Phoenitron Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8066)

SEEING FURTHER GOING FORWARD

Annual Report 2019

Characteristics of GEM of the Stock Exchange of Hong Kong Limited (the "Stock Exchange")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors (the "Directors") of Phoenitron Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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Corporate Information

DIRECTORS

Executive Directors
Lily Wu *(Chairman and Chief Executive Officer)*
Chang Wei Wen
Yang Meng Hsiu

Independent non-executive Directors
Chan Siu Wing, Raymond
Leung Ka Kui, Johnny
Wong Ka Wai, Jeanne

COMPLIANCE OFFICER

Lily Wu

QUALIFIED ACCOUNTANT

Lau Ka Chung *(FCPA, FCS)*

COMPANY SECRETARY

Lau Ka Chung *(FCPA, FCS)*

AUTHORISED REPRESENTATIVES

Lily Wu
Chang Wei Wen

AUDIT COMMITTEE

Wong Ka Wai, Jeanne *(Chairman)*
Chan Siu Wing, Raymond
Leung Ka Kui, Johnny

REMUNERATION COMMITTEE

Leung Ka Kui, Johnny *(Chairman)*
Chang Wei Wen
Chan Siu Wing, Raymond
Lily Wu
Wong Ka Wai, Jeanne

NOMINATION COMMITTEE

Lily Wu *(Chairman)*
Chan Siu Wing, Raymond
Leung Ka Kui, Johnny
Wong Ka Wai, Jeanne
Yang Meng Hsiu

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 710, 7th Floor, North Tower,
World Finance Centre,
Harbour City,
Tsimshatsui, Kowloon,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House
24 Shedden Road, PO Box 1586
Grand Cayman KY1-1110, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKER

Nanyang Commercial Bank Limited

AUDITOR

Grant Thornton Hong Kong Limited

WEBSITE ADDRESS

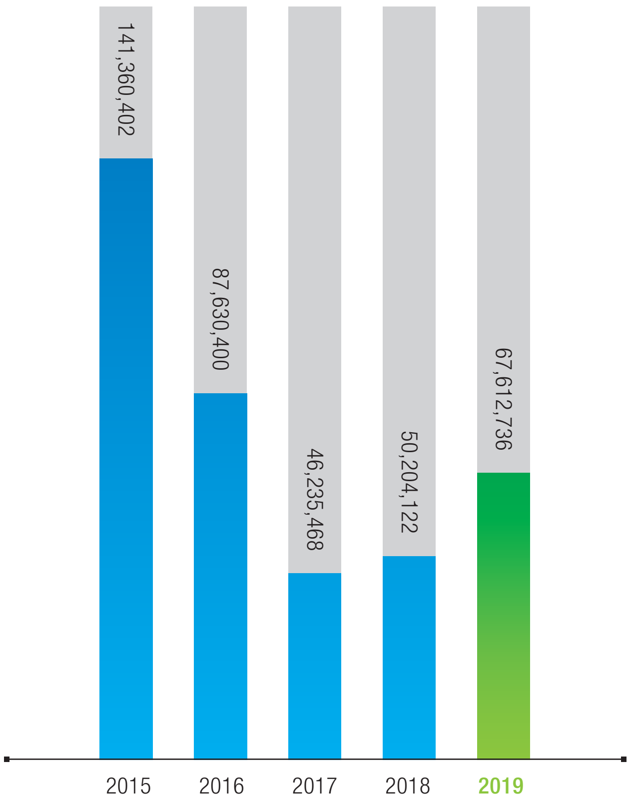
www.phoenitron.com

STOCK CODE

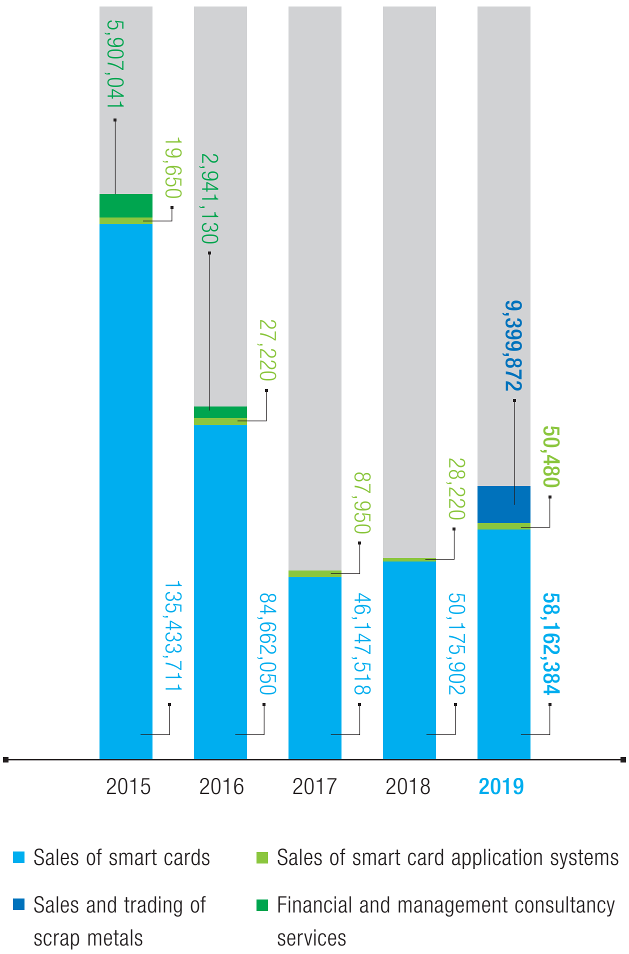
8066

Financial Highlights

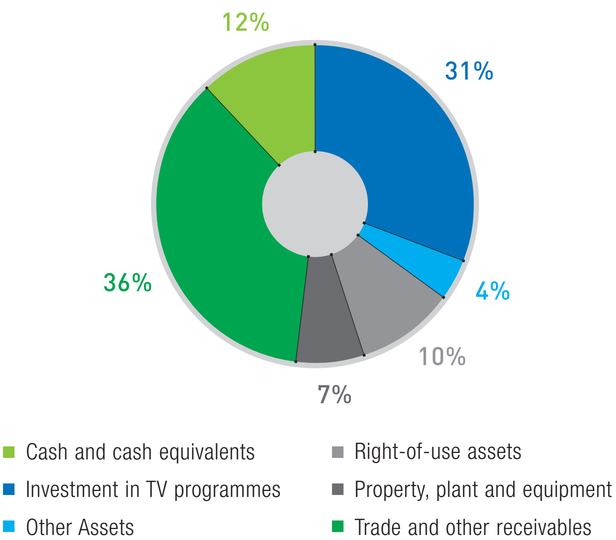
TURNOVER (2015-2018, RESTATED)



TURNOVER BY SEGMENTS (2015-2018, RESTATED)



TOTAL ASSETS AT 31 DECEMBER 2019



Chairman's Statement

TO OUR SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present to you the results of Phoenitron Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the financial year ended 31 December 2019 (the "Reporting Period").

RESULTS

For the year ended 31 December 2019, the Company recorded a consolidated revenue from continuing operations of approximately HK$67,613,000 (2018 (restated): approximately HK$50,204,000) and loss attributable to owners of the Company from continuing operations of approximately HK$25,869,000 (2018 (restated): profit of approximately HK$1,644,000).

DIVIDEND

The Board of Directors (the "Board") of the Company does not recommend any payment of a final dividend for the Reporting Period.

BUSINESS AND OPERATION REVIEW

During the Reporting Period, the Group is principally engaged in the contract manufacturing and sales of smart cards, and the sales and trading of scrap metals.

Contract manufacturing and sales of smart cards

During the Reporting Period, the Group's performance on contract manufacturing and sales of SIM cards business has shown notable improvement. Despite industry-wide price pressure, the Group grew turnover in the year by approximately 15.9% to HK$58.2 million (2018: HK$50.2 million). We believe Phoenitron has regained its market share through greater volume, thanks to our highly automated smart card production facilities, distribution networks, and strong sales and marketing teams in Hong Kong and Shenzhen which enable us to offer best-quality, new smartcard product innovations and convenient and speedy delivery services to our customers.

