notes: *(Continued)*

(c) Movements on the provision for impairment of loans and advances are as follows:

	HK$'000
At 1 January 2018	3,295
Provision for impairment	29,067
At 31 December 2018 and 1 January 2019	32,362
Written-off of loans and advances	**(25,000)**
Reversal of impairment	**(3,774)**
At 31 December 2019	**3,588**

29. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**324,550**	166,419
Less: Provision for impairment	**(3,235)**	(12,002)
Trade receivables — net	**321,315**	154,417

For customers of Automation products, a credit period ranging from 30 days to 60 days (2018: 30 days to 60 days) after acceptance is generally granted with exception of some trade customers where the credit period of 12 to 18 months (2018: 12 to 18 months) are granted. For customers of Property Investment and Development, the balances are due upon issuance of invoices or within 2 days (2018: upon issuance of invoices). For customers of provision of education services and operation of yacht club, the Group granted a credit period of 30 days (2018: Nil). For customers of advertising, the Group granted a credit period of 30 days (2018: Nil). For customers of trading of commodities, the Group granted a credit period of 10 days (2018: Nil).

29. TRADE RECEIVABLES *(Continued)*

The ageing analysis of gross trade receivables based on invoice date is as follows:

	2019 HK$'000	2018 HK$'000
0 to 30 days	**147,645**	82,218
31 to 60 days	**23,027**	15,614
61 to 90 days	**26,702**	26,571
91 to 120 days	**13,796**	27,275
Over 120 days	**113,380**	14,741
	324,550	166,419

Trade receivables are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
US dollar	**51,521**	46,889
Hong Kong dollar	**73,927**	30,425
RMB	**194,940**	68,268
Euro ("**EUR**")	**780**	2,941
Japanese Yen ("**JPY**")	**3,382**	17,896
	324,550	166,419

Movements on the provision for impairment of trade receivables are as follows:

	2019 HK$'000	2018 HK$'000
At 1 January	**12,002**	7,616
Provision for impairment	**63,745**	4,522
Disposal of a subsidiary	**(72,512)**	(136)
At 31 December	**3,235**	12,002

30. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2019 HK$'000	2018 HK$'000
Contract assets arising from:		
Sale of goods	**36,533**	37,411
Performance under construction contracts	**283,705**	–
	320,238	37,411
Less: Provision for impairment	**(69,688)**	(187)
	250,550	37,224

Notes:

(i) Typical payment terms which impact on the amount of contract assets are as follows:

Contract assets arising from sales of goods are initially recognised for revenue earned from the sale of automated production related equipment as the receipt of consideration is conditional on successful completion of product certification by the technicians. Upon completion of the product certification and when the rights to consideration become unconditional, the amounts recognised as contract assets are reclassified to trade receivables. The significant increase in contract asset as at 31 December 2019 (2018: decrease) was the result of the step acquisition from an associate to a subsidiary of approximately HK$284,297,000 on 23 April 2019 (Note 46A(a)) and the increase (2018: decrease) in related revenue.

Contract assets arising from performance under construction contracts primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached.

The Group's credit terms and credit policy with customers are disclosed in Notes 29 and 49.1(b) to the consolidated financial statements respectively.

(ii) During the year ended 31 December 2019, impairment loss of approximately HK$70,871,000 (2018: reversal of impairment loss of HK$327,000) was provided on contract assets.

30. CONTRACT ASSETS AND CONTRACT LIABILITIES *(Continued)*

(a) Contract assets *(Continued)*

Notes: *(Continued)*

(iii) The expected timing of recovery or settlement for contract assets is as follows:

	2019 HK$'000	2018 HK$'000
Within one year	36,349	37,224
More than one year	214,201	–
Total contract assets	250,550	37,224

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

	HK$'000
At 1 January 2018	514
Reversal of impairment	(327)
At 31 December 2018 and 1 January 2019	187
Provision for impairment	70,871
Exchange realignment	(1,370)
At 31 December 2019	69,688

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on days past due of trade receivables appropriately grouped by similar loss pattern. The calculation reflects the probability weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

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

	2019 %	2018 %
Expected credit loss rate	0.5–24.22	0.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. CONTRACT ASSETS AND CONTRACT LIABILITIES *(Continued)*

(b) Contract liabilities

	2019 HK$'000	2018 HK$'000
Advances received from customers arising from:		
Sale of goods	12,171	56,994
Sale of properties	786,414	233,594
Licensing and other service income	–	850
	798,585	291,438

Typical payment terms which impact on the amount of contract liabilities are as follows:

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

Significant changes in contract liabilities were as follows:

The significant changes in contract liabilities are related to (1) acquisition of subsidiaries of approximately HK$817,436,000 (2018: nil) (Note 46A(a)); (2) acquisition of subsidiaries under common control of approximately HK$4,003,842,000 (2018: nil) (Note 46B) and revenue recognised related to those contract liabilities and less billing in advance of sales of goods and properties.

The following table shows the revenue recognised for the year related to carried-forward contract liabilities:

	2019 HK$'000	2018 HK$'000
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	(291,219)	(100,781)

31. FINANCIAL ASSETS AT FVTPL

	2019 HK$'000	2018 HK$'000
Listed securities:		
— Equity securities — the PRC	69	10,698
— Equity securities — Hong Kong	120,801	827,398
	120,870	838,096
Other securities	–	551
Debt investment at FVTPL	7,981	143,942
	128,851	982,589

The Group's financial assets at FVTPL are denominated in Hong Kong dollar. The fair values of listed shares are based on their current bid prices in an active market.

As at 31 December 2019, listed equity securities with an aggregate carrying amount of approximately HK$19,631,000 (2018: Nil) have been pledged as security for the Group's obligation under repurchase agreement as set out in note 35 to the consolidated financial statements.

32. CASH AND CASH EQUIVALENTS, PLEDGED BANK DEPOSITS AND RESTRICTED DEPOSITS, TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS AND CLIENT TRUST BANK BALANCES

	2019 HK$'000	2018 HK$'000
Cash in hand	223	140
Cash at banks	1,243,581	809,697
Short-term bank deposits with original maturity less than three months	69,766	97,286
Cash and cash equivalents	1,313,570	907,123
Pledged bank deposits and restricted deposits	889,611	67,893
Time deposits with original maturity over three months	–	39,350
Client trust bank balances	376,677	261,084

32. CASH AND CASH EQUIVALENTS, PLEDGED BANK DEPOSITS AND RESTRICTED DEPOSITS, TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS AND CLIENT TRUST BANK BALANCES *(Continued)*

Cash and cash equivalents, pledged bank deposits and restricted deposits time deposits with original maturity over three months and client trust bank balances are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
RMB	**1,323,958**	622,240
US dollar	**246,380**	66,677
Hong Kong dollar	**961,203**	576,502
Others	**48,317**	10,031
	2,579,858	1,275,450

The conversion of RMB into foreign currencies and remittance of RMB out of bank balances in the PRC are subject to the rules and regulations of the foreign exchange control promulgated by the Chinese government.

The Group maintains trust and segregated accounts of approximately HK$376,677,000 (2018: HK$261,084,000) with authorised financial institutions to hold clients' deposits arising from normal business transactions. The Group has classified in the consolidated statement of financial position the clients' deposits as client trust bank balances in the current assets section and recognised the corresponding trade payables to the respective clients in the current liabilities section, on the grounds that the Group is liable for any misappropriation of the respective clients' deposits as stipulated under the SFO. The Group is not allowed to use the clients' monies to settle its own obligations under the SFO. As such, these monies are not included in cash and cash equivalents of the Group for cash flow purposes in the consolidated statement of cash flows.

The Group's pledged bank deposits represented deposits pledged to banks to secure bank loans and notes payable granted to the Group as set out in note 35 to the consolidated financial statements.

The Group's restricted deposits represented the guarantee deposits for construction of properties. In accordance with certain PRC regulations, property development companies of the Group are required to place the proceeds received from pre-sale of properties as guarantee deposits for construction of properties. At the end of reporting period, the deposits of approximately HK$256,758,000 (2018: HK$67,893,000) can only be used to pay for relevant property development projects when approval from the PRC State-Owned Land and Resource Bureau is obtained. The restriction will be released upon the construction is completed or the real estate ownership certificate of pre-sold properties is issued, whichever is earlier.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. TRADE AND BILLS PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**4,296,866**	764,447
Bills payables	**17,064**	15,478
	4,313,930	779,925

The ageing analysis of trade and bills payables based on invoice date is as follows:

	2019 HK$'000	2018 HK$'000
0 to 30 days	**3,720,056**	711,507
31 to 60 days	**130,368**	11,994
61 to 90 days	**26,566**	5,785
91 to 120 days	**38,441**	5,337
Over 120 days	**398,499**	45,302
	4,313,930	779,925

The average credit period of trade payables ranged from 7-30 days (2018: ranged from 7-30 days) in relation to property investment and development and the credit period of trade payables in relation to trading of commodities is 10-180 days (2018: Nil).

The carrying amounts of the trade and bills payables are denominated in the following currencies:

	2019 HK$'000	2018 HK$'000
RMB	**3,731,248**	428,199
US dollar	**85,330**	51,200
Hong Kong dollar	**476,041**	283,170
EUR	**4,014**	1,599
JPY	**17,265**	15,757
Others	**32**	–
	4,313,930	779,925

34. ACCRUALS AND OTHER PAYABLES

	Notes	2019 HK$'000	2018 HK$'000
Accrued operating expenses		78,873	45,403
Provision for value-added tax and other taxes in the PRC		74,013	74,598
Deposits received		34,035	50,381
Secured deposits from contractors		316,253	–
Payables for construction costs		109,698	184,102
Put option liability in relation to acquisition of subsidiaries		–	247,146
Interest payables		477,436	–
Interest payables to a related party	35(g)	29	–
Other payables to a non-controlling interest	(ii)	44,558	–
Other payables to related parties	(ii)	78,088	–
Others		289,497	35,882
		1,502,480	637,512

Notes:

(i) As at 31 December 2019, approximately 95% (2018: 71%) of the carrying amounts of accruals and other payables are denominated in RMB, the remaining are mainly denominated in Hong Kong dollar.

(ii) Other payables to an non-controlling interest and related parties are unsecured, non-interest bearing, and repayable on demand.

35. BORROWINGS

	2019		2018	
	Current HK$'000	Non-current HK$'000	Current HK$'000	Non-current HK$'000
Secured				
Obligations under repurchase agreement (Note (a))	249,000	–	–	–
Bank loans (Note (b))	1,735,883	2,286,313	667,274	–
Margin loan (Note (c))	–	–	331,765	–
Trust receipts loans	36,502	–	30,119	–
Notes payable (Note (d))	557,233	–	–	–
Other loans (Note (e))	115,752	1,215,396	–	–
	2,694,370	3,501,709	1,029,158	–
Unsecured				
HK corporate bonds (Note (f))	1,354,500	–	145,767	31,847
Other loans (Note (e))	1,768,379	188,933	–	–
Bank overdraft	–	–	194	–
Loans from related parties (Note (g))	38,955	–	479,385	–
PRC corporate bonds (Note (h))	333,900	–	–	–
	3,495,734	188,933	625,346	31,847
	6,190,104	3,690,642	1,654,504	31,847

The current liabilities include bank loans of approximately HK$837,527,000 (2018: HK$128,579,000) that are not scheduled to repay within one year. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at its own discretion.

The Group's borrowings at the end of the reporting period were repayable as follows:

	Bank borrowings		Other borrowings	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Within one year or on demand	1,772,385	697,587	4,417,719	956,917
More than one year, but not exceeding two years	260,665	–	500,573	31,847
More than two years, but not exceeding five years	2,025,648	–	903,756	–
	4,058,698	697,587	5,822,048	988,764

35. BORROWINGS *(Continued)*

As at 31 December 2019, the effective interest rates of bank and other borrowings ranged from nil to 16.0% (2018: ranged from 3.5% to 7.4%) per annum.

As at 31 December 2019 and 31 December 2018, the Group has not breached any of the covenants of the banking facilities.

Notes:

(a) During the year ended 31 December 2019, the Group has entered into a repurchase agreement whereby listed securities and loans and advance are sold to a third party with a concurrent agreement to repurchase at a specified date. As at 31 December 2019, the aggregate carrying amounts are secured by (i) the listed securities of the Group's margin clients amounted to approximately HK$227,557,000; (ii) certain financial assets at FVTPL amounted to approximately HK$19,631,000 (Note 31); (iii) financial assets at FVOCI amounted to approximately HK$43,560,000 (Note 21); and (iv) loans and advance amounted to HK$78,000,000 (Note 28). As at 31 December 2018, the Group had not entered into any repurchase agreement.

(b) As at 31 December 2019, bank loans are secured by: (i) corporate guarantees provided by the Company and certain of its subsidiaries; (ii) guaranteed by shareholder of the Company; (iii) shares of subsidiaries; (iv) property, plant and equipment (Note 16); (v) properties under development (Note 26); (vi) completed properties held for sale (Note 27); (vii) investment properties of the Group (Note 18); and (viii) pledged bank deposits approximately HK$46,746,000 (Note 32).

    As at 31 December 2018, bank loans were secured by (i) corporate guarantees provided by the Company and certain of its subsidiaries; (ii) property, plant and equipment (Note 16) and investment properties of the Group (Note 18); (iii) deposits of HK$6,000,000; and (iv) collateral of the Group's margin clients amounted to approximately HK$490,015,000.

    As of 31 December 2019, the effective interest rates of bank loans ranged from 3.53% to 10.26% (2018: 1.28% to 7.37%) per annum, of which approximately HK$2,286,313,000 (2018: nil) is repayable over 1 year.

(c) No margin loan is outstanding as at 31 December 2019. As at 31 December 2018, margin loan was secured by the Group's listed equity investments with aggregate carrying amounts of approximately HK$527,841,000.

(d) As at 31 December 2019, the Group has utilised approximately HK$557,233,000 of notes payable which is secured by a charge over the pledged bank deposits amounted to approximately HK$586,107,000 (Note 32), interest-free and repayable within 1 year (2018: Nil).

35. BORROWINGS *(Continued)*

Notes: *(Continued)*

(e) As at 31 December 2019, approximately HK$1,331,148,000 included in other loans are secured by (i) a share charge over the entire issued capital of a subsidiary of the Company; (ii) properties under development (Note 26); (iii) completed properties held for sale (Note 27); (iv) investment properties (Note 18); and (v) guaranteed by a related party, subsidiaries and shareholder of the Company.

As at 31 December 2019, the effective interest rates of secured other loans ranged from 6.20% to 12.00% (2018: nil), of which approximately HK$1,215,396,000 (2018: Nil) is repayable over 1 year.

As at 31 December 2019, approximately HK$1,957,312,000 of other loans is unsecured and unguaranteed, of which amounts of approximately HK$1,768,379,000 that are classified as current liabilities are repayable within 1 year and interest bearing ranged from nil to 15.00%.

As at 31 December 2019, other loans of approximately HK$188,933,000 are classified as non-current liabilities, interest bearing ranged from 5.00% to 8.00% per annum and repayable over 1 year.

As at 31 December 2018, no other loan was outstanding.

(f) As at 31 December 2019, the Group issued corporate bonds denominated in Hong Kong dollar with an aggregated amount of approximately HK$1,354,500,000 (2018: HK$177,614,000 to several independent third parties) to several parties with coupon rates ranged from 5.0% to 10.0% (2018: 5%) per annum and repayable in 1 to 3 years (2018: 1 to 3 years) from the respective issue dates. Among the balances, approximately HK$2,000,000 was issued to a director of a subsidiary of the Company.

(g) As at 31 December 2019, balances of loans from related parties are unsecured, due within one year and interest bearing at 16.00% per annum.

As at 31 December 2018, balances of loans from related parties are unsecured, due within one year and interest bearing at 5.00% per annum.

(h) On 22 October 2019, a subsidiary of the Company issued 7%, one-year non-public PRC corporate bonds with an aggregated principal amount of RMB300,000,000 (equivalent to approximately HK$333,900,000) at 100% of the face value, which is guaranteed by one of the Controlling Parties (2018: Nil).

The Group's borrowings at the end of the reporting period were repayable as follows:

	2019 **HK$'000**	2018 HK$'000
US dollar	**67,554**	28,058
JPY	**7,948**	2,061
Hong Kong dollar	**2,176,533**	1,007,453
RMB	**7,628,711**	648,779
	9,880,746	1,686,351

36. CONSIDERATION PAYABLE

	Notes	2019 HK$'000	2018 HK$'000
Consideration payable			
— Current	(i)	300,620	–
— Non-current	(ii)	136,019	–
		436,639	–

(i) As at 31 December 2019, the consideration payable classified as current liabilities represents outstanding amount in relation to the acquisition of subsidiaries under common control of RMB270,018,000 (equivalent to approximately HK$300,620,000 as disclosed in notes 3(b) and 46B.

The payment terms of consideration payable are as follows,

(a) RMB80 million (equivalent to approximately HK$89.04 million) on or prior to the 30th day from the Completion Date of Nanning Project Acquisition;

(b) RMB80 million (equivalent to approximately HK$89.04 million) on or prior to the 90th day from the Completion Date of Nanning Project Acquisition;

(c) RMB80 million (equivalent to approximately HK$89.04 million) on or prior to the 120th day from the Completion Date of Nanning Project Acquisition; and

(d) RMB60 million (equivalent to approximately HK$66.78 million) on or prior to the 180th day from the Completion Date of Nanning Project Acquisition.

The Group and Baoneng Real Estate acknowledge and agree that the outstanding amount in the sum of approximately RMB29.98 million (equivalent to approximately HK$33.28 million) owed from members of Baoneng Real Estate to members of Nanning Project Group (the "**Offset Amount**") shall be offset from the first instalment of the consideration on a dollar-to-dollar basis.

Subsequent to the reporting date, the first instalment after deducting the Offset Amount and second instalment have been settled.

36. CONSIDERATION PAYABLE *(Continued)*

(ii) The consideration payable classified as non-current liabilities in relation to the operating right (Note 19). Pursuant to the Operation Entrustment Agreement, the balance will be settled by 10 equal annual instalments of RMB39,250,000 (equivalent to approximately HK$47,179,000) each from the seventh year of the Step Acquisition Completion Date.

The imputed interest charged for the year of HK$14,127,000 (2018: Nil) is calculated at effective interest rate of 13.04% (2018: Nil).

37. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The following balances, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	2019 HK$'000	2018 HK$'000
Deferred tax assets to be settled after more than 12 months	40,019	–
Deferred tax liabilities to be settled after more than 12 months	(1,211,543)	(320,543)

The net movements on the deferred tax liabilities/(assets) are as follows:

	2019 HK$'000	2018 HK$'000
At beginning of year	320,543	274,453
Credited to profit or loss (Note 13)	(44,515)	(52,056)
Charged to other comprehensive income	10,376	9,194
Acquisition of subsidiaries (Notes 46A(a) and 46A(b))	871,097	95,997
Acquisition of a subsidiary under common control (Note 46B)	71,284	–
Currency translation difference	(57,261)	(7,045)
At end of year	1,171,524	320,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. DEFERRED TAX *(Continued)*

Details of the deferred tax liabilities and assets recognised and movements during the current and prior years:

	Accelerated tax depreciation allowance		Provision for LAT		Tax loss		Financial guarantee contracts		Fair value gains/(losses)		Unrealised profits/(losses) in financial assets at FVTPL		Intangible assets identified in acquisition		Total	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
At 1 January	1,153	99	–	–	–	–	–	–	238,804	176,323	74,246	90,580	6,340	7,451	320,543	274,453
Charged/(credited) to the profit or loss	1,882	1,054	(8,616)	–	24,888	–	3,955	–	19,421	(35,665)	(37,322)	(16,334)	(48,723)	(1,111)	(44,515)	(52,056)
Charged to other comprehensive income	–	–	–	–	–	–	–	–	10,376	9,194	–	–	–	–	10,376	9,194
Transfer to tax payable	–	–	(16,413)	–	–	–	–	–	–	–	–	–	–	–	(16,413)	–
Acquisition of subsidiaries	445	–	421,539	–	(32,690)	–	(12,455)	–	394,946	95,997	–	–	99,312	–	871,097	95,997
Acquisition of a subsidiary under common control	–	–	(37,868)	–	–	–	–	–	109,152	–	–	–	–	–	71,284	–
Currency translation difference	(10)	–	(10,751)	–	58	–	206	–	(28,488)	(7,045)	–	–	(1,863)	–	(40,848)	(7,045)
At 31 December	3,470	1,153	347,891	–	(7,744)	–	(8,294)	–	744,211	238,804	36,924	74,246	55,066	6,340	1,171,524	320,543

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets in respect of losses amounting to approximately HK$109,881,000 (2018: HK$106,624,000) that can be carried forward against future taxable income due to uncertainty of availability of future taxable income. Except for tax losses of approximately HK$82,494,000 (2018: HK$10,137,000) that will be expired in 5 years, the remaining tax losses do not have expiry date.

Pursuant to relevant laws and regulations in the PRC, withholding tax is imposed at 10% on dividends declared to foreign investors in respect of profit earned by PRC subsidiaries from 1 January 2008 onward. At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of PRC subsidiaries for which deferred tax have not been recognised is approximately HK$2,271,709,000 (2018: HK$659,983,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

38. SHARE CAPITAL

	Number of shares (thousand)	Share capital HK$'000
Authorised:		
Ordinary share of HK$0.10 each		
At beginning of year and end of year	500,000,000	50,000,000
Issued and fully paid:		
At 1 January 2018	24,679,330	2,467,933
Shares issued (Note (a))	1,190,476	119,048
At 31 December 2018 and 1 January 2019	**25,869,806**	**2,586,981**
Shares issued (Notes (b) and (c))	**3,917,706**	**391,770**
At 31 December 2019	**29,787,512**	**2,978,751**

Notes:

(a) The share placement of the remaining 1,190,476,000 shares was completed on 10 January 2018 when the new shares were issued at a price of HK$0.63 per share for a total cash considerations of HK$750,000,000.

(b) (i) 1,508,505,611 shares have been issued as consideration shares at a price of HK$0.315 each upon the completion of Step Acquisition on 23 April 2019 (Note 46A(a)).

(ii) During the year ended 31 December 2019, the Company issued 9,200,500 shares in total in relation to the acquisition of additional interest in a subsidiary. Details are as follows:

— The share allotment of 254,000 shares amounted to approximately HK$76,000 was completed on 23 May 2019 and was based on the share price on the completion date of HK$0.3 per share.

— The share allotment of 78,000 shares amounted to HK$22,000 was completed on 28 May 2019 and was based on the share price on the completion date of HK$0.29 per share.

— The share allotment of 8,868,500 shares amounted to HK$2,660,000 was completed on 31 May 2019 and was based on the share price on the completion date of HK$0.3 per share.

(c) The share allotment of 2,400,000,000 shares amounted to HK$600,000,000 was completed on 17 December 2019 at placing price of HK$0.25 per placing share.

39. RESERVES

Details of the movements of the Group's reserves are set out in the consolidated statement of changes in equity of the financial statements.

(a) Merger reserve represents (i) the difference between the share capital of the Company and the combined share capital of the subsidiaries (after eliminating intra-group investments and share capital) acquired by the Company pursuant to the Group reorganisation in 2009 and (ii) impact on business combination under common control.

(b) Capital reserve of the Group represents the net assets attributable to non-controlling shareholders which were acquired pursuant to the Group reorganisation in 2009, and is treated as a deemed contribution from equity holders and the release of share-based compensation reserve upon the incentive shares under share incentive scheme approved and adopted by the Group in 2008.

(c) The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holder. All statutory reserves are created for specific purposes. The PRC company is required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

(d) Other reserves represented (i) share of other comprehensive income of associates; (ii) gains/losses arising from changes in Group's interests in subsidiaries that do not result in a loss of control; and (iii) revaluation surplus upon transfer of owner-occupied properties to investment properties and the tax arising from revaluation thereof.