During the Reporting Period, we continued to focus on solidifying our relationship with the existing customers and at the same time expanding the client base and overall market share. At the same time, the management also made greater efforts in implementing cost-cutting/streamlining measures and increasing average productivity by enhancing the operational efficiency.

Financially, profit of approximately HK$3.4 million (2018: loss of approximately HK$4.3 million) was recorded for the SIM card market segment during the Reporting Period.

Apart from the existing SIM card services, we will also be providing certain higher-value-added card services (e.g. machine-to-machine (M2M) smartcard related business) in the coming year.

Sales and trading of scrap metals

During the Reporting Period, the Group had resumed its sales and trading of scrap metals business in Taiwan in the third quarter and recorded revenue of approximately HK$9.4 million (2018: nil). We expect that more significant revenue and gross profit contributions will be made by this business segment in 2020.

Chairman's Statement

Investment in TV Play

During the Reporting Period, Kartop Hong Kong Limited ("Kartop HK"), an indirectly wholly-owned subsidiary of the Company, entered into the Joint Production Agreement with Zhe Jiang You Sheng Ying Shi Wen Hua Company Limited, pursuant to which Kartop HK has agreed to invest RMB24.0 million (equivalent to approximately HK$26.9 million) in the production of a TV Play "Snow Leopard II" (the "Target TV Play"), which is directed by Mr. Wang De Qing, produced by Mr. Zhang Jian and starred by Mr. Zhang Ming En and Ms. Feng Yue and is tentatively expected to be released in China in 2020.

The Group plans to develop new business in the advertising, media and entertainment industry. The investment in the Target TV Play is in line with the Group's plan of development in the advertising, media and entertainment industry. The Directors consider that the investment in the Target TV Play would be beneficial to the Group as it represents a first step forward in the implementation of the Group's development plan. The Directors also believe that the investment in the Target TV Play will provide additional income to the Group so to strengthen our revenue base.

Trading of petrochemical products businesses

On 12 December 2019, Waystech Group Limited, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Mr. Wang Jung Tang ("Mr. Wang"), an independent third party, pursuant to which the entire equity interest of Waywise Step International Limited (together with Phoenitron Resources Company Limited, Shanghai Phoenitron Petroleum & Chemical Company Limited ("Shanghai Phoenitron") and its subsidiary, the "Disposal Group") would be transferred to Mr. Wang at a consideration of HK$7.0 million (the "Disposal") .

Given the long lapse of time since the original due repayment date of RMB19,436,400 recorded in the books of Shanghai Phoenitron ("the Shanghai Phoenitron Outstanding Receivables"), the Company has incurred and continued to incur considerable amount of costs for appointing lawyers and other relevant personnel to assist in collection of the Shanghai Phoenitron Outstanding Receivables.

Therefore, after due consideration and taking into account the difficulty in recovering the Shanghai Phoenitron Outstanding Receivables and the current debt market of the PRC, the Board decided to assign the Shanghai Phoenitron Outstanding Receivables to Mr. Wang by way of disposing Waywise Step International Limited, the intermediate holding company of Shanghai Phoenitron.

The Directors are of the view that the Disposal represents an opportunity for the Group to recuperate the Shanghai Phoenitron Outstanding Receivables in a relatively cost-effective manner and could avoid incurring further professional fees for the purpose of collecting the Shanghai Phoenitron Outstanding Receivables. Besides, the Disposal Group did not make material revenue and gross profit contributions and has recorded losses in the past two years. The Board intends to realize the investment in the Disposal Group rather than devoting further resources into the Disposal Group which is loss making. The Directors believe that the Disposal will enable the Group to free up capital for its operation.

OUTLOOK

In 2020, the COVID-19 outbreak has brought about additional uncertainties in the Group's operating environment in China. As far as the Group's businesses are concerned, the outbreak has caused short delays to our Shenzhen SIM card plant's operations. The Group has put in place contingency measures to lower the impact from the outbreak. As of today, our Shenzhen SIM card plant has been running at full scale since early April.

Chairman's Statement

Looking forward, we expect 2020 will be challenging yet also a year of positive transition. We will continue to consolidate the existing SIM card businesses, manufacture with greater efficiency, seek cost and expense savings wherever possible, and to reinforce competitive strengths to solidify Phoenitron's leading position in existing markets by providing quality services and to convert challenges into opportunities. At the same time, we expected that both the TV Play business and the sales and trading of scrap metals business will further contribute to the Group's revenue and profits for the coming year. We believe, by applying the Company's funds in an appropriate manner and by utilizing the unique investment opportunities of the Company, we will bring stable revenues and profits for our shareholders. The Board believes the diversification and synthesis of our businesses will facilitate the long term development of the Group and enhance our shareholder value.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to extend our gratitude to all members of the Board and staff for their dedication and contribution to the Group throughout the year 2019. I would also like to express my heartfelt appreciation to our shareholders, business partners, investors and customers for their continuous support.

Lily WU
Chairman

Hong Kong, 14 May 2020

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the financial year ended 31 December 2019 (the "Reporting Period"), the Group's financial result was principally derived from the contract manufacturing and sales of smart cards and sales and trading of scrap metals.

Contract manufacturing and sales of smart cards

During the Reporting Period, the Group's revenue generated from the SIM card manufacturing business amounted to approximately HK$58.2 million, an increase of approximately HK$8.0 million or 15.9% as compared to the corresponding period in 2018 of approximately HK$50.2 million.

Sales and trading of scrap metals

During the Reporting Period, the Group also resumed its sales and trading of scrap metals business in Taiwan in the third quarter and recorded revenue of approximately HK$9.4 million (2018: nil).

Cost of Sales ("COS") and Gross Profit

During the Reporting Period, the Group's COS comprised of the COS from each of the contract manufacturing and sales of smart cards business segment and sales and trading of scrap metals segment.

Contract manufacturing and sales of smart cards

During the Reporting Period, cost of sales incurred for the SIM card manufacturing business amounted to approximately HK$39.1 million, increase approximately HK$0.7 million or 1.8% as compared to the corresponding period in 2018 of approximately HK$38.4 million. The reason for the notable decrease in COS (despite year-on-year revenue increased by 15.9%) is a better sales-mix of an increased provision of higher-value-added service. As a result, gross profit generated from the SIM card manufacturing business segment amounted to approximately HK$19.1 million, representing an increase of approximately HK$7.4 million, or 63.2%, as compared to the corresponding period in 2018 of approximately HK$11.7 million.

Sales and trading of scrap metals

The COS for the sales and trading of scrap metals business in Taiwan amounted to approximately HK$9.1 million during the Reporting Period (2018: nil).

Due to the above-mentioned, gross profit of the Group increased by approximately HK$7.6 million or 64.4%, from the corresponding period in 2018 (restated) of approximately HK$11.8 million, to approximately HK$19.4 million.

Other Income

Other income of approximately HK$1.11 million was mainly comprised of overprovision of bonus for prior years of approximately HK$0.61 million, sundry income and government grants of approximately HK$0.34 million and discount received from a dissolved supplier of approximately HK$0.16 million (2018 (restated): approximately HK$4.2 million which comprised of a recovery of bad debts from the PRC SIM card segment of approximately HK$3.4 million, sundry income and government grants of approximately HK$0.7 million and the recognition of a decrease in expected credit loss of approximately HK$0.1 million due to the adoption of HKFRS 9).

Other Gains, Net

During the Reporting Period, other gains amounted to approximately HK$7.51 million (2018 (restated): approximately HK$0.02 million) which comprised of (i) gain on disposal of subsidiaries in Beijing of approximately HK$5.0 million; (ii) gain on disposal of assets classified as held for sale of approximately HK$1.47 million and (iii) exchange gains arising from foreign currency based transactions of approximately HK$1.04 million.

Management Discussion and Analysis

Reversal of Impairment Loss on Amount due from a Joint Venture

A reversal of impairment loss on amount due from HARC of approximately HK$23.2 million was recognised in 2018 but no such reversal was made in 2019.

Selling and Distribution Costs

During the Reporting Period, selling and distribution costs amounted to approximately HK$3.67 million, representing an increase of approximately HK$0.15 million, or 4.3%, as compared to the corresponding period in 2018 of approximately HK$3.52 million. The increase was mainly attributable to the increase in freight charges caused by increased in revenue of SIM card segment year-on-year by 15.9%.