39. RESERVES *(Continued)*

Company

	Share premium HK$'000	Capital reserve HK$'000 (Note)	Other reserves HK$'000	Accumulated deficit HK$'000	Total HK$'000
At 1 January 2018	3,694,166	34,750	–	(1,614,157)	2,114,759
Profit for the year	–	–	–	2,523	2,523
Shares issued	630,952	–	–	–	630,952
Share of other comprehensive income in an associate	–	–	(45,618)	–	(45,618)
Dividend paid	(131,936)	–	–	–	(131,936)
At 31 December 2018	4,193,182	34,750	(45,618)	(1,611,634)	2,570,680
At 1 January 2019	**4,193,182**	**34,750**	**(45,618)**	**(1,611,634)**	**2,570,680**
Loss for the year	**–**	**–**	**–**	**(19,160)**	**(19,160)**
Placing of new shares	**360,000**	**–**	**–**	**–**	**360,000**
Arising from step acquisition	**326,168**	**–**	**–**	**–**	**326,168**
Share of other comprehensive income of associates	**–**	**–**	**(72,028)**	**–**	**(72,028)**
Dividend paid	**(54,775)**	**–**	**–**	**–**	**(54,775)**
At 31 December 2019	**4,824,575**	**34,750**	**(117,646)**	**(1,630,794)**	**3,110,885**

Note: Capital reserve of the Company arising from the Group reorganisation in 2009 represents the difference between the nominal value of shares issued by the Company pursuant to the reorganisation and the aggregated net assets values of subsidiaries acquired.

40. SHARE-BASED PAYMENTS

(a) Share option scheme adopted by the Company

The Company adopted a share option scheme on 24 November 2010 and remain in force for ten years commencing on the adoption date. Share options were granted to directors, certain members of the senior management and employees of the Company on 17 June 2013 (the "**Date of Grant**"). The exercise price of the granted options is HK$0.42, which represents the highest of (i) the official closing price of HK$0.41 per Company's share as stated in the daily quotation sheets issued by the Stock Exchange on the Date of Grant; (ii) the average closing price of HK$0.42 per Company's share as stated in the daily quotation sheets issued by the Stock Exchange for the five trading days immediately preceding the Date of Grant; and (iii) the nominal value of the Company's share. Options are granted unconditionally and vested immediately on the Date of Grant. The options are exercisable in ten years starting from the Date of Grant. The Group has no legal or constructive obligation to repurchase or settle options in cash.

The fair value of options, determined using Binomial-Model, was HK$0.185 per option. The significant inputs into the model was share price of HK$0.41 at the Date of Grant, exercise price shown above, volatility of 65%, dividend yield of 2%, an expected option life of ten years and an annual risk-free interest rate of 1.59%. The volatility was assumed based on the daily share price volatility of the Company and comparable companies for a historical observation period equal to the life of the options. Since the Company had a trading history shorter than the life of the options at the time of the grant, volatility was calculated with reference to comparable companies listed in Hong Kong and in the same industry as the Company.

During the years ended 31 December 2019 and 2018, no share option under the share option scheme adopted by the Company was granted, exercised, cancelled or lapsed and no outstanding option as at 31 December 2019 and 2018.

(b) Share option scheme of Glory Sun Land

Upon the completion of Step Acquisition at the Step Acquisition Completion Date as set out in note 46A(a) to the consolidated financial statements, Glory Sun Land became the non-wholly owned subsidiary of the Company.

Glory Sun Land operates a share option scheme (the "**Glory Sun Land Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of Glory Sun Land Group's operations. Eligible participants include the employees, executives, officers and directors of Glory Sun Land and its subsidiaries. The Glory Sun Land Option Scheme became effective on 26 March 2014 and remain in force for ten years commencing from the effective date.

40. SHARE-BASED PAYMENTS *(Continued)*

(b) Share option scheme of Glory Sun Land *(Continued)*

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

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

The offer of a grant of share options may be accepted within 20 days from the date of the offer, upon payment of a nominal consideration of HK$10 in total or other amount as determined by the board of Glory Sun Land by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Glory Sun Land Option Scheme, if earlier.

The exercise price of the share options is determinable by the directors of Glory Sun Land, but may not be less than the highest of (i) the Stock Exchange closing price of the Glory Sun Land's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Glory Sun Land's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Glory Sun Land's shares on the date of the offer, when applicable.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings. As at 31 December 2019, the number of shares in respect of which options has been remained outstanding under the Glory Sun Land Option Scheme was nil (2018: nil).

Options are lapsed if the employee leaves Glory Sun Land Group and the relationship with consultants is ceased or terminated by Glory Sun Land Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		–	–
Investment in an associate		321,780	370,238
		321,780	370,238
Current assets			
Other receivables		1,578	32,948
Amounts due from subsidiaries		6,687,788	5,169,212
Cash and cash equivalents		64,482	32,008
		6,753,848	5,234,168
Total assets		7,075,628	5,604,406
EQUITY			
Share capital	38	2,978,751	2,586,981
Reserves	39	3,110,885	2,570,680
		6,089,636	5,157,661
LIABILITIES			
Non-current liability			
Borrowings		–	31,847
Current liabilities			
Accrual and other payables		12,736	10,543
Amount due to subsidiaries		447,772	–
Borrowings		525,484	404,355
		985,992	414,898
Total liabilities		985,992	446,745
Total equity and liabilities		7,075,628	5,604,406

The financial statements were approved by the board of directors on 30 March 2020 and were signed on its behalf.

Yao Jianhui
Chairman

Li Minbin
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2019 are as follows:

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and kind of legal entity	Issued/fully paid up/ registered share capital	Effective interest held by the Company	Principal activities
Directly held:					
Great Sphere Developments Limited	3 July 2012	The British Virgin Islands (The "**BVI**"), limited liability company	1 ordinary share of US$1 each	100%	Investment holding
Success Charm Holdings Limited	11 May 2009	The BVI, limited liability company	27,774,264 ordinary shares of US$1 each	100%	Investment holding
Indirectly held:					
ACE Grand Limited	3 October 2012	Hong Kong, limited liability company	1 ordinary share, HK$1	100%	Property investment
Glory Sun Asset Management Limited (formerly known as China Goldjoy Asset Management Limited)	30 March 2012	Hong Kong, limited liability company	14,000,000 ordinary shares, HK$14,000,000	87.28%	Providing asset management services
Glory Sun Bullion Limited (formerly known as China Goldjoy Bullion Limited)	4 June 2013	Hong Kong, limited liability company	20,000,000 ordinary shares, HK$20,000,000	87.28%	Providing bullion trading services
Glory Sun Credit Limited (formerly known as China Goldjoy Credit Limited)	24 October 2014	Hong Kong, limited liability company	553,333,330 ordinary shares, HK$553,333,330	100%	Providing money lending services
Glory Sun Financial Investment Limited (formerly known as China Goldjoy Investment Limited)	13 Mach 2014	Hong Kong, limited liability company	4,000,000 ordinary shares, HK$4,000,000	87.28%	Investment holding
Glory Sun Securities Limited (formerly known as China Goldjoy Securities Limited)	30 October 1998	Hong Kong, limited liability company	960,516,767 ordinary shares, HK$960,906,767	89.54%	Providing securities brokerage services

42. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and kind of legal entity	Issued/fully paid up/ registered share capital	Effective interest held by the Company	Principal activities
Indirectly held: (Continued)					
Glory Sun Services Limited (formerly known as China Goldjoy Services Limited)	28 October 2016	Hong Kong, limited liability company	1 ordinary share, HK$1	87.28%	Providing back office support to the Group
Glory Sun Wealth Management Limited (formerly known as China Goldjoy Wealth Management Limited)	30 March 2012	Hong Kong, limited liability company	2,600,000 ordinary shares, HK$2,600,000	87.28%	Providing insurance services
Glory Sun Capital Limited (formerly known as China Huatong Capital Limited)	27 August 2018	Hong Kong, limited liability company	15,000,000 ordinary shares, HK$15,000,000	87.28%	Inactive
Gallant Tech Limited	10 May 2007	Hong Kong, limited liability company	5,000,000 ordinary shares, HK$5,000,000	100%	Trading of machines and spare parts and investment holding
Handmoon Investments Limited	31 October 2016	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Property investment
Harvest Joy Investments Limited	26 October 2016	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Property investment
鶴山市世逸電子科技有限公司 (He Shan World Fair Electronics Technology Ltd.)*	18 November 2004	The PRC, limited liability company	Registered US$57,250,000	100%	Manufacturing of printed circuit board touch pad
Hong Kong Bao Xin Asset Management Limited	23 April 2012	Hong Kong, limited liability company	1 ordinary share, HK$1	100%	Investment holding and securities investment
萊華泰盛有限公司 (Laihua TaiSheng Limited)*	8 June 2011	The PRC, limited liability company	Registered RMB1,650,000,000	100%	Property development
萊華泰豐有限公司 (Laihua TaiFeng Limited)*	10 January 2012	The PRC, limited liability company	Registered RMB600,000,000	100%	Property development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and kind of legal entity	Issued/fully paid up/ registered share capital	Effective interest held by the Company	Principal activities
Indirectly held: (Continued)					
霖動企業管理諮詢(上海)有限公司 (Lin Dong Corporate Management Consulting (Shanghai) Co., Limited)*	21 August 2017	The PRC, limited liability company	Registered RMB2,000,000	87.28%	Consultation on corporate management
上海創光電子有限公司 (Shanghai Chuangguang Electronics Co., Limited)*	7 April 2017	The PRC, limited liability company	Registered RMB5,000,000	100%	Trading of machines and spare parts
上海雄愉投資管理有限公司 (Shanghai Hunlicar Investment Management Co., Ltd.)*	4 May 2014	The PRC, limited liability company	Registered RMB50,000,000	87.28%	Investment Management
深圳邦凱新能源股份有限公司 (Shenzhen B&K New Energy Co., Limited)*	4 November 1999	The PRC, limited liability company	Registered RMB720,000,000	75.5%	Property investment
深圳邦凱商置有限公司 (Shenzhen Bangkai Commercial Property Co., Ltd.)*	26 February 2014	The PRC, limited liability company	Registered RMB30,000,000	75.5%	Inactive
深圳寶達金融服務有限公司 (Shenzhen Bao Da Financial Services Co., Ltd.)*	12 October 2015	The PRC, limited liability company	Registered RMB800,000,000	100%	Investment holding
深圳寶信金融服務有限公司 (Shenzhen Bao Xin Financial Services Co., Ltd.)*	12 October 2015	The PRC, limited liability company	Registered RMB500,000,000	100%	Inactive
深圳佳力融資租賃有限公司 (Shenzhen Gallant Financial Leasing Co., Ltd.)*	8 November 2016	The PRC, limited liability company	Registered HK$500,000,000	100%	Finance leasing
深圳市佳力興業電子科技有限公司 (Shenzhen Gallant Tech Co., Ltd.)*	23 June 2006	The PRC, limited liability company	Registered RMB260,000,000	100%	Trading of machines and spare parts

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and kind of legal entity	Issued/fully paid up/ registered share capital	Effective interest held by the Company	Principal activities
Indirectly held: (Continued)					
深圳前海寶新股權投資基金管理有限公司 (Shenzhen Qianhai Bao Xin Equity Investment Fund Management Co., Ltd.)*	1 April 2017	The PRC, limited liability company	Registered RMB50,000,000	87.28%	Investment management
Silkray Limited	11 May 2009	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Inactive
Smart Riches Limited	13 January 2011	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Inactive
Ultra Glory Investments Limited	17 May 2016	The BVI, limited liability company	1 ordinary share of US$1 each	100%	Property investment
World Fair International Limited	27 December 1996	Hong Kong, limited liability company	10,000 ordinary share, HK$10,000	100%	Inactive
Glory Sun Land Group Limited	29 Oct 2003	The Cayman Islands, limited liability	8,000,000,000 ordinary share, HK$400,000,000	69.11%	Investment holding
Baoxin International Development Limited	26 Jul 2017	The BVI, limited liability company	1 ordinary share of US$1 each	69.11%	Investment holding
寶新控股有限公司 (Baoxin Holdings Company Limited)*△	23 Dec 2014	The PRC, limited liability company	Registered RMB1,000,000,000	69.11%	Trading of commodities and property investment
深圳寶新物流有限公司 (Shenzhen Baoxin Logistics Company Limited)*△	7 Jun 2018	The PRC, limited liability company	Registered RMB300,000,000	69.11%	Trading of commodities
深圳寶新實業集團有限公司 (Shenzhen Baoxin Industrial Company Limited)*△	9 Mar 2017	The PRC, limited liability company	Registered RMB1,764,800,000	58.74%	Trading of commodities and property investment
長春市寶新房地產開發有限公司 (Changchun City Baoxin Property Development Company Limited)*#△	8 Jan 2018	The PRC, limited liability company	Registered RMB426,000,000	41.37%	Real estate development

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and kind of legal entity	Issued/fully paid up/ registered share capital	Effective interest held by the Company	Principal activities
Indirectly held: (Continued)					
深圳吉通實業有限公司 (Shenzhen Jitong Industrial Company Limited)*△	31 Aug 2018	The PRC, limited liability company	Registered RMB700,000,000	58.74%	Real estate development
潮商集團(汕頭)投資有限公司 (Chaoshang Group (Shantou) Investment Company Limited)*#△	13 Jan 2014	The PRC, limited liability company	Registered RMB600,000,000	33.37%	Real estate and property investment
汕頭市潮商城鎮綜合治理有限公司 (Shantou Chaoshang Chengzhen Comprehensive Management Company Limited)*#△	12 Nov 2012	The PRC, limited liability company	Registered RMB600,000,000	32.11%	Real estate and property investment and infrastructure construct
雲浮寶能置業有限公司 (Yunfu Baoneng Property Limited)*△	16 Aug 2013	The PRC, limited liability company	Registered RMB50,000,000	58.74%	Real estate development
渭南市寶能置業有限公司 (Weinan Baoneng Property Company Limited)*#△	27 Mar 2017	The PRC, limited liability company	Registered RMB300,000,000	35.25%	Real estate development
湖南美聯置業有限公司 (Hunan Meilian Property Company Limited)*#△	25 Oct 2002	The PRC, limited liability company	Registered RMB163,265,036	29.96%	Real estate and property investment
深圳粵錦體育有限公司 (Shenzhen Yuejin Sports Company Limited)*△	21 Jul 2014	The PRC, limited liability company	Registered RMB600,000,000	69.11%	Investment holding
深圳瑞騰企業管理有限公司 (Shenzhen Ruiteng Enterprise Management Company Limited)*△	26 Aug 2014	The PRC, limited liability company	Registered RMB10,000,000	69.11%	Property investment
深圳大鵬遊艇會有限公司 (Shenzhen Dapeng Yacht Club Company Limited)*△	10 Sep 2014	The PRC, limited liability company	Registered RMB200,000,000	69.11%	Operation of a yacht club

42. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and kind of legal entity	Issued/fully paid up/ registered share capital	Effective interest held by the Company	Principal activities
Indirectly held: (Continued)					
深圳前海唯致教育投資有限公司 (Shenzhen Qianhai Virdom Education Investments Company Limited)*△	10 Jul 2015	The PRC, limited liability company	Registered RMB10,000,000	69.11%	Property investment
深圳大鵬國際教育有限公司 (Shenzhen Dapeng International Education Company Limited)*△	30 Sep 2014	The PRC, limited liability company	Registered RMB30,000,000	69.11%	Provision of education and training service
深圳市大鵬新區唯致培訓學校 (Shenzhen Dapeng Xinqu Virdom International Academy)*△	18 Aug 2015	The PRC, limited liability company	Registered RMB5,000,000	69.11%	Provision of education and training services
瀋陽寶新商業有限公司 (Shenyang Bao Xin Business Company Limited)*△	16 Jul 2009	The PRC, limited liability company	Registered HK$183,000,000	69.11%	Property investment
汕頭市泰盛科技有限公司 (Shantou Taisheng Technology Limited)*△	1 Nov 2016	The PRC, limited liability company	Registered RMB2,000,000,000	58.74%	Real estate and property investment
廣西盛澤投資有限公司 (Guangxi Shengze Investment Company Limited)*△	16 Jul 2013	The PRC, limited liability company	Registered RMB150,000,000	58.74%	Real estate and property investment
廣西寶匯置業有限公司 (Guangxi Baohui Property Company Limited)*△	4 May 2014	The PRC, limited liability company	Registered RMB200,000,000	58.74%	Real estate and property investment
深圳寶新文體發展有限公司 (Shenzhen Baoxin Recreation and Sports Company Limited)*△	9 Feb 2018	The PRC, limited liability company	Registered RMB50,000,000	69.11%	Operating of golf practise court

42. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and kind of legal entity	Issued/fully paid up/ registered share capital	Effective interest held by the Company	Principal activities
Indirectly held: (Continued)					
深圳新鵬生鮮產業有限公司 (Shenzhen Xinpeng Fresh Food Industry Company Limited)*# △	12 Oct 2019	The PRC, limited liability company	Registered RMB100,000,000	35.25%	Trading of seafood
Baoxin Development (Hong Kong) Limited △	10 Jul 2017	Hong Kong, limited liability company	1 ordinary share, HK$1	69.11%	Inactive
Glory Sun Land Management Limited △	2 Jul 2015	Hong Kong, limited liability company	1 ordinary share, HK$1	69.11%	Administrative for the group
Micron Technology Development Limited △	12 Jan 2015	Hong Kong, limited liability company	80,000,000 ordinary shares, HK$80,000,000	58.74%	Investment holding
Qianhai Glory Sun Limited (formerly known as Qianhai Sports Group Limited) △	2 Nov 2016	Hong Kong, limited liability company	1 ordinary share, HK$1	69.11%	Investment holding

For the indirect percentage of ownership interest/voting power/profit sharing which are lower than 50%, the Group is considered to have control over the subsidiaries as the Group possesses the power over the subsidiaries, exposure, and rights to variable returns from the investee, and the ability to use its power to affect those variable returns.

* *For identification purpose only*

△ Newly established or acquired by the Group during the year

43. NON-CONTROLLING INTERESTS

(a) Material non-controlling interests

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised consolidated financial information for subsidiaries that has material non-controlling interests to the Group. The information presented below represents the amounts before any inter-company elimination.

Summarised consolidated statement of financial position

	As at 31 December 2019	
	深圳邦凱新能源股份有限公司	Glory Sun Land
Principal place of business/country of incorporation	The PRC/ The PRC	The PRC/ The PRC
Percentage of equity interests held by non-controlling interests	24.50%	30.89%
	HK$'000	HK$'000
Current		
Assets	270,493	14,045,258
Liabilities	(795,791)	(10,601,007)
Net current (liabilities)/assets	(525,298)	3,444,251
Non-current		
Assets	2,154,731	6,298,521
Liabilities	(186,994)	(4,975,198)
Net non-current assets	1,967,737	1,323,323
Net assets	1,442,439	4,767,574

43. NON-CONTROLLING INTERESTS *(Continued)*

(a) Material non-controlling interests *(Continued)*

Summarised consolidated statement of comprehensive income

	For the year ended 31 December 2019	
	深圳邦凱新能源股份有限公司 HK$'000	Glory Sun Land HK$'000
Revenue	54,815	9,655,882
Profit for the year	60,030	699,200
Total comprehensive income	117,404	584,575
Total comprehensive income allocated to non-controlling interests	28,764	252,011

Summarised consolidated statement of cash flows

	For the year ended 31 December 2019	
	深圳邦凱新能源股份有限公司 HK$'000	Glory Sun Land HK$'000
Cash flow from operating activities	(84,985)	(3,037,704)
Cash flow from investing activities	(172,115)	463,807
Cash flow from financing activities	193,407	3,003,515
Net cash (outflows)/inflows	(63,693)	429,618

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. NON-CONTROLLING INTERESTS *(Continued)*

(a) Material non-controlling interests *(Continued)*

Summarised consolidated statement of financial position

	As at 31 December 2018		
	深圳寶耀科技有限公司	Glory Sun Financial Holdings Limited (formerly known as Goldjoy Holding Limited)	深圳邦凱新能源股份有限公司
Principal place of business/ country of incorporation	The PRC/ The PRC	Hong Kong/ Cayman Islands	The PRC/ The PRC
Percentage of equity interests held by non-controlling interests	30.00%	35.65%	24.50%
	HK$'000	HK$'000	HK$'000
Current			
Assets	86,864	1,532,871	97,141
Liabilities	(32,335)	(647,680)	(481,110)
Net current (liabilities)/assets	54,529	885,191	(383,969)
Non-current			
Assets	24,530	45,544	1,974,363
Liabilities	–	(6,339)	(160,864)
Net non-current assets	24,530	39,205	1,813,499
Net assets	79,059	924,396	1,429,530

43. NON-CONTROLLING INTERESTS *(Continued)*

(a) Material non-controlling interests *(Continued)*

Summarised consolidated statement of comprehensive income

	For the year ended 31 December 2018		
	深圳寶耀科技有限公司 HK$'000	Glory Sun Financial Holdings Limited (formerly known as Goldjoy Holding Limited) HK$'000	深圳邦凱新能源股份有限公司 HK$'000
Revenue	97,684	185,850	40,289
(Loss)/profit for the year	(32,549)	23,671	49,400
Total comprehensive income	(33,508)	23,671	(4,328)
Total comprehensive income allocated to non-controlling interests	(7,768)	2,560	(1,060)

Summarised consolidated statement of cash flows

	For the year ended 31 December 2018		
	深圳寶耀科技有限公司 HK$'000	Glory Sun Financial Holdings Limited (formerly known as Goldjoy Holding Limited) HK$'000	深圳邦凱新能源股份有限公司 HK$'000
Cash flows from operating activities	27,577	(66,989)	(440,038)
Cash flows from investing activities	(4,154)	(37,873)	(62,000)
Cash flows from financing activities	(13,144)	131,969	499,857
Net cash inflows/(outflows)	10,279	27,107	(2,181)

43. NON-CONTROLLING INTERESTS *(Continued)*

(b) Transactions with non-controlling interests

The following transactions with non-controlling interests were accounted for as equity transactions as the changes in the Group's ownership interest did not result in a loss of control over its subsidiaries.

(i) On 29 June 2018, the Group disposed 28% of the issued shares of Golden Affluent Limited, an indirectly wholly-owned subsidiary of the Company which held 80% equity interests of certain subsidiaries conducting financial services business (collectively, "**Golden Affluent Group**"), for a consideration of HK$168,200,000. The Group recorded an increase in non-controlling interest of approximately HK$129,449,000 and the excess of consideration over the carrying amount of the equity interests disposed of, which amounted approximately HK$38,751,000 was credited to other reserves.

(ii) On 31 August 2018, the Group disposed 30% of the issued shares of Shenzhen Bao Yao Technology Co., Ltd., an indirectly wholly owned subsidiary of the Company which held 100% equity interests of a subsidiary conducting new energy business, for a consideration of RMB30,000,000 (equivalent to approximately HK$34,332,000). The Group recorded an increase in non-controlling interest of approximately HK$31,486,000 and the excess of consideration over the carrying amount of the equity interests disposed of, which amounted approximately HK$2,847,000 was credited to other reserves.

(iii) The Group has control on several private equity investment funds, namely Hunlicar All Weather CTA No.1 Private Equity Investment Fund, Hunlicar Debt-equity Swaps Strategy No.1 Private Equity Investment Fund, Hunlicar Equity Choice No.1 Private Equity Investment Fund and Hunlicar Quantitative Hedge No.1 Private Equity Investment Fund as at 31 December 2018 and 2019. During the years ended 31 December 2018 and 2019, the change in the Group's interests in the funds are accounted as an equity transactions with non-controlling interest because the changes in the Group's ownership interests do not result in a change in control over these investment funds during the year. Any gain or loss is recognised in equity. The disposal of equity interests by the holders of the non-controlling interests resulted in an increase in non-controlling interest of approximately HK$522,000 (2018: decrease in non-controlling interest of approximately HK$12,359,000) and a decrease in equity attributable to owners of the Company of approximately HK$522,000 (2018: increase in equity attributable to owners of the Company of approximately HK$5,773,000).