Administrative Expenses

Administrative expenses also recorded a drop of approximately HK$7.46 million, or 23.0% during the Reporting Period, from approximately HK$32.46 million for the corresponding period in 2018 (restated), to approximately HK$25.0 million. The decrease was primarily attributable to (i) the incurrence of share-based payments expense of approximately HK$3.34 million and research and development costs of approximately HK$1.44 million in 2018; (ii) the disposal of Beijing SIM card plant in mid-2019 led to the decrease in overall administrative expenses of this segment by approximately HK$1.30 million; and (iii) the drop in legal and professional fee (excluding the Beijing SIM card segment) of approximately HK$1.40 million year-on-year.

Impairment Loss on Other Receivables and Prepayments

During the Reporting Period, an impairment loss on other receivables and prepayments amounted to approximately HK$24.63 million (2018 (restated): approximately HK$0.23 million) and comprised of the impairment loss provision on amount due from a petroleum company of approximately HK$25.46 million but partly offset by the reversal of impairment losses on certain other receivables and prepayment of approximately HK$0.83 million.

Finance Costs

During the Reporting Period, the Group's finance costs amounted to approximately HK$0.59 million (2018: approximately HK$1.10 million). The decrease was primarily due to the drop in interest charged on bank and other borrowings of approximately HK$0.99 million (substantial drop in average borrowings year-on-year) but was partly offset by incurrence of finance charge on lease liabilities of approximately HK$0.48 million (adoption of HKFRS 16).

Income Tax Expense

During the Reporting Period, no income tax expense was recognised (2018 (restated): HK$0.24 million).

Loss for the period/year from discontinued operations

During the Reporting Period, the Group has disposed the subsidiaries in respect of its petrochemical products segment. The loss of approximately HK$16.4 million comprised of the operating loss from this discontinued operations of approximately HK$1.0 million (2018 (restated): HK$0.2 million) and the loss on disposal of approximately HK$15.4 million (2018 (restated): nil).

Non-controlling Interest

During the period under review, losses attributable to the non-controlling interests from each of the continuing operations and from the discontinued operations amounted to approximately HK$178 and HK$0.1 million respectively (2018 (restated): approximately HK$1,178 and HK$0.20 million respectively).

As a result of the foregoing, loss attributable to owners of the Company for the Reporting Period for each of the continuing operations and the discontinued operations amounted to approximately HK$25.9 million and HK$16.3 million respectively (2018 (restated): profit of approximately HK$1.6 million and loss of HK$0.03 million respectively).

Management Discussion and Analysis

THE GROUP'S RESPONSE TO THE BASIS OF QUALIFIED OPINION

In respect of the audit qualification regarding audit scope limitation in 2018 affecting comparative figures, the Company has already addressing the concerns raised by the Auditor. As disclosed in the announcement of the Company dated 10 September 2019 (the "September Announcement"), the Company has since then provided the Auditor with the original documents for their inspection, and the confirmation from the Petroleum Company on 5 July 2019 (the date on which the Company entered into the repayment agreement with the Petroleum Company ("Repayment Agreement")), allowing the Auditor to substantiate the nature of the transactions which occurred in 2018 and the related outstanding balance due from the Petroleum Company as at 31 December 2018. As also disclosed in the September Announcement, the Auditor was also satisfied with the nature of the transactions based on the abovementioned new additional audit work performed in July 2019.

Pursuant to the Repayment Agreement, the Petroleum Company agreed to settle the said RMB48,750,000 with Phoenitron HK in the following manner:

- the Petroleum Company shall repay Phoenitron HK a total sum of RMB24,375,000 by 25 August 2019;
- the Petroleum Company shall repay Phoenitron HK a total sum of RMB12,187,500 by 25 August 2020; and
- the Petroleum Company shall repay Phoenitron HK the remaining sum of RMB12,187,500 by 25 August 2021

Subsequently, the Petroleum Company has repaid RMB24,375,000 to Phoenitron HK during the year ended 31 December 2019. Up to this point, the Board opined that the Petroleum Company should be able to meet the obligations of repaying the remaining balances of RMB24,375,000 under the Repayment Agreement (the "Remaining Balances").

As disclosed in the September Announcement, the Company was continued to looking for the possible ways to recover the other receivables from the Petroleum Company of RMB19,436,400 ("Shanghai Phoenitron Outstanding Receivables") following the signing of the Repayment Agreement. Meanwhile, the Board was also monitoring closely the PRC petrochemical market and considering the way forward regarding the Group's petrochemical products segment. In view of the possibility of discontinuing the Group's operations of the petrochemical products segment and at the same time to ensure the recovery of the Remaining Balances, the Board decided to assign the receivable of the Remaining Balances from Phoenitron HK to the Company (the "Assignment of Receivable") after seeking legal advice so as to allow more flexibility to the Group in handling its petrochemical products business.

In October 2019, the Company appointed a PRC law firm, an independent third party, to handle the Assignment of Receivable. The Company was later notified by the law firm that the assignment has been completed in accordance with the PRC laws and a legal opinions report was issued to the Company accordingly.

Subsequently, the Company disposed Waywise Step International (the "Disposal") and at the same time realized the Shanghai Phoenitron Outstanding Receivable. For details, please refer to the announcement of the Company dated 12 December 2019. Given the relatively short period in between the first settlement by the Petroleum Company in late August 2019 and the Disposal, no impairment was made on the Shanghai Phoenitron Outstanding Receivables. Besides, due to the deteriorating of the debt market in the PRC, the Board believed that the actual consideration received from the Disposal may be a more objective and fair way to determine the true value of Shanghai Phoenitron Outstanding Receivable.

Management Discussion and Analysis

During the course of the audit, the Company has tried its best to assist the Auditor in getting the required audit evidences including but not limited to inviting the Auditor in July 2019 to witness the signing of the Repayment Agreement in Shanghai, appointing a PRC lawyer to assist the Auditor to perform relevant audit procedures (including the serving of audit confirmation) and arranging several meetings between the Company's PRC lawyer and the Auditor for discussions and explanations were made to the Auditor that the Assignment of Receivable and the serving of the relevant documents are in compliance with the relevant PRC laws. In additions, at the request of the Auditors, a number of independent legal opinion reports were issued by the PRC lawyer and addressed to the Auditor directly.

However, the following changes or developments in circumstances have occurred after the Reporting Period that have led to the Board's decision to provide full impairment loss on the Remaining Balances:

(a) Plunging in global oil prices

Since 2020, there is a great plunge in oil prices which will certainly adversely affect the industry players in the PRC, including the Petroleum Company.

(b) Other social/economic factors

The slowdown of the PRC's GDP growth rate, and on-going global trade tensions, together with the outbreak of COVID-19, which add further uncertainties and may create problems to companies operating in the PRC.

(c) Loss of contact with the Petroleum Company

The Company was unable to get contact with the Petroleum Company during the course of audit. For prudent sake, an impairment was therefore provided for.

Notwithstanding of the above, the Board and the management will continue to pursue all possible options, and places the highest priority on resolving the settlement as soon as practicable and to the best possible advantage of all shareholders.

LIQUIDITY AND FINANCIAL RESOURCES/CAPITAL STRUCTURE

During the year under review, the Group financed its business operations and investments with cash revenue generated from operating activities and other borrowings. As at 31 December 2019, the Group had cash and bank balances of approximately HK$10.3 million (2018: approximately HK$0.8 million), other borrowings of approximately HK$1.7 million (2018: approximately HK$6.5 million).

As at 31 December 2019, the Group had current assets of approximately HK$71.3 million (2018: approximately HK$132.8 million) and current liabilities of approximately HK$33.7 million (2018: approximately HK$52.3 million). The current ratio, expressed as current assets over current liabilities, was 2.1 (2018: 2.5).

EMPLOYEE INFORMATION

As at 31 December 2019, the Group's continuing operations employed a total of 153 employees (2018 (restated): 136 employees), of which 13 were located in Hong Kong and the rest were located in the PRC and Taiwan. Employee cost, including directors' remuneration, was approximately HK$22.0 million for continuing operations (2018 (restated): approximately HK$24.9 million) for the year under review. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. In addition to basic salaries and participation in mandatory provident fund scheme, staff benefits include medical scheme and share options.

SIGNIFICANT INVESTMENTS

Save as disclosed in Note 27 to the consolidated financial statements, there was no other significant investments for the year ended 31 December 2019.

Management Discussion and Analysis

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in Note 42 to the consolidated financial statements, the Group made no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the "Chairman's Statement" and "Management Discussion and Analysis" sections, there were no future plans for material investments or capital assets.

CHARGE ON GROUP ASSETS

At 31 December 2019, there is no charge on assets of the Group (2018: Nil).

GEARING RATIO

The gearing ratio of the Group, expressed as a percentage of total borrowings including lease liabilities to total assets including right-of-use assets of the Group, was 13.4% as at 31 December 2019 (2018: 4.6%).

FINAL DIVIDEND

The Directors does not recommend any payment of a final dividend for the year ended 31 December 2019 (2018: nil).

COMPETING INTERESTS

As at 31 December 2019, none of the directors or the management shareholders or any of its respective associates (as defined under the GEM Listing Rules) of the Company had any interest in a business that competed or might compete with the business of the Group directly or indirectly.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2019, the Company repurchased a total of 945,000 of its own shares on the Stock Exchange at an aggregate consideration (before expenses) of HK$164,050. All the repurchased shares were cancelled during the year.

Particulars of the repurchases are as follows:

Date of repurchase	No. of Shares	Price per share		Aggregate Price
		Highest	Lowest	
		HK$	HK$	HK$
May	330,000	0.190	0.170	59,090
June	615,000	0.186	0.150	104,960
Total	945,000			164,050

Saved as aforesaid, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the year.

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2019.

INTRODUCTION

The Board believes that good corporate governance practices are essential for effective management and enhancement of shareholder value and investor confidence. The Company has taken a proactive approach in strengthening corporate governance practices, increasing transparency and sustaining accountability to shareholders through effective internal controls, under the leadership of its experienced and committed Board.

The Company has applied the principles set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 to the GEM Listing Rules.

In the opinion of the Board, the Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 December 2019 with the exception of the code provision A.2.1 which requires that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Details relating to the foregoing deviation are summarised below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2019.

BOARD OF DIRECTORS

The Board is responsible for overseeing the management of the business and affairs of the Group with the overriding objective of enhancing share value. With delegating authorities from the Board, management of the Company is responsible for the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

Code provision A.2.1. stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

Ms. Lily Wu ("Ms. Wu") serves as the Chairman of the Board since 1 April 2006. Mr. Anton Ho, the former Chief Executive Officer, resigned from the post with effect from 1 January 2009 and the position was left vacant since his resignation. After due and careful consideration by the Board, Ms. Wu was further appointed as the Chief Executive Officer on 23 March 2009. The reasons for not splitting the roles of chairman and chief executive officer are (i) the size of the Group is still relatively small and thus not justified in separating the roles of chairman and chief executive officer; and (ii) the Group has in place an internal control system to perform the check and balance function. Ms. Wu is primarily responsible for leadership of the Group and the Board, setting strategic direction, ensuring the effectiveness of management in execution of the strategy approved by the Board. Execution responsibilities lie with another executive Director and senior management of the Company.

The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

Corporate Governance Report

Board composition

Up to the date of this annual report, the Board comprises six Directors, including three executive Directors and three Independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors
Ms. Lily Wu *(Chairman and Chief Executive Officer)*
Mr. Chang Wei Wen
Mr. Yang Meng Hsiu

Independent non-executive Directors
Mr. Chan Siu Wing, Raymond
Mr. Leung Ka Kui, Johnny
Ms. Wong Ka Wai, Jeanne

Biographical details of Directors are set out on pages 20 to 21 of this annual report.

The Directors, with relevant and sufficient experience and qualifications, have given sufficient time and attention to the affairs of the Group and have exercised due care and fiduciary duties to the significant issues of overall business planning, management and strategic development of the Group.

Board and general meetings

The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. During the year ended 31 December 2019, there were four board meetings and one general meeting held. The Directors can attend meetings in person or via telephone conference as permitted under the articles of association of the Company.

Details of individual attendance of all Directors at the board meetings and general meeting are as follows:

Name of Directors	Attendance of Board meetings	Attendance of general meeting
Executive Directors		
Ms. Lily Wu	4/4	1/1
Mr. Chang Wei Wen	4/4	1/1
Mr. Yang Meng Hsiu	3/4	0/1
Independent Non-executive Directors		
Mr. Chan Siu Wing, Raymond	4/4	0/1
Mr. Leung Ka Kui, Johnny	3/4	0/1
Ms. Wong Ka Wai, Jeanne	4/4	0/1

Information of material issues, due notice of meeting and minutes of each Directors' meeting have been sent to each of the Directors for their information, comment and review.

Corporate Governance Report

The Board is responsible to set strategic plans, formulates policies and provides effective oversight over the management on the operational affairs, and members of the Board are individually and collectively accountable to the shareholders of the Company. The management is responsible for the daily operations of the Group. For significant matters that are specifically delegated by the Board, the management must report back to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group.

Independent non-executive Directors

Each Director is required to keep abreast of his responsibilities as a director of the Company and of the Company's conduct, business activities and development. Given the essential unitary nature of the Board, independent non-executive Director has the same duties of care and skill and fiduciary duties as executive Directors. Independent non-executive Director brings a wide range of business and financial expertise, experience and independent judgment to the Board. Functions of independent non-executive Director include but should not be limited to the following:

i. participating in Board meetings to bring independent judgment;

ii. taking the lead where potential conflict of interests may arise;

iii. serving on the audit, nomination and remuneration committees if invited; and

iv. scrutinizing the Group's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance.

Pursuant to Rule 5.05 of the GEM Listing Rules, the Board has appointed three independent non-executive Directors, representing half of the Board and all of them have appropriate professional accounting qualifications or related experiences on financial management which is in compliance with Rule 5.05A and 5.05 of the GEM Listing Rules. Currently, there is no specific terms of service for each of the independent non-executive Directors and the appointment may continue thereafter unless and until terminated by either the Company or the independent non-executive Director by giving not less than one month's prior notice in writing and such appointment is subject at all times to the Articles of Association.

The Company strongly supports the principle of Board independence. Mr. Leung Ka Kui, Johnny, Mr. Chan Siu Wing, Raymond and Ms. Wong Ka Wai Jeanne have been serving the Board as independent non-executive Directors for more than nine years and have consistently demonstrated their willingness to exercise independent judgments and provide objective challenges to management. They have actively participated in board meetings and board committee meetings held during the year and have shown themselves able to give constructive and independent advice to the Board over significant issues. Therefore, the Board considers that all of them remain independent, notwithstanding the length of their tenure as independent non-executive Directors. The Board has assessed their independence and considers that all independent non-executive Directors are independent as required under the GEM Listing Rules. All independent non-executive Directors have also confirmed their independence pursuant to Rule 5.09 of the GEM Listing Rules by providing an annual confirmation of their independence.

Corporate Governance Report

Continuous Professional Development

Pursuant to Code Provision A.6.5, which has come into effect from 1 April 2012, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations.

The individual training record of each Director received for the year ended 31 December 2019 is summarised below:

Name of Directors	Attending seminar(s)/ Programme(s)/ relevant materials in relation to the business or Directors' duties
Executive Directors	
Ms. Lily Wu	Yes
Mr. Chang Wei Wen	Yes
Mr. Yang Meng Hsiu	Yes
Independent non-executive Directors	
Mr. Chan Siu Wing, Raymond	Yes
Mr. Leung Ka Kui, Johnny	Yes
Ms. Wong Ka Wai, Jeanne	Yes

All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training or reading relevant materials in order to develop and refresh their knowledge and skills.

BOARD COMMITTEES

Audit committee

The audit committee currently comprises three independent non-executive Directors and is chaired by Ms. Wong Ka Wai, Jeanne. The rest of members are Mr. Leung Ka Kui, Johnny and Mr. Chan Siu Wing, Raymond. At the discretion of the audit committee, executive Directors and/or senior management personnel, overseeing the Group's finance and internal control functions, may be invited to attend meeting. The primary role and function of the audit committee are to review the Company's financial controls, internal control and risk management systems; to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; to review the Company's financial statements, annual reports, interim reports and quarterly reports, and to provide advice and comment thereon to the Board.