43. NON-CONTROLLING INTERESTS *(Continued)*

(b) Transactions with non-controlling interests *(Continued)*

(iv) On 10 January 2019, the Group entered into two sale and purchase agreements with two independent vendors to acquire an additional 20% equity interests in each of Affluent Advantage Limited, Proficient Power Limited, Prominent Up Limited, Fast Prestige Limited, Novel Forward Limited, Gigantic Increase Limited, Metro Grow Limited (collectively "**Golden Affluent Group**") and Stellar Result Limited under the Financial Services segment at a consideration of approximately HK$223,193,000. The Group's effective interest was changed from 57.6% to 77.6% in Golden Affluent Group and from 80% to 100% in Stellar Result Limited. The Group recognised a decrease in non-controlling interests of approximately HK$184,880,000 and a decrease in equity attributable to owners of the Company of approximately HK$38,313,000. As at 31 December 2019, cash consideration of approximately HK$223,193,000 was paid by the Group.

(v) Pursuant to the composite offer document issued by the Group and Glory Sun Land on 3 May 2019, the Group had received valid acceptances in respect of a total of 450,888,302 offer shares under the offer, representing approximately 10.81% of the issued share capital of Glory Sun Land as at 3 May 2019. Among the 450,888,302 offer shares, 9,200,500 offer shares were selected share alternative under the offer, being one new Company's share for every offer share while 441,687,802 offer shares were selected cash alternative of HK$0.435 per offer share.

Accordingly, 254,000, 78,000 and 8,868,500 new Company's shares were allotted and issued by the Company on 23 May 2019, 28 May 2019 and 31 May 2019 respectively (note 39b) and cash consideration of approximately HK$192,134,000 was paid by the Group to the satisfy the cash alternative on 28 May 2019.

Upon the completion of the unconditional mandatory securities exchange offer, the Group recognised a decrease in non-controlling interests of HK$292,184,000 and an increase in equity attributable to owners of the Company of approximately HK$100,050,000.

(vi) On 14 May 2019, Glory Sun Land, a non-wholly owned subsidiary of the Company, allotted and issued 111,548,585 shares to Yue Jin Asia pursuant to the sale and purchase agreement to satisfy the retained consideration for the acquisition. The Group recognised an increase in non-controlling interests of approximately HK$47,841,000 and a decrease in equity attributable to owners of the Company of approximately HK$2,063,000.

43. NON-CONTROLLING INTERESTS *(Continued)*

(b) Transactions with non-controlling interests *(Continued)*

(vii) On 24 June 2019, Glory Sun Land, a non-wholly owned subsidiary of the Company, allotted and issue 379,000,000 at subscription price of HK$0.45 per share to two independent third parties at approximately HK$170,550,000. Upon the completion of the share allotment, the Group's effective interest in Glory Sun Land decrease from 75.39% to 69.11%. The Group recognised an increase in non-controlling interests of approximately HK$169,743,000 and an increase in equity attributable to owners of the Company of approximately HK$807,000.

(viii) On 25 June 2019, an independent third party made a capital injection of RMB1,235,500,000 (equivalent to approximately HK$1,402,293,000) in a non wholly-owned subsidiary of the Company. As of the date of completion, the Group recorded an increase in non-controlling interests of approximately HK$779,875,000 and an increase in equity attributable to owners of the Company of approximately HK$622,418,000. As a result of the subsequent acquisition of the Nanning Project Company by the aforesaid non-wholly owned subsidiary, the Group further recognised a decrease in these non-controlling interests of HK$52,761,000 and an increase in equity attributable to owners of the Company of approximately HK$52,761,000.

As at 31 December 2019, cash consideration of approximately HK$1,402,293,000 has been settled.

(ix) On 28 June 2019, Golden Affluent Limited ("**GAL**"), a non-wholly owned subsidiary of the Company, allotted and issued 23,551,034 ordinary shares to Glory Sun Financial Holdings Limited ("**GSF Holdings**"). Besides, GSF Holdings and GAL applied and requested Proficient Power Limited ("**PPL**") to allot 676 and 792 ordinary shares respectively. The Group recognised a decrease in non-controlling interests of approximately HK$40,623,000 and an increase in equity attributable to owners of the Company of approximately HK$40,623,000.

On 30 December 2019, GAL further allotted and issued 14,297,576 shares to GSF Holdings. Besides, GSF Holdings and GAL applied and requested PPL to allot 667 and 82 ordinary shares respectively. The Group recognised a decrease in non-controlling interest of approximately HK$12,783,000 and an increase in equity attributable to owners of the Company of approximately HK$12,783,000.

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax for the year to cash generated from operations:

	2019 HK$'000	2018 HK$'000
Profit before income tax from continuing operations	**1,658,969**	809,512
Loss before tax from discontinued operations	**(88,722)**	–
	1,570,247	809,512
Adjustments for:		
— Interest income (Note 11)	**(16,313)**	(9,087)
— Finance costs (Note 11)	**208,762**	60,774
— Dividend income (Note 7)	**(8,663)**	(20,069)
— Depreciation of property, plant and equipment (Note 16)	**29,236**	17,418
— Depreciation of right-of-use assets (Note 16)	**18,162**	–
— Amortisation of intangible assets (Note 19)	**38,221**	7,317
— Amortisation of prepaid land lease payments (Note 17)	**–**	138
— Loss/(gain) on disposal of property, plant and equipment (Note 7)	**2,797**	(1,621)
— Gain on disposal of partial interest of an associate (Note 7)	**–**	(1,285)
— (Gain)/loss on disposal of subsidiaries (Note 45)	**(26,227)**	6,347
— Fair value gain on investment properties (Note 18)	**(23,935)**	(255,733)
— Fair value gain on derivative financial assets (Note 7)	**(8,895)**	–
— Fair value loss on financial assets at FVTPL	**261,817**	–
— Loss on disposal of financial assets at FVTPL	**149,260**	–
— Fair value loss on contingent consideration payable (Note 7)	**5,409**	–
— Gain from derecognition of financial guarantee contract (Note 7)	**(27,348)**	–
— Gain on bargain purchase from acquisition of an associate (Note 20)	**–**	(344,877)
— Gain on bargain purchase from acquisition of subsidiaries (Note 46)	**(696,412)**	(44,042)
— Write-back of trade and other payables (Note 7)	**–**	(3,315)
— Loss on remeasurement of per-existing interest in an associate (Note 46A(a))	**176,869**	–
— Provision for impairment on intangible assets (Note 19)	**142,755**	–
— Provision for impairment on property, plant and equipment (Note 16)	**62,946**	–
— Loss on conversion of a financial asset at fair value through profit or loss from preference shares to ordinary shares (Note 7)	**–**	7,156
— Write-down of inventories to net realisable value (Note 8)	**19,851**	7,113
— Fair value loss on financial guarantee (Note 7)	**15,970**	–
— Provision for impairment on loans and advances, trade and other receivables and contract assets (Note 8)	**136,417**	33,758
— Share of results of associates (Note 20)	**(20,631)**	(15,089)
— Adjustments on put option liability in relation to acquisition of subsidiaries, net (Note 11)	**–**	4,413
Operating profit before working capital changes	**2,010,295**	258,828

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Reconciliation of profit before income tax for the year to cash generated from operations: *(Continued)*

	2019 HK$'000	2018 HK$'000
Changes in working capital:		
— Inventories	**(12,860)**	7,843
— Loans and advances	**(287,715)**	(97,216)
— Client trust bank balances	**(115,593)**	(160,053)
— Completed properties held for sale and properties under development	**1,671,470**	642,278
— Trade and other receivables and contract assets	**(263,470)**	545,086
— Finance lease receivables	**17,349**	(11,467)
— Financial assets at FVTPL	**442,661**	(534,963)
— Trade and other payables and contract liabilities	**(6,186,005)**	(654,404)
— Restricted cash	**–**	252
Cash used in operations	**(2,723,868)**	(3,816)

(b) This section sets out an analysis the movements in liabilities from financing activities for each of the periods presented.

	Corporate bonds HK$'000	Bank and other borrowings HK$'000	Interest payables HK$'000	Lease liabilities HK$'000	Other payables to non-controlling interest HK$'000	Other payables to related parties HK$'000	Total HK$'000
As at 1 January 2018	(31,723)	(594,142)	–	–	–	–	(625,865)
Financing cash (inflows)/outflows	(143,000)	(929,392)	–	–	–	–	(1,072,392)
Finance costs	(2,891)	(10,361)	–	–	–	–	(13,252)
Exchange realignment	–	25,158	–	–	–	–	25,158
As at 31 December 2018	(177,614)	(1,508,737)	–	–	–	–	(1,686,351)
Initial application of HKFRS 16 (Note 2.1)	**–**	**–**	**–**	**(12,529)**	**–**	**–**	**(12,529)**
Increase in lease liabilities from entering into new leases	**–**	**–**	**–**	**(23,196)**	**–**	**–**	**(23,196)**
Acquisition of subsidiaries	**(532,000)**	**(4,665,602)**	**(451,091)**	**(9,294)**	**–**	**–**	**(5,657,987)**
Financing cash (inflows)/outflows	**(985,986)**	**(2,279,734)**	**466,273**	**10,883**	**(45,519)**	**(79,772)**	**(2,913,855)**
Finance costs	**–**	**–**	**(492,650)**	**(1,766)**	**–**	**–**	**(494,416)**
Exchange realignment	**7,200**	**261,727**	**3**	**1,792**	**961**	**1,684**	**273,367**
As at 31 December 2019	**(1,688,400)**	**(8,192,346)**	**(477,465)**	**(34,110)**	**(44,558)**	**(78,088)**	**(10,514,967)**

45. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Kingworld Holdings

On 29 June 2019, the Group disposed of its entire equity interest in Kingworld Holdings for a cash consideration of HK$1. The Group discontinued the provision of online game services and platform services business upon disposal of Kingworld Holdings (Note 9(a)).

Net liabilities at the date of disposal were as follow:

	HK$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	718
Bank and cash balances	4
Trade and other receivables	15,147
Trade and other payables	(75,794)
Amount due to the Group	(32,839)
Net liabilities disposed of	(92,764)
Gain on disposal of a subsidiary:	
Cash consideration	–*
Net liabilities disposed of	92,764
Release of exchange reserve	2,438
Assignment of amount due to the Group	(32,839)
	62,363
Net cash outflow arising from disposal:	
Cash consideration received	–*
Cash and cash equivalents disposed of	(4)
	(4)

* Represents the balance less than HK$1,000

(b) Disposal of Guilin Baoneng Real Estate Development Limited, Guangxi Baoneng Real Estate Development Limited, and Guilin Baoneng Investment Limited

On 14 August 2019, the Group disposed three wholly-owned subsidiaries namely, Guilin Baoneng Real Estate Development Limited, Guangxi Baoneng Real Estate Development Limited, and Guilin Baoneng Investment Limited with a total consideration of RMB30,000,000 to Baoneng Real Estate, a related company of the Group.

45. DISPOSAL OF SUBSIDIARIES *(Continued)*

(b) Disposal of Guilin Baoneng Real Estate Development Limited, Guangxi Baoneng Real Estate Development Limited, and Guilin Baoneng Investment Limited *(Continued)*

As the above subsidiaries are disposed to the related company, therefore, the net excess amount of net assets over the consideration payable amounts to approximately RMB2,128,000 (approximately HK$2,403,000) treated as deemed contributions from shareholders.

An analysis of net outflow in cash and cash equivalents in respect of the disposal of the above subsidiaries was as follows:

	HK$'000
Cash and cash equivalents disposed of	(522)

(c) Disposal of Bao Yao International

As detailed in note 9(b), on 30 December 2019, the Group discontinued its manufacturing operation at the time of disposal of its subsidiary, Bao Yao International for a cash consideration of HK$10,000,000. The net liabilities of Bao Yao International at the date of disposal were as follows:

	HK$'000
Analysis of assets and liabilities over which control was lost:	
Inventories	11,934
Bank and cash balances	1,295
Trade and other receivables	28,360
Trade and other payables	(58,330)
Amount due to the Group	(155,441)
Tax recoverable	127
Net liabilities disposed of	(172,055)
Loss on disposal of a subsidiary:	
Cash consideration	10,000
Net liabilities disposed of	172,055
Release of exchange reserve upon disposal	(6,780)
Non-controlling interests	(51,617)
Assignment of amount due to the Group	(155,441)
	(31,783)
Net cash outflow arising from disposal:	
Cash consideration	10,000
Consideration receivable*	(10,000)
Cash and cash equivalents disposed of	(1,295)
	(1,295)

* The consideration receivable of HK$10,000,000 in relation to the disposal of Bao Yao International was not yet received as at 31 December 2019 and was included in other receivables.