The audit committee held four meetings to review the quarterly, interim and annual results during the year ended 31 December 2019 as well as discussed and reviewed the Group's internal control and audit works with the auditor of the Group. Details of the attendance of the audit committee meetings are as follows:

Members	Attendance
Mr. Leung Ka Kui, Johnny	3/4
Ms. Wong Ka Wai, Jeanne	4/4
Mr. Chan Siu Wing, Raymond	4/4

Corporate Governance Report

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31 December 2019 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

Nomination committee

The nomination committee comprises two executive Directors and three independent non-executive Directors and is chaired by Ms. Lily Wu. The rest of the members are Mr. Chan Siu Wing, Raymond, Mr. Leung Ka Kui, Johnny, Ms. Wong Ka Wai, Jeanne and Mr. Yang Meng Hsiu. The primary role and function of the nomination committee are to review and monitor the structure, size and composition of the Board at least once a year and make recommendations on any proposed changes to the Board to carry out the Company's corporate strategies; to assess the independence of independent non-executive Directors; and to make recommendations to the Board succession planning.

Diversity of the Board

The nomination committee is also responsible for the review of the Board's diversity policy, considering factors including but not limited to gender, age, cultural and educational background, ethnicity, industry experience, professional experience, skills, knowledge and length of service of Board members, and review the measurable objectives that the Board has set for implementing the Board's diversity policy, and monitor the progress on achieving the measurable objectives. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee had reviewed and is satisfied with the current composition of the Board.

The nomination committee held one meeting during the year ended 31 December 2019. Details of the attendance of the nomination committee meetings are as follows:

Members	Attendance
Ms. Lily Wu	1/1
Mr. Chan Siu Wing, Raymond	1/1
Mr. Leung Ka Kui, Johnny	1/1
Ms. Wong Ka Wai, Jeanne	1/1
Mr. Yang Meng Hsiu	1/1

Remuneration committee

The remuneration committee comprises two executive Directors and three independent non-executive Directors and is chaired by Mr. Leung Ka Kui, Johnny. The rest of the members are Mr. Chan Siu Wing, Raymond, Mr. Chang Wei Wen, Ms. Lily Wu and Ms. Wong Ka Wai, Jeanne. The primary role and function of the remuneration committee are to review and make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration; and to review and make recommendations to the Board the remuneration packages of all Directors and senior management.

Corporate Governance Report

The remuneration committee held one meeting during the year under review. Details of the attendance of the remuneration committee meetings are as follows:

Members	Attendance
Mr. Leung Ka Kui, Johnny	1/1
Mr. Chan Siu Wing, Raymond	1/1
Mr. Chang Wei Wen	1/1
Ms. Lily Wu	1/1
Ms. Wong Ka Wai, Jeanne	1/1

Compliance Officer

Ms. Lily Wu was appointed as the Compliance Officer of the Company on 28 December 2005. Details of her qualifications and experience are set out in the section headed "Profiles of Directors and Senior Management" on page 20 of this annual report.

Company Secretary

Mr. Lau Ka Chung is the Company Secretary of our Company. Details of his qualifications and experience are set out in the section headed "Profiles of Directors and Senior Management" on page 21 of this annual report.

Directors' and auditor's responsibilities for the consolidated financial statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2019, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 28 to 32. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

AUDITORS' REMUNERATION

During the year ended 31 December 2019, the fees paid/payable to the auditors of the Company in respect of audit and non-audit services provided by the auditors of the Company were as follows:

Nature of services	Amount HK$'000
Audit services	750
Non-audit services	120

Corporate Governance Report

INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges its responsibility for the effectiveness of the Group's internal control and risk management systems. Such internal control and risk management systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board had conducted a review on the effectiveness of the Group's internal control and risk management systems once during the year ended 31 December 2019 which covered financial, operational, compliance procedural and risk management functions and had considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. In light of the size and scale of the Group's businesses, the Board is also delegated with the responsibilities for the internal control of the Group and for reviewing its effectiveness. As such, the Group currently does not have an internal audit department. The Board will review and consider to establish such department as and when it thinks necessary.

The Group believes that good corporate governance practices are very important for maintaining and promoting investor confidence and for the sustainable growth of the Group. The Group has therefore made Continued efforts to uplift its quality of corporate governance. It has established a highly effective system of internal controls and adopted a series of measures to ensure its safety and effectiveness. As a result, the Group is able to safeguard its assets and protect the interests of its Shareholders.

The Board is of the view that the systems of internal control and risk management are effective and there are no irregularities, improprieties, fraud or other deficiencies that suggest material deficiency in the effectiveness of the Group's internal control system.

Principal risks and uncertainties

A number of factors may affect the results and business operations of the Group, major risks are summarised below.

Reliance on limited number of customers

The Group derived a significant portion of our revenue from a limited number of customers. For the year ended 31 December 2019, the five largest customers of the Group contributed 97.1% of total revenue to the Group. There is no assurance that these significant customers will continue their business relationship with the Group or that the revenue generated from the customers will increase or be maintained in the future. The Group will continue to expand the customer base to mitigate the risk.

Default Risks

The revenue generated from the wholesales of petrochemical product is derived from a relatively small number of transaction with each transaction amount is significant. If there is any default in payment, it would have significant impact on the results and position of the Group. In this regards, the Group has adopted a conservative approach, that is, we will only conduct the wholesale business with customers who are large-scaled enterprises with good credit ratings (though the profit margin for transactions of this kind is usually lower), and to keep monitoring the payment status of each customer.

Handling and Dissemination of Inside Information

The Company has established and maintained the procedures and internal controls for the handling and dissemination inside information. The Company has adopted a code of conduct for dealing in securities of the Company by the Directors in accordance with Rules 5.46 to 5.67 of the GEM Listing Rules. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. The Group has strictly prohibited unauthorised use of confidential or inside information or any use of such information for the advantage of himself or others. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the GEM Listing Rules will be announced on the respective websites of GEM and the Company in due course.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting

Pursuant to article 58 of the articles of association of the Company (the "Articles of Association"), the Directors of the Company, notwithstanding anything in its bye-laws shall, on the requisition of Shareholders of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene an extraordinary general meeting ("EGM") of the Company.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the Company Secretary at the Company's principal place of business in Hong Kong, and may consist of several documents in like form each signed by one or more requisitionists.

The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board of Directors to include the resolution in the agenda for the EGM.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists may themselves convene a meeting.

Enquiries put to the Board

The enquiries must be in writing with contact information of the requisitionists and deposited at the Company Secretary at the Company's principal place of business in Hong Kong.

Procedures for putting forward proposals at shareholders' meetings

Pursuant to article 59(1) of the Articles of Association, in order to put forward proposals at an annual general meeting ("AGM"), or EGM, the Shareholders should submit a written notice of those proposals with the detail contact information to the Company Secretary at the Company's principal place of business in Hong Kong. The request will be verified with the Company's Share Registrars and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in the agenda for the general meeting.

The notice period to be given to all the Shareholders for consideration of the proposal raised by the Shareholders concerned at AGM or EGM varies according to the nature of the proposal, as follows:

- At least 21 clear days' notice in writing if the proposal constitutes a special resolution of the Company in AGM or EGM
- At least 14 clear days' notice in writing for all other EGMs

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include (i) the publication of quarterly, interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the websites of GEM and the Company; (iv) the Company's website offering communication channel between the Company and its shareholders and investors; and (v) the Company's share registrars in Hong Kong serving the shareholders in respect of all share registration matters.

The Company aims to provide its shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear, detailed, timely manner and on a regular basis information of the Group to shareholders through the publication of quarterly, interim and annual reports and/or dispatching circulars, notices, and other announcements.

Significant Changes in Constitutional Documents

There were no significant changes in the constitutional documents of the Company for the year ended 31 December 2019.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Lily WU, aged 57, is an executive Director and the Chairman of the Company. She was appointed as Director of the Company in June 2005. Ms. Wu has 33 years of experience in the technology sector investment research and industry analysis. She is currently an independent investment analyst on technology companies for private equity firms, and has previously worked as a director in equity research for Salomon Smith Barney, and as a vice president in equity research for Bankers Trust. Ms. Wu earned a Bachelor of Science degree with Honors in Engineering from the California Institute of Technology.