45. DISPOSAL OF SUBSIDIARIES *(Continued)*

(d) Disposal of Bao Yao Construction

On 15 November 2019, the Group disposed of its entire equity interest in Bao Yao Construction for a cash consideration of RMB5,500,000 (equivalent to approximately HK$6,261,000). The net liabilities of Bao Yao Construction at the date of disposal were as follows:

	HK$'000
Analysis of assets and liabilities over which control was lost:	
Bank and cash balances	550
Trade and other receivables	10,435
Trade and other payables	(1,165)
Amount due to the Group	(11,678)
Net liabilities disposed of	(1,858)
Loss on disposal of a subsidiary:	
Cash consideration	6,261
Net liabilities disposed of	1,858
Release of exchange reserve upon disposal	(332)
Non-controlling interests	(557)
Assignment of amount due to the Group	(11,678)
	(4,448)
Net cash inflow arising from disposal:	
Cash consideration received	6,261
Cash and cash equivalents disposed of	(550)
	5,711

45. DISPOSAL OF SUBSIDIARIES *(Continued)*

(e) Disposal of Well Force Holdings Limited

On 31 December 2019, the Group disposed of its 100% equity interest in Well Force Holdings Limited for a cash consideration of HK$70,000. Net liabilities at the date of disposal were as follows:

	HK$'000
Analysis of assets and liabilities over which control was lost:	
Bank and cash balances	46
Amount due to the Group	(71)
Net liabilities disposed of	(25)
Gain on disposal of a subsidiary:	
Cash consideration	70
Net liabilities disposed of	25
	95
Net cash inflow arising from disposal:	
Cash consideration received	70
Cash and cash equivalents disposed of	(46)
	24

45. DISPOSAL OF SUBSIDIARIES *(Continued)*

(f) China Goldjoy Brilliant Fund SP ("Brilliant Fund")

During the year ended 31 December 2018, Brilliant Fund issued new shares to class A subscribers. Upon the issuance of new shares to class A subscribers, the Group's interests in Brilliant Fund was diluted from 38.03% to 17.56% and loss of control on the Brilliant Fund. The loss of control was taken place in November 2018. As at 31 December 2018, the Group holds 17.56% interests in Brilliant Fund.

	HK$'000
Analysis of net assets at the date of loss of control:	
Cash and cash equivalents	7,009
Financial assets at FVTPL	113,429
Deposits, prepayments and other receivables	1,121
Net assets disposed of	121,559
Loss on deemed disposal of a subsidiary	
Fair value of investment retained	21,432
Net assets disposed of	(121,559)
Release of liability upon deemed disposal of a subsidiary	89,891
Loss on deemed disposal of a subsidiary	(10,236)
Net cash outflow arising from deemed disposal of Brilliant Fund	
Cash consideration received	–
Cash and cash equivalents disposed of	(7,009)
Net cash outflow	(7,009)

46. BUSINESS COMBINATION

A. Business combinations not under common control

(a) Step acquisition from an associate to a subsidiary

On 17 January 2019, the Group entered into a sale and purchase agreement with three shareholders of Glory Sun Land for the acquisition of 37.18% equity interest in Glory Sun Land.

Further to the Company's announcement on 18 March 2019, the equity interest in Glory Sun Land acquired was adjusted to 37.16%. The consideration was settled on the basis of one new Company's share (the "**Consideration Shares**") for every Glory Sun Land's share acquired. Glory Sun Land is a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange. Glory Sun Land Group are principally engaged in property development and investment, development of cultural sports, trading of commodities and securities investment.

The Step Acquisition was completed on 23 April 2019, the Step Acquisition Completion Date. As at the Step Acquisition Completion Date, Glory Sun Land has become a subsidiary of the Company. The results of Glory Sun Land Group is consolidated into the Group's financial statements commencing for the Step Acquisition Completion Date.

The Group remeasured the fair value of the equity interest in Glory Sun Land its previously held at the Step Acquisition Completion Date and recognised a loss of approximately HK$176,869,000 on the remeasurement of the Group's pre-existing interest in Glory Sun Land and has been recognised to the profit or loss and presented as "Loss on remeasurement of pre-existing interest in an associate" in the consolidated statement of comprehensive income.

Details of the carrying value and fair value of the Group's pre-existing interest in Glory Sun Land Group at the Completion Date are summarised as follows:

	HK$'000
Share of net assets	781,296
Less: Fair value of pre-existing interest	(604,427)
Loss on remeasurement of pre-existing interest in an associate	176,869

46. BUSINESS COMBINATION *(Continued)*

A. Business combinations not under common control *(Continued)*

(a) Step acquisition from an associate to a subsidiary *(Continued)*

The aggregate fair values of the identifiable assets and liabilities of Glory Sun Land Group as at the Step Acquisition Completion Date are as follows:

	HK$'000
Property, plant and equipment	189,795
Investment properties	3,083,939
Intangible assets	749,172
Financial assets at FVOCI	168,001
Derivative financial assets	4,858
Deferred tax assets	45,145
Inventories	7,142,567
Contract assets	284,297
Trade and other receivables	1,470,208
Pledged bank deposits and restricted deposits	257,792
Cash and cash equivalents	299,012
Trade and other payables	(2,821,155)
Contingent consideration payable	(56,890)
Consideration payable	(138,231)
Contract liabilities	(817,436)
Borrowings	(5,022,852)
Current tax liabilities	(71,178)
Lease liabilities	(9,294)
Financial guarantees	(46,381)
Deferred tax liabilities	(859,857)
Total identifiable net assets at fair value	3,851,512
Non-controlling interests	(2,177,166)
	1,674,346
Treasury shares (Note (i))	70,187
	1,744,533
Gain on bargain purchase	(664,927)
Satisfied by:	
Consideration shares (Note (ii))	475,179
Fair value of pre-existing interest at the Step Acquisition Completion Date	604,427
	1,079,606

46. BUSINESS COMBINATION *(Continued)*

A. Business combinations not under common control *(Continued)*

(a) Step acquisition from an associate to a subsidiary *(Continued)*

Notes:

(i) As at the Step Acquisition Completion Date, Glory Sun Land Group held 222,816,000 shares of the Company and the fair value of the Company's shares held by Glory Sun Land Group was approximately HK$70,187,000. The fair value of Glory Sun Land Group's interest in the Company was then reclassified to treasury shares.

(ii) The fair value of the 1,508,505,611 shares issued as the consideration paid for the Step Acquisition was amounted to approximately HK$475,179,000 and was based on the share price on the Step Acquisition Completion Date of HK$0.315 per share.

The fair value of acquired trade and other receivables is approximately HK$1,470,208,000. The gross contractual amount for trade and other receivables is approximately HK$1,473,870,000, of which approximately HK$3,662,000 is expected to be uncollectible.

The Group elected to measure the non-controlling interests in Glory Sun Land at its proportionate share of the acquired net identifiable assets. The amount of non-controlling interests at the Step Acquisition Completion Date amounted to approximately HK$2,177,166,000.

Glory Sun Land Group contributed revenue and a profit of approximately HK$9,655,882,000 and HK$699,200,000 to the Group's revenue and profit respectively for the period between the Step Acquisition Completion Date and the end of the year.

If the acquisition had been completed on 1 January 2019, total Group's revenue for the year would have been approximately HK$11,047,595,000 and profit for the year would have been approximately HK$954,910,000 (assumed that the financial impact on loss on remeasurement of pre-existing interest in an associate and gain on bargain purchase arose from the step acquisition from an associate to a subsidiary remain unchanged). The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is intended to be a projection of future results.

Acquisition-related costs of approximately HK$7,629,000 have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2019.

	HK$'000
Net cash inflow arising from Step Acquisition:	
Cash and cash equivalents acquired	299,012

46. BUSINESS COMBINATION *(Continued)*

A. Business combinations not under common control *(Continued)*

(b) Acquisition of Karsen International Limited ("Karsen International")

On 31 May 2019, a non-wholly owned subsidiary of the Company completed the acquisition of entire equity interests in Karsen International for a cash consideration of HK$60,000,000 to Karsen International. Karsen International is principally engaged in investment properties in the PRC. The acquisition aims to expand the business by the Company.

The fair value of the identifiable assets and liabilities of Karsen International acquired as at its date of acquisition is as follows:

	HK$'000
Property, plant and equipment	51
Investment properties	408,672
Trade and other receivables	1,790
Cash and cash equivalents	3,300
Borrowings	(174,750)
Trade and other payables	(91,193)
Deferred tax liabilities	(56,385)
Total identifiable net assets at fair value	91,485
Gain on bargain purchase	(31,485)
Total consideration satisfied by cash	60,000

Net cash outflow arising from acquisition:

Cash consideration paid	(60,000)
Cash and cash equivalents acquired	3,300
	(56,700)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. BUSINESS COMBINATION *(Continued)*

A. Business combinations not under common control *(Continued)*

(b) Acquisition of Karsen International Limited ("Karsen International") *(Continued)*

Acquisition-related costs of approximately HK$518,000 have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2019.

The fair value of the trade and other receivables acquired is approximately HK$1,790,000 none of which is expected to be uncollectible.

Karsen International contributed revenue and a loss of approximately HK$3,167,000 and approximately HK$44,996,000 to the Group's revenue and profit respectively for the period between the date of acquisition and the end of the year.

If the acquisition had been completed on 1 January 2019, total Group's revenue for the year would have been approximately HK$10,937,921,000, and profit for the year would have been approximately HK$969,188,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is intended to be a projection of future results.

(c) Acquisition of 100% equity interest in Laihua Taifeng Limited ("Taifeng")

On 31 May 2018, the Group completed the acquisition of 100% equity interest in Taifeng from Lai Hua Properties and Investment Limited ("**Vendor**") pursuant to the sale and purchase agreement dated 23 April 2018, at a consideration of RMB660,000,000 (equivalent to approximately HK$807,312,000).

Taifeng held a property development project (the "**Taifeng Project**") located in Zhangjiang New District, Ganzhou City, Jiangxi Province, the PRC. A gain on bargain purchase (negative goodwill) of approximately HK$44,042,000 was recorded in consolidated statement of comprehensive income for the year ended 31 December 2018, as a result of the difference between the fair value of the consideration paid and payable, and the fair value of the net assets acquired, which are the fair value of identifiable assets acquired and liabilities assumed to their fair values with reference to the property valuation report carried out by D&P China (HK) Limited, a division of Duff & Phelps, an independent valuer.

46. BUSINESS COMBINATION *(Continued)*

A. Business combinations not under common control *(Continued)*

(c) Acquisition of 100% equity interest in Laihua Taifeng Limited ("Taifeng") *(Continued)*

The following table summarises the consideration paid for the above business combination, the provisional fair value of assets acquired, liabilities assumed at the acquisition date.

	HK$'000
Consideration in cash	577,350
Assumption of the Vendor's payable	229,962
Total consideration	807,312

Recognised amounts of identifiable assets acquired and liabilities assumed:

	HK$'000
Assets:	
Cash and cash equivalents	41,800
Restricted cash	21,991
Deposits prepayments and other receivables	286,584
Properties under development	121,747
Completed properties held for sale	483,362
Investment properties	339,869
Property, plant and equipment	843
	1,296,196
Liabilities:	
Accruals and other payables	(149,195)
Trade payables	(159,451)
Tax payables	(40,199)
Deferred tax liabilities	(95,997)
	(444,842)
Total identifiable net assets	851,354
Gain on bargain purchase from acquisition	(44,042)
Net cash outflows arising from acquisition:	
Cash consideration	(577,350)
Cash and cash equivalents	41,800
	(535,550)

46. BUSINESS COMBINATION *(Continued)*

A. Business combinations not under common control *(Continued)*

(c) Acquisition of 100% equity interest in Laihua Taifeng Limited ("Taifeng") *(Continued)*

Acquisition-related costs of Taifeng of approximately HK$1,436,000 have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 31 December 2018.

The revenue in the consolidated statement of comprehensive income for the year ended 31 December 2018 contributed by Taifeng was approximately HK$219,071,000.

Had Taifeng been consolidated from 1 January 2018, the consolidated statement of comprehensive income for the year ended 31 December 2018 would show pro-forma revenue of approximately HK$1,582,754,000 and profit for the year of HK$677,804,000.