CHANG Wei Wen, aged 43, is an executive Director. He was appointed as a non-executive Director of the Company in May 2006 and was re-designated as an executive Director of the Company in December 2006 when he assumed key management and operating responsibilities for the Group. He formerly worked as an assistant to directors of a Taiwan company, which is principally engaged in international trade and wholesale of information software and electronic materials. Mr. Chang obtained a Bachelor of Organization Management degree from Patten University.

YANG Meng Hsiu, aged 43, is an executive Director. He was appointed as Director of the Company in March 2011. Mr. Yang graduated from The Leader University of Taiwan (currently known as The University of Kang Ning) with a bachelor degree in leisure management. Mr. Yang had more than 14 years of experience in product planning and brand name marketing business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LEUNG Ka Kui, Johnny, aged 63, is an independent non-executive Director. He is the chairman of the remuneration committee and one of the members of the audit committee and the nomination committee of the Company. Mr. Leung is a qualified solicitor in Hong Kong, the United Kingdom and Singapore. He has over 35 years of experience in the legal field. Currently, he is the managing partner of Messrs. Johnny K. K. Leung & Co, a law firm in Hong Kong. Mr. Leung is currently an independent non-executive director of each of Celestial Asia Securities Holdings Limited, Ban Loong Holdings Limited, and Affluent Partners Holdings Limited, companies whose shares are listed on the Main Board of the Stock Exchange. Mr. Leung was formerly an independent non-executive director of Asia Coal Limited, a company whose shares are listed on the Main Board of the Stock Exchange and has resigned on 6 June 2019. Mr. Leung was also an independent non-executive director of Aeso Holding Limited, a company whose shares are listed on GEM of the Stock Exchange and has resigned on 8 June 2017. Mr. Leung holds a Bachelor of Laws from the University of London, United Kingdom. Mr. Leung joined the Company in September 2001.

Profiles of Directors and Senior Management

WONG Ka Wai, Jeanne, aged 55, is an independent non-executive Director. She is the chairman of the audit committee and one of the members of the remuneration committee and the nomination committee of the Company. Ms. Wong has over 30 years of experience in finance, accounting, taxation and corporate affairs. Ms. Wong is a member of the Institute of Chartered Accountants of Australia, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong and a member of the Society of Trust and Estate Practitioners. She holds a Bachelor Degree in Economics from the University of Sydney, Australia. Ms. Wong is currently the Managing Director of Wellex Consultancy Limited as well as the Chief Financial Officer and Consultant of a local law firm and CPA firm. Ms. Wong is also an independent non-executive director of Good Fellow Healthcare Holdings Limited, a company whose shares are listed on GEM of the Stock Exchange. Ms. Wong joined the Company in September 2001.

CHAN Siu Wing, Raymond, aged 55, is an independent non-executive Director. He is one of the members of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Chan has over 29 years of experience in the field of accounting, taxation, finance and trust. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a founding member of the Macau Society of Certified Practising Accountants. Mr. Chan holds a Bachelor of Economics degree from the University of Sydney. Mr. Chan holds the position of independent non-executive director of each of Nature Home Holding Company Limited, Hong Kong Finance Group Limited and Quali-Smart Holdings Limited, companies whose shares are listed on the Main Board of the Stock Exchange. Mr. Chan joined the Company in February 2007.

SENIOR MANAGEMENT

LAU Ka Chung, aged 47, is the financial controller and the Company Secretary of the Group. Mr. Lau has over 23 years of experience in auditing, accounting & finance, taxation and corporate compliance. Mr. Lau holds a Master degree in Corporate Governance from the Hong Kong Polytechnic University and a Bachelor Degree in Business Administration (majoring in Finance) from the Hong Kong University of Science and Technology. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, as well as a fellow member of The Hong Kong Institute of Chartered Secretaries in Hong Kong. Mr. Lau joined the Group in May 2003.

Directors' Report

The Directors have pleasure in submitting the annual report of the Company together with its audited consolidated financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. Details of the principal activities of its subsidiaries are set out in note 38 to the consolidated financial statements.

The revenue of the Group is derived principally from the contract manufacturing and sales of smart cards and sales and trading of scrap metals.

RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 33 to 34.

DIVIDEND POLICY

The Company has adopted a general dividend policy that aims to provide shareholders of the Company out of the Group's profit attributable to shareholders in any financial year. In proposing any dividend payout, the Board shall take into account, inter alia, the following factors:

- the Group's actual and expected financial performance;
- shareholders' interests;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- possible effects on the Group's creditworthiness;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- statutory and regulatory restrictions;
- general business conditions and strategies;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

Directors' Report

The payment of dividend is also subject to any restrictions under the applicable laws, the Company's Memorandum and Articles of Association.

The Directors do not recommend any payment of a final dividend for the year ended 31 December 2019 (2018: nil).

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 36 to the consolidated financial statements respectively.

DIRECTORS

The Directors who held office during the financial year and up to the date of this report were:

Executive Directors
Lily Wu *(Chairman and Chief Executive Officer)*
Chang Wei Wen
Yang Meng Hsiu

Independent non-executive Directors
Chan Siu Wing, Raymond
Leung Ka Kui, Johnny
Wong Ka Wai, Jeanne

In accordance with Article 87(1) of the Articles of Association, Ms. Lily Wu and Mr. Chang Wei Wen retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 19 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance (as defined in rule 18.25 of the GEM Listing Rules) to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movement in the Company's authorised and issued share capital and share option scheme during the year are set out in notes 34 and 35 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's reserve available for distribution represents the contributed surplus, share premium, other reserves and accumulated losses. At the balance sheet date, the Company had no reserves available for distribution.

Directors' Report

DIRECTORS' INTERESTS AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL AND OPTIONS

As at 31 December 2019, the interests or short position of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rules 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Nature of interest	Long/short position	Number of shares of the Company	Number of Underlying shares of the Company	Approximate percentage of interest in the Company's issued share capital
Executive Director					
Lily Wu *(Note 1)*	Beneficial owner	Long	100,000	4,500,000	0.88
Chang Wei Wen *(Note 1)*	Beneficial owner	Long	525,000	4,500,000	0.96
Yang Meng Hsiu *(Note 1)*	Beneficial owner	Long	4,300,000	4,500,000	1.68
Independent non-executive Director					
Chan Siu Wing, Raymond *(Note 2)*	Beneficial owner	Long	–	450,000	0.09
Leung Ka Kui, Johnny *(Note 2)*	Beneficial owner	Long	–	450,000	0.09
Wong Ka Wai, Jeanne *(Note 2)*	Beneficial owner	Long	–	450,000	0.09

Note:

1. These include 4,500,000 Share Options conferring rights to subscribe for 4,500,000 Shares.

2. These include 450,000 Share Options conferring rights to subscribe for 450,000 Shares

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rules 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, the following persons/companies had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying voting rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Name of shareholders	Type of interests	Long/short position	Number of shares of the Company	Approximate percentage of Interests
Golden Dice Co., Ltd *(Note 1)*	Beneficial	Long	62,332,512	11.87
Best Heaven Limited *(Note 1)*	Beneficial	Long	31,586,500	6.01
Mr. Tsai Chi Yuan *(Note 1)*	Interests in controlled company	Long	93,919,012	17.88

Note:

1. Mr. Tsai Chi Yuan is deemed to be a substantial shareholder of the Company by virtue of his 100% beneficial interest in Golden Dice Co., Ltd and Best Heaven Limited.

Save as disclosed above, as at 31 December 2019, the Directors are not aware of any other persons or corporation (other than the Directors and chief executive of the Company) having an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

SENIOR MANAGEMENT

The Group regards the executive Directors, independent non-executive Directors and financial controller of the Company as members of the senior management team.

The emoluments paid or payable to members of senior management were within the following brands:

	Number of individuals 2019	2018
Emolument bands		
Nil – HK$1,000,000	**6**	5
HK$1,000,001 – HK$1,500,000	**1**	1
HK$1,500,001 – HK$2,000,000	**0**	1

The biographies of members of the senior management team at the date of this annual report are disclosed in the section headed "Profiles of Directors and Senior Management" in this annual report.

Directors' Report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Company prepared in accordance with Appendix 20 to the GEM Listing Rules will be published within three months after the publication of the annual report of the Company.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period of the Group.

EQUITY LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Scheme", no equity-linked agreements were entered into by the Company at any time during the year ended 31 December 2019 or subsisted at the end of the year.

Compliance with Relevant Laws and Regulations

The Group recognises the importance of compliance with legal and regulatory requirements and the risk of non-compliance with such requirements. The Group conducts on-going reviews of newly enacted/revised laws and regulations affecting its operations. The Company is not aware of any non-compliance in any material respect with the relevant laws and regulations that have a significant impact on the business and operation of the Group for the year ended 31 December 2019.

Relationship with Employees, Suppliers, Customers and Other Stakeholders

The Group understands that the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

MAJOR CUSTOMERS AND SUPPLIERS

Information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

Sales

– the largest customer	38.5%
– five largest customers in aggregate	97.1%

Purchases

– the largest supplier	30.6%
– five largest suppliers in aggregate	81.9%

At no time during the year have the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in the Group's five largest suppliers or customers during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association, or the laws and regulations of the Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

Directors' Report

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 116 of the annual report.

INDEPENDENT AUDITOR

The consolidated financial statements for the year ended 31 December 2019 have been audited by Grant Thornton Hong Kong Limited.

For and on behalf of the Board
Lily Wu
Chairman

Hong Kong, 14 May 2020

Independent Auditor's Report

Grant Thornton
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To the members of Phoenitron Holdings Limited
(incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Phoenitron Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 33 to 115, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other 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, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, 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 QUALIFIED OPINION

Prior year's audit scope limitation affecting comparative figures and other receivables from the Petroleum Company and disposal of a subsidiary in 2019

As described in note 25(c) to the consolidated financial statements, included in other receivables as at 31 December 2018 was receivables from a petroleum company (the "Petroleum Company") of RMB68,186,400 (equivalent to approximately HK$77,484,545), in which RMB48,750,000 (equivalent to approximately HK$55,397,727) and RMB19,436,400 (equivalent to approximately HK$22,086,818) were recorded in the books of Phoenitron Resources Company Limited ("Phoenitron HK") and Shanghai Phoenitron Petroleum & Chemical Company Limited (literal translation of the Chinese name of 上海品創石油化工有限公司) ("Shanghai Phoenitron"), respectively. Phoenitron HK and Shanghai Phoenitron were indirect owned subsidiaries of the Group during 2018 and up to the date of its disposal on 12 December 2019. No expected credit loss allowance was recognised against these receivables during the year ended 31 December 2018. As detailed in our auditor's report dated 26 March 2019, we were unable to obtain sufficient appropriate audit evidence or satisfactory management explanation to support management's recoverability assessment of the abovementioned amounts. We were also not able to obtain all the necessary corroborative evidence from the counterparties to substantiate the nature of the related transactions occurred in 2018 and the related outstanding balances as at 31 December 2018. Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2018 was modified accordingly.

As described in note 25(c) to the consolidated financial statements, the Petroleum Company has repaid RMB24,375,000 (equivalent to approximately HK$27,083,333) to Phoenitron HK during the year ended 31 December 2019. In this respect, Phoenitron HK and Shanghai Phoenitron have outstanding other receivables from the Petroleum Company of RMB24,375,000 (equivalent to approximately HK$27,083,333) and RMB19,436,400 (equivalent to approximately HK$21,596,000), respectively, as at 15 October 2019.

Independent Auditor's Report

On 15 October 2019, Phoenitron HK issued a notice to the Petroleum Company in which Phoenitron HK has assigned its outstanding other receivables from the Petroleum Company of RMB24,375,000 (equivalent to approximately HK$27,083,333) to the Company. The Group has recognised an expected credit loss allowance of RMB22,917,734 (equivalent to approximately HK$25,464,149) on these unsettled receivables after considered the discounting effect during the year ended 31 December 2019.

As described in notes 12 and 42(b) to the consolidated financial statements, the Group has completed the disposal of its entire equity interests in Waywise Step International Limited ("Waywise Step International"), an indirect wholly-owned subsidiary of the Company, to an independent third party for an aggregate consideration of HK$7,000,000 (the "Disposal") on 12 December 2019 and ceased the business in sales of petrochemical products thereafter. In this regard, the results of Waywise Step International and its subsidiaries are disclosed as discontinued operations. Waywise Step International holds the entire equity interests in Phoenitron HK, which in turn, holds 75% of equity interest in Shanghai Phoenitron and its wholly-owned subsidiary (collectively, the "Disposal Group"). No expected credit loss allowance was recognised at the date of disposal against the other receivables from the Petroleum Company of RMB19,436,400 (equivalent to approximately HK$21,596,000) held in the books of the Disposal Group. The Group has recognised a loss on disposal of a subsidiary of HK$15,342,843 and loss for the period from discontinued operations of HK$1,018,930 during the year ended 31 December 2019.

In respect of the abovementioned transactions and balances occurred and recorded, we were unable to obtain sufficient appropriate audit evidence or satisfactory management explanation to support the transactions and management's recoverability assessment, including but not limited to, information to ascertain the background and financial strength of the Petroleum Company, to satisfy ourselves as to the recoverability of the other receivables due from the Petroleum Company as at 31 December 2018 and 2019 and at the date of disposal of the subsidiary. We were not able to receive satisfactory direct confirmation reply from the Petroleum Company to confirm the receivable balances with them and we were also not able to obtain all the necessary corroborative evidence from the counterparties to substantiate the abovementioned transactions and the related outstanding balances. Therefore, we were unable to determine whether any adjustments to the other receivables from the Petroleum Company, the related expected credit loss allowance, the loss on disposal of a subsidiary and loss for the period from discontinued operations recognised during the year ended 31 December 2019 were necessary, which may have a significant impact on the Group's financial position as at 31 December 2018, 1 January 2019 and 31 December 2019, and on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2019 and the related disclosures.

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 qualified opinion.

Independent Auditor's Report

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence in relation to the prior year's audit scope limitation affecting comparative figures and other receivables from the Petroleum Company and disposal of a subsidiary in 2019. Accordingly, we were unable to conclude whether or not the other information is materially misstated with respect to these matters.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described in the Basis for Qualified Opinion section to be the key audit matters to be communicated in our report.

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

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

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

14 May 2020

Lee Lai Lan, Joyce
Practising Certificate No.: P06409

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 HK$	2018 HK$ (Restated)
Continuing operations			
Revenue	6	67,612,736	50,204,122
Cost of sales		(48,223,752)	(38,453,199)
Gross profit		19,388,984	11,750,923
Other income	7	1,113,033	4,199,033
Other gains, net	8	7,512,545	16,835
Reversal of impairment loss on amount due from a joint venture	26	–	23,215,878
Selling and distribution costs		(3,673,530)	(3,523,335)
Administrative expenses		(24,995,102)	(32,457,396)
Impairment loss on other receivables and prepayments		(24,625,687)	(225,546)
Finance costs	9	(589,573)	(1,092,964)
(Loss)/Profit before income tax	10	(25,869,330)	1,883,428
Income tax expense	11	–	(240,309)
(Loss)/Profit for the year from continuing operations		(25,869,330)	1,643,119
Discontinued operations			
Loss for the period/year from discontinued operations	12	(16,361,773)	(224,986)
(Loss)/Profit for the year		(42,231,103)	1,418,133
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		(59,289)	(5,094,006)
Release of translation reserve on disposal of subsidiaries	42	5,367,547	–
Other comprehensive income/(loss) for the year		5,308,258	(5,094,006)
Total comprehensive loss for the year		(36,922,845)	(3,675,873)
(Loss)/Profit for the year attributable to:			
Owners of the Company			
– Continuing operations		(25,869,152)	1,644,297
– Discontinued operations		(16,263,964)	(29,537)
Non-controlling interests			
– Continuing operations		(178)	(1,178)
– Discontinued operations		(97,809)	(195,449)
		(42,231,103)	1,418,133

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 HK$	2018 HK$ (Restated)
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company			
– Continuing operations		**(28,595,899)**	2,817,847
– Discontinued operations		**(8,112,306)**	(4,730,204)
Non-controlling interests			
– Continuing operations		**(178)**	(1,178)
– Discontinued operations		**(214,462)**	(1,762,338)
		(36,922,845)	(3,675,873)
		HK cents	HK cents
(Loss)/Earnings per share	*14*		
Basic			
– Continuing operations		**(4.920)**	0.327
– Discontinued operations		**(3.093)**	(0.006)
		(8.013)	0.321
Diluted			
– Continuing operations		**(4.920)**	0.323
– Discontinued operations		**(3.093)**	(0.006)
		(8.013)	0.317

Note: The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying HKFRS 16 is recognised in accumulated losses at the date of initial application. See note 3.