B. Business combinations under common control

The Group adopts merger accounting for common control combinations in respect of the following transactions:

Acquisition of 100% equity interest in Nanning Project Company

As detailed in note 3(b), the Acquiring Subsidiary completed the acquisition of entire equity interests in Nanning Project Group for a cash consideration of RMB300,000,000 (equivalent to approximately HK$333,900,000), of which RMB 270,018,000 (equivalent to approximately HK$300,620,000) will be settled in cash and RMB29,982,000 will be offset from the first instalment of the consideration to the other receivables in Nanning Project Group. Nanning Project Group is principally engaged in property investment in the PRC. The acquisition aims to expand the business of the Company. Nanning Project Group is ultimately controlled by the Controlling Parties. The Controlling Parties and their associates together hold more than 51% equity interests in the Company of which Mr. JH Yao is the substantial shareholder of the Company and Mr. ZH Yao is beneficially interested in 51% of the equity of a substantial shareholder of the Company, namely Foresea Life Insurance Co., Ltd.. The Group and the Nanning Project Group first came under common control as at the Step Acquisition Completion Date upon completion of the Step Acquisition and the Nanning Project Acquisition is considered as businesses combination under common control.

46. BUSINESS COMBINATION *(Continued)*

B. Business combinations under common control *(Continued)*

Acquisition of 100% equity interest in Nanning Project Company *(Continued)*

The carrying value of the assets and liabilities of Nanning Project Group as at Step Acquisition Completion Date, which is the commencement date of common control combination is as follows:

	HK$'000
Cash and cash equivalents	16,353
Trade and other receivables	2,744,898
Properties under development	1,979,465
Properties held for sale	91,968
Investment properties	1,647,004
Property, plant and equipment	3,821
Tax recoverable	233,857
Deferred tax assets	37,868
Trade and other payables	(3,603,795)
Contract liabilities	(4,003,842)
Current tax liabilities	(12,479)
Deferred tax liabilities	(109,152)
Net liabilities	(974,034)
Net cash inflow arising from acquisition:	
Cash and cash equivalents acquired	16,353

For the settlement of the consideration, please refer to note 36(i).

Nanning Project Group contributed revenue and profit of approximately HK$3,856,566,000 and HK$1,116,418,000 to the Group's revenue and profit, respectively, for the period between the commencement date of common control combination and the end of the reporting period (the "**Common Control Period**"). Approximately HK$3,855,601,000 out of these revenue of the Nanning Project Group related to the property sale and purchase contracts ("**S&P**") together with the supplementary S&P signed in prior years, which are before the commencement date of common control combination, with the related parties in which one of the Controlling Parties, Mr. ZH Yao had significant influence; and the handover of these properties under these S&P was completed during the Common Control Period. The amounts were determined in accordance with the terms of these underlying S&P.

47. CAPITAL AND OTHER COMMITMENTS

(a) Capital and other expenditure contracted for at the end of the year but not yet incurred by the Group were as follows:

	2019 HK$'000	2018 HK$'000
Contracted but not provided for:		
Property, plant and equipment	**5,224**	–
Investment properties	**160,688**	1,323,763
Investment in an associate	**240,000**	240,000
Property development expenditures	**11,140,206**	277,094

(b) Committed leases not yet commenced

The total future lease payments for leases committed but not yet commenced are payable as follows:

Land and buildings

	2019 HK$'000	2018 HK$'000
Within 1 year	**11,568**	–
After 1 year but within 5 years	**55,064**	–
After 5 years	**14,807**	–
	81,439	–

48. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and liabilities as recognised at the end of the year are analysed into the following categories. See Note 4.12 for explanations about how the category of financial instruments affects their subsequent measurement.

	2019 HK$'000	2018 HK$'000
Financial assets		
Measured at fair value		
— Financial assets at FVOCI	904,840	903,857
— Financial assets at FVTPL	128,851	982,589
— Derivative financial assets	13,753	–
Financial assets at amortised cost		
— Trade receivables	321,315	154,417
— Finance lease receivables	115,653	135,638
— Loans and advances	1,268,715	960,394
— Deposits and other receivables	2,389,440	174,802
— Client trust bank balances	376,677	261,084
— Pledged bank deposits and restricted deposits	889,611	67,893
— Time deposits with original maturity over three months	–	39,350
— Cash and cash equivalents	1,313,570	907,123
	7,722,425	4,587,147
Financial liabilities		
Measured at amortised cost		
— Trade and bills payables	4,313,930	779,925
— Accruals and other payables	1,502,480	637,512
— Borrowings	9,880,746	1,686,351
— Lease liabilities	34,110	–
— Consideration payable	436,639	–
Financial guarantees	33,180	–
	16,201,085	3,103,788

49. FINANCIAL RISK MANAGEMENT

49.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program 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 the senior management of the Group under policies approved by the directors of the Company.

(a) Market risk

Foreign exchange risk

The Group operates principally in Hong Kong and the PRC. It is exposed to foreign exchange risk primarily with respect to Hong Kong dollar and RMB denominated transactions. Foreign exchange risk arises where future commercial transactions, recognised assets and liabilities are denominated in currency that is not the Company's functional currency.

As at 31 December 2019 and 2018, the Group's cash and bank balances and borrowings are mainly denominated in Hong Kong dollar, RMB and US dollar. Since Hong Kong dollar is pegged to US dollar, the Group believes the exposure of transactions denominated in Hong Kong dollar which are entered into the Group to be insignificant.

As at 31 December 2019 and 2018, if RMB had strengthened/weakened by 5% with all other variables held constant, there will be no significant impact on the post-tax profit of the Group.

The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group also regularly reviews the portfolio of suppliers and the currencies in which the transactions are denominated so as to minimise the Group's exposure to foreign exchange risk.

49. FINANCIAL RISK MANAGEMENT *(Continued)*

49.1 Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

Price risk

The Group is exposed to equity price change arising from its financial assets at FVTPL and financial assets at FVOCI. The Group's financial instruments are equity securities which are subject to change in market prices of the securities. To manage its price risk arising from investments in equity securities, the Group diversity its portfolio.

For those equity investments at FVTPL and FVOCI with quoted market price, the sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period. If equity prices had been 10% higher/lower (2018: 10% higher/lower):

— profit after tax for the year ended 31 December 2019 would increase/decrease by approximately HK$12,087,000 (2018: increase/decrease by approximately HK$83,865,000) due to the change in fair value of financial assets at FVTPL; and

— other comprehensive income for the year ended 31 December 2019 would increase/decrease by approximately HK$83,813,000 (2018: increase/decrease by HK$79,900,000) as a result of the change in fair value of financial assets at FVOCI.

The Group is not exposed to significant commodity price risk as at 31 December 2019 and 2018.

Interest rate risk

Except for the cash held at banks, the Group has no other significant interest bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. At 31 December 2019, if interest rates on cash held at banks had been 25 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately HK$5,390,000 (2018: HK$2,721,000) higher/lower, mainly as a result of higher/lower interest income on cash at banks.

The Group's interest rate risk arises from bank borrowings which are interest bearing at floating rates and are repayable based on the bank repayment schedule. Borrowings issued at floating rates expose the Group to cash flow interest-rate risk.

At 31 December 2019, if interest rates on borrowings had been 25 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been approximately HK$1,863,000 (2018: HK$1,103,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. FINANCIAL RISK MANAGEMENT *(Continued)*

49.1 Financial risk factors *(Continued)*

(b) Credit risk

Credit risk mainly arises from financial assets at amortised cost.

As at 31 December 2019, the top five debtors and the largest debtor accounted for approximately 49% (2018: 39%) and 24% (2018: 13%) of the Group's trade receivables balance, respectively. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group normally conducts credit checks on new customers and requires them, and other customers with credit histories that the management is not satisfied with, to pay a deposit, or to provide the Group with a letter of credit when placing orders. For sales of goods, the Group normally requires customers to pay approximately 90% of the contracted sum before the goods delivery.

The Group provides clients with securities brokerage and margin financing for securities transactions, which are secured by clients' securities or deposits held as collateral. Each client has a maximum credit limit based on the quality of collateral held and the financial background of the client. Management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken overdue debts. The overdue balances for margin clients are reviewed daily, and force-sell action may be taken against clients with overdue balances on case by case basis.

For other loans and advances, prior to the lending of loan, the financial strength, purpose of the borrowing and repayment ability of the borrower is reviewed to ensure the default probability is acceptably low.

Except for the financial guarantee given by the Group as set out in note 50, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 50.

In order to minimise the credit risk of the Group, the management has implemented internal control procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

49. FINANCIAL RISK MANAGEMENT *(Continued)*

49.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Impairment and provision policies

The Group's impairment requirements under HKFRS 9 are based on an expected credit loss model. The Group applies simplified approach to measure ECL on trade receivables and contract assets; and general approach to measure ECL on loans and advances to customers and other financial assets accounted for at amortised cost. Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition: Stage 1: 12-months ECL, Stage 2: Lifetime ECL — not credit-impaired and Stage 3: Lifetime ECL — credit-impaired.

Assessment of significant increase in credit risk

When determining whether the risk of default has increased significantly since initial recognition, the Group considers both quantitative and qualitative information and analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information. The loan and advances use the number of days past due and loan-to-collateral value to determine significant increase in credit risk. For non-standard financing, internally derived credit ratings have been identified as representing the best available determinant of credit risk. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date relative to the credit rating at the date of initial recognition.

Financial assets with credit risk exposure

(a) Bank balances and client trust bank balances

The counterparties of all client trust bank balances and the majority of cash and bank balances are located in Hong Kong. As the Group's bank balances and client trust bank balances are deposited with a number of reputable banks, in the opinion of the directors, the credit risk of the Group's bank balances and client trust bank balances is insignificant.

49. FINANCIAL RISK MANAGEMENT *(Continued)*

49.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Financial assets with credit risk exposure (Continued)

(b) Loans and advances, trade receivables and contract assets

The counterparties of the majority of loans and advances (including margin loans and other loan financing), trade receivables and contract assets are individuals who are mainly located in Hong Kong and the PRC. The management prepares an analysis of key margin client to avoid excessive concentration of risk. For the customers related to sales of goods, the Group normally requires customers to pay approximately 90% of the contracted sum before the goods delivery. As the Group trades with a large number of diversified clients, in the opinion of the directors, the concentration of credit risk of loans and advances, trade receivables and contract assets is manageable.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECL, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECL for trade receivables and contract assets as at the end of reporting period:

	31 December 2019			31 December 2018		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	**0.01%-0.51%**	**152,316**	**780**	0.5%-1.0%	125,412	396
1-30 days past due	**0.02%-0.15%**	**84,588**	**126**	0.5%-1.0%	19,289	94
31-60 days past due	**0.04%-0.4%**	**17,066**	**69**	1.0%-5.0%	10,479	120
61-90 days past due	**0.1%-0.13%**	**14,152**	**18**	1.0%-5.0%	8,980	86
91-120 days past due	**–**	**6,818**	**–**	1.0%-10.0%	11,048	256
121-365 days past due	**2.81%-24.22%**	**369,848**	**71,930**	1.0%-10.0%	21,522	4,137
More than 365 days past due	**–**	**–**	**–**	100%	7,100	7,100
		644,788	**72,923**		203,830	12,189

49. FINANCIAL RISK MANAGEMENT *(Continued)*

49.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Financial assets with credit risk exposure (Continued)

(b) Loans and advances, trade receivables and contract assets *(Continued)*

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

(c) Other receivables

In respect of other receivables, the Group monitors the exposures and manages the other receivables based on historical settlement records and past experience. At the reporting date, the credit risk on other receivables have not increased significantly since initial recognition, the Group measures loss allowances for other receivables at an amount equal to 12 months ECL.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to settle the payables of the Group. Due to the dynamic nature of the underlying businesses, senior management of the Group aims to maintain flexibility in funding by keeping committed credit lines available. In addition, due to the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government management aims to monitor and manage its operating cashflows and transactions denominated in RMB regularly to minimise the respective liquidity risk.

Management monitors rolling forecasts of the Group's liquidity reserve which comprise undrawn borrowing facilities and cash and cash equivalents on the basis of expected cash flows. The Group aims to maintain flexibility in funding while minimising its overall costs by keeping a mix of committed and uncommitted credit lines available.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. FINANCIAL RISK MANAGEMENT *(Continued)*

49.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within one year or on demand HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Over five years HK$'000	Total HK$'000
At 31 December 2019					
Trade and bill payables	**4,313,930**	**–**	**–**	**–**	**4,313,930**
Accruals and other payables	**1,502,480**	**–**	**–**	**–**	**1,502,480**
Borrowings	**6,481,095**	**935,122**	**3,826,762**	**–**	**11,242,979**
Consideration payable	**300,620**	**–**	**–**	**436,853**	**737,473**
Lease Liabilities	**7,538**	**5,297**	**7,576**	**37,637**	**58,048**
	12,605,663	**940,419**	**3,834,338**	**474,490**	**17,854,910**
Financial guarantee issued					
Maximum amount guarantee	**1,556,144**	**–**	**–**	**–**	**1,556,144**
At 31 December 2018					
Trade and bill payables	779,925	–	–	–	779,925
Accruals and other payables	637,512	–	–	–	637,512
Borrowings	1,689,829	32,550	–	–	1,722,379
	3,107,266	32,550	–	–	3,139,816
Financial guarantee issued					
Maximum amount guarantee	1,099,508	–	–	–	1,099,508

49. FINANCIAL RISK MANAGEMENT *(Continued)*

49.1 Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. Based on the internal information provided by management, it is expected that the lender will not exercise its rights to demand repayment. The expected cash flows with reference to the schedule of repayments set out in the loan agreements are as follows:

	Within one year HK$'000	Between one and two years HK$'000	Between two and five years HK$'000	Over five years HK$'000	Total HK$'000
At 31 December 2019					
Borrowings	**5,846,265**	**1,216,478**	**4,491,336**	**30,957**	**11,585,036**
At 31 December 2018					
Borrowings	1,593,341	43,544	100,109	40,492	1,777,486

49.2 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or dispose of assets to reduce debt.

The capital structure of the Group consists of borrowings and shareholder's equity. Capital is managed so as to maximise the return to shareholders while maintaining a capital base to allow the Group to operate effectively in the marketplace and sustain future development of the business. Consistent with others in the industry, the Group monitors capital on the basis of gross gearing ratio. This ratio is calculated as total borrowings divided by total equity.

49. FINANCIAL RISK MANAGEMENT *(Continued)*

49.2 Capital risk management *(Continued)*

The Group's total borrowings and total equity and gross gearing ratio at 31 December 2019 and 2018 were as follows:

	2019 HK$'000	2018 HK$'000
Total borrowings	**9,880,746**	1,686,351
Total equity	**10,761,271**	6,964,754
Gross gearing ratio (%)	**91.8**	24.2

49.3 Fair value estimation

The fair value measurements of financial instruments of the Group that are measured at fair value in the consolidated statement of financial position are disclosed by level of the following fair value measurement hierarchy:

— Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

— Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

— Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. For the year ended 31 December 2019 and 2018, instruments included in level 1 comprise listed shares classified as financial assets at FVTPL and financial assets at FVOCI.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Instruments included in level 2 comprise unlisted securities classified as financial assets at FVTPL.

49. FINANCIAL RISK MANAGEMENT *(Continued)*

49.3 Fair value estimation *(Continued)*

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Instruments included in level 3 comprise financial assets at FVOCI and derivative financial assets (2018: financial assets at FVOCI) and derivative financial assets that do not have a quoted market price in an active market as of 31 December 2019.

Specific valuation techniques used to value financial instruments include: Quoted market prices or dealer quotes for similar instruments. Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents the Group's financial assets that are measured at fair value at 31 December 2019 and 2018:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2019				
Assets				
Financial assets at FVTPL	**120,870**	**7,981**	**–**	**128,851**
Financial assets at FVOCI	**838,126**	**–**	**66,714**	**904,840**
Derivative financial assets — put option	**–**	**–**	**13,753**	**13,753**
	958,996	**7,981**	**80,467**	**1,047,444**
As at 31 December 2018				
Assets				
Financial assets at FVTPL	838,096	144,493	–	982,589
Financial assets at FVOCI	799,009	–	104,848	903,857
	1,637,105	144,493	104,848	1,886,446

There were no transfers between level 1, level 2 and level 3 during the years.

49. FINANCIAL RISK MANAGEMENT *(Continued)*

49.4 Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in level 3 financial assets for the year ended 31 December 2019:

	Financial asset at FVOCI HK$'000	Derivative financial assets — put option HK$'000
Opening balance at 1 January 2019	104,848	–
Acquisition of a subsidiary (Note 46A(a))	–	4,858
Fair value loss of financial asset at FVOCI recognised in FVOCI reserve	(38,134)	–
Fair value gain of derivative financial assets — put option recognised in profit or loss	–	8,895
Closing balance at 31 December 2019	66,714	13,753

The following table presents the changes in level 3 financial assets for the year ended 31 December 2018:

	Financial asset at FVOCI HK$'000
Opening balance at 1 January 2018	82,413
Fair value gain	22,435
Closing balance at 31 December 2018	104,848

49. FINANCIAL RISK MANAGEMENT *(Continued)*

49.4 Fair value measurements using significant unobservable inputs (Level 3) *(Continued)*

Note:

As at 31 December 2019 and 2018, the Group valued its investments in unlisted shares classified as financial assets at FVOCI using back-solve method which is not based on observable inputs.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Fair value at 31 December		Valuation technique(s)	Unobservable inputs		Range (weighted average)		Relationship of unobservable inputs to fair value
	2019 HK$'000	2018 HK$'000		2019	2018	2019 HK$'000	2018 HK$'000	
Equity securities	23,334	51,194	Market comparable approach using equity allocation method	Volatility	Volatility	35%	50%	The higher the volatility, the higher the fair value
Equity securities	37,212	47,671	Market comparable approach using equity allocation method	Volatility	Volatility	35%	50%	The higher the volatility, the higher the fair value
Equity securities	6,168	5,983	Combination of cost approach and market comparable approach using equity allocation method	Volatility	Volatility	40%	40%	The higher the volatility, the higher the fair value
Derivative financial assets — Put option	13,753	–	Income approach	Glory Sun Land's share price	–	HK$0.01	–	The higher the share price, the higher the fair value
				Profit estimate	–	10%	–	The higher the profit estimate, the lower the fair value

49. FINANCIAL RISK MANAGEMENT *(Continued)*

49.5 Group's valuation processes

The Group's finance department performs the valuations of financial assets required for financial reporting purposes. The level 1 and level 2 fair values of financial assets are measured by reference to quoted market prices. For the year ended 31 December 2019, the Group has engaged independent professionally qualified valuers, Duff & Phelps and Valtech Valuation Advisory Limited, (2018: Duff & Phelps) to assist the Group in determining the fair value of financial instruments in level 3 for financial reporting purposes. The responsibility for determining the fair value rests with the Group.

At each financial year end, the finance department reviews all significant unobservable inputs and valuation adjustments used to measure the fair values of financial instruments in level 3. Changes in level 2 and 3 fair values are analysed at each reporting date. As part of that discussion, the finance department presents a report that explains the reasons for the fair value movements.

49.6 Fair value of financial assets/(liabilities) measured at amortised cost

The fair value of financial assets/(liabilities) measured at amortised cost approximate their carrying amounts.

49.7 Offsetting financial instruments

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments that are either:

— offset in the Group's statement of financial position; or

— not offset in the consolidated statement of financial position as the offsetting criteria are not met.

49. FINANCIAL RISK MANAGEMENT *(Continued)*

49.7 Offsetting financial instruments *(Continued)*

	As at 31 December 2019					
				Related amounts not set off in statement of financial position		
	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the statement of financial position HK$'000	Net amounts of financial assets presented in statement of financial position HK$'000	Financial instruments other than cash collateral HK$'000	Cash collateral received HK$'000	Net amount HK$'000
Trade receivables	403,570	(82,255)	321,315	–	–	321,315

	As at 31 December 2019					
				Related amounts not set off in statement of financial position		
	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the statement of financial position HK$'000	Net amounts of financial liabilities presented in statement of financial position HK$'000	Financial instruments other than cash collateral HK$'000	Cash collateral received HK$'000	Net amount HK$'000
Trade and bill payables	4,396,185	(82,255)	4,313,930	–	–	4,313,930

	As at 31 December 2019 Related amounts not set off in the consolidated statement of financial position HK$'000
Financial assets at FVOCI	77,800
Borrowings — Obligation under repurchase agreement	(249,000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

49. FINANCIAL RISK MANAGEMENT *(Continued)*

49.7 Offsetting financial instruments *(Continued)*

	As at 31 December 2018					
				Related amounts not set off in statement of financial position		
	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the statement of financial position HK$'000	Net amounts of financial assets presented in statement of financial position HK$'000	Financial instruments other than cash collatera HK$'000	Cash collateral received HK$'000	Net amount HK$'000
Trade receivables	232,339	(77,922)	154,417	–	–	154,417

	As at 31 December 2018					
				Related amounts not set off in statement of financial position		
	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets set off in the statement of financial position HK$'000	Net amounts of financial liabilities presented in statement of financial position HK$'000	Financial instruments other than cash collateral HK$'000	Cash collateral received HK$'000	Net amount HK$'000
Trade and bill payables	857,847	(77,922)	779,925	–	–	779,925

50. FINANCIAL GUARANTEES

Guarantees for borrowings of an associated party of the former equity holder of a subsidiary and associated parties of a non-controlling equity holder:

	2019 HK$'000	2018 HK$'000
Financial guarantees issued (Note i)	**33,180**	–

Notes:

(i) At 31 December 2019, the Group has issued certain guarantees of approximately HK$33,180,000 (2018: Nil) to banks in respect of banking facilities granted to an associated party of the former equity holder of a subsidiary. Under the guarantees, the Group and the associated party of the former equity holder of a subsidiary are jointly and severally liable for all or any of the borrowings of each of them from the banks upon failure of the guaranteed entity to make payments when due. The financial guarantee contract has expired in February 2020. Subsequent to the reporting date, the guarantee has been released.

The maximum liability of the Group at 31 December 2019 under the guarantees is the amount of bank loans drawn under the guarantees at that date of approximately HK$278,250,000 (2018: Nil).

(ii) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to mortgage loans arranged for certain purchasers of the Group's properties in the PRC of HK$1,277,894,000 (2018: HK$1,099,508,000). Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates. The directors consider that the likelihood of default in payments by purchasers is minimal.

51. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Save as those disclosed elsewhere in these financial statements, the Group had the following significant related party transactions during the period.

(a) Key management compensation

Key management includes the board of directors and the chief executive, and their compensation disclosed as follows:

	2019 HK$'000	2018 HK$'000
Directors' fees	5,878	3,239
Basic salaries, housing allowances, other allowances and benefits in kind	16,460	16,018
Contributions to pension plans	321	278
	22,659	19,535

(b) Related parties balances

	Notes	2019 HK$'000	2018 HK$'000
Interest payables to a related party	(i)	29	–
Other payables to related parties	(i)	78,088	–
Loans from related parties	(i)	38,955	479,385
Corporate bonds subscribed by a director of a subsidiary	(ii)	2,000	–

Notes:

(i) A director, Mr. JH Yao, has significant influence over the related parties.

(ii) The amount was determined in accordance with the terms of the underlying agreement as disclosed in note 35(f).

51. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Related parties transactions

	Notes	2019 HK$'000	2018 HK$'000
Interest expense and related charges paid to related parties	(i), (ii)	**35,084**	3,596
Administrative expenses	(i), (ii)	**228**	–

Notes:

(i) A director, Mr. JH Yao, has significant influence over the related parties.

(ii) The amounts were determined in accordance with the terms of the underlying agreements.

52. EVENTS AFTER THE REPORTING DATE

The emergence and spread of novel Coronavirus in early January 2020 has affected business and economic activity in the PRC and beyond. The Group has already assessed the overall impact of the situation on the operation of the Group and taken all possible effective measures to limit and keep the impact in control. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future but the estimate of its financial effect cannot be made at this stage.

Other than disclosed elsewhere in these consolidated financial statements, up to the date of this report, there is no significant event identified by the management subsequent to the reporting period.

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