The notes on pages 41 to 115 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$	2018 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	19	5,978,098	6,980,393
Intangible asset	20	420,000	420,000
Prepayments for acquisition of property, plant and equipment		–	1,178,045
Right-of-use assets	21	8,580,851	–
Interest in an associate	22	–	–
Long-term financial assets investments	23	–	–
Long-term other receivable	25	–	–
		14,978,949	8,578,438
Current assets			
Inventories	24	2,243,733	1,331,159
Trade and other receivables	25	30,924,775	106,774,710
Amount due from a joint venture	26	–	23,215,878
Investment in TV programmes	27	26,850,000	–
Contract assets	31	624,000	–
Tax recoverable		393,790	674,221
Cash and cash equivalents	28	10,270,969	837,849
		71,307,267	132,833,817
Current liabilities			
Trade and other payables	29	28,240,339	45,844,280
Lease liabilities	30	2,911,480	–
Contract liabilities	31	783,900	–
Borrowings	32	1,715,385	6,457,045
		33,651,104	52,301,325
Net current assets		37,656,163	80,532,492
Total assets less current liabilities		52,635,112	89,110,930
Non-current liabilities			
Lease liabilities	30	6,919,313	–
Deferred tax liabilities	33	4,707	4,707
		6,924,020	4,707
Net assets		45,711,092	89,106,223

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$	2018 HK$
EQUITY			
Share capital	34	105,069,500	105,258,500
Reserves	36	(59,589,431)	(21,779,947)
Equity attributable to owners of the Company		45,480,069	83,478,553
Non-controlling interests	39	231,023	5,627,670
Total equity		45,711,092	89,106,223

Lily Wu
Director

Chang Wei Wen
Director

Note: The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying HKFRS 16 is recognised in accumulated losses at the date of initial application. See note 3.

The notes on pages 41 to 115 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Share capital HK$	Share premium* HK$	Contributed surplus* HK$	Share option reserve* HK$	Other reserves* HK$	Translation reserve* HK$	Accumulated losses* HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
Balance at 1 January 2018	90,258,500	363,342,716	13,985,669	1,360,008	7	8,125,040	(409,995,030)	67,076,910	25,670,151	92,747,061
Issue of shares upon shares subscription *(note 34(a))*	15,000,000	(25,000)	–	–	–	–	–	14,975,000	–	14,975,000
Capital reduction of non-controlling interests	–	–	–	–	–	–	–	–	(18,278,965)	(18,278,965)
Share-based payments *(note 35)*	–	–	–	3,339,000	–	–	–	3,339,000	–	3,339,000
Lapse of employee share options	–	–	–	(1,360,008)	–	–	1,360,008	–	–	–
Transactions with owners	15,000,000	(25,000)	–	1,978,992	–	–	1,360,008	18,314,000	(18,278,965)	35,035
Profit/(Loss) for the year	–	–	–	–	–	–	1,614,760	1,614,760	(196,627)	1,418,133
Other comprehensive loss										
– Exchange loss on translation of financial statements of foreign operations	–	–	–	–	–	(3,527,117)	–	(3,527,117)	(1,566,889)	(5,094,006)
Total comprehensive (loss)/income for the year	–	–	–	–	–	(3,527,117)	1,614,760	(1,912,357)	(1,763,516)	(3,675,873)
Balance at 31 December 2018	105,258,500	363,317,716	13,985,669	3,339,000	7	4,597,923	(407,020,262)	83,478,553	5,627,670	89,106,223

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Share capital HK$	Share premium* HK$	Contributed surplus* HK$	Share option reserve* HK$	Other reserves* HK$	Translation reserve* HK$	Accumulated losses* HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
Balance at 1 January 2019	105,258,500	363,317,716	13,985,669	3,339,000	7	4,597,923	(407,020,262)	83,478,553	5,627,670	89,106,223
Adjustment from adoption of HKFRS 16 *(note 3(a))*	–	–	–	–	–	–	(1,124,355)	(1,124,355)	–	(1,124,355)
Adjusted balance at 1 January 2019	105,258,500	363,317,716	13,985,669	3,339,000	7	4,597,923	(408,144,617)	82,354,198	5,627,670	87,981,868
Repurchase of shares *(note 34(b))*	(189,000)	23,076	–	–	–	–	–	(165,924)	–	(165,924)
Effect on disposal of subsidiaries *(note 42(b))*	–	–	–	–	–	–	–	–	(5,182,007)	(5,182,007)
Transactions with owners	(189,000)	23,076	–	–	–	–	–	(165,924)	(5,182,007)	(5,347,931)
Loss for the year	–	–	–	–	–	–	(42,133,116)	(42,133,116)	(97,987)	(42,231,103)
Other comprehensive income/(loss)										
– Exchange gain/(loss) on translation of financial statements of foreign operations	–	–	–	–	–	57,364	–	57,364	(116,653)	(59,289)
– Release of translation reserve on disposal of subsidiaries *(note 42)*	–	–	–	–	–	5,367,547	–	5,367,547	–	5,367,547
Total comprehensive income/(loss) for the year	–	–	–	–	–	5,424,911	(42,133,116)	(36,708,205)	(214,640)	(36,922,845)
Balance at 31 December 2019	105,069,500	363,340,792	13,985,669	3,339,000	7	10,022,834	(450,277,733)	45,480,069	231,023	45,711,092

Note: The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying HKFRS 16 is recognised in accumulated losses at the date of initial application. See note 3.

* The total of these accounts as at the reporting date represents "Reserves" of HK$59,589,431 (2018: HK$21,779,947) in deficit in the consolidated statement of financial position.

The notes on pages 41 to 115 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$	2018 HK$
Cash flows from operating activities			
(Loss)/Profit before income tax			
– Continuing operations		(25,869,330)	1,883,428
– Discontinued operations	12	(16,361,773)	(231,735)
		(42,231,103)	1,651,693
Adjustments for:			
Bad debts recovered		–	(3,390,207)
Bad debts written off		–	112,558
Depreciation of owned assets		2,280,869	3,045,269
Depreciation of right-of-use assets		2,651,044	–
Finance costs		589,573	1,092,964
Gain on disposal of assets held for sales		(1,467,398)	–
Gain on disposal of property, plant and equipment		–	(110,000)
Gain on disposal of subsidiaries	42(a)	(5,006,003)	–
Loss on disposal of subsidiaries – discontinued operations	42(b)	15,342,843	–
Written-off of property, plant and equipment		–	253,409
Interest income		(3,902)	(2,787)
Impairment loss on other receivables and prepayments		24,625,687	225,472
Reversal of impairment loss on amount due from a joint venture		–	(23,215,878)
Impairment loss/(Reversal of impairment loss) on trade receivables		1,908	(99,514)
Share-based payments		–	3,339,000
Reversal of over-provision for bonus in prior year		(612,402)	–
Operating loss before working capital changes		(3,828,884)	(17,098,021)
(Increase)/Decrease in inventories		(912,404)	210,635
Decrease in trade and other receivables		5,372,525	1,552,041
Increase in contract assets		(624,000)	–
(Decrease)/Increase in trade and other payables		(7,285,575)	7,140,950
Increase in contract liabilities		783,900	–
Cash used in operations		(6,494,438)	(8,194,395)
Interest paid		(810,649)	(1,039,956)
Income tax refund		–	42,029
Net cash used in operating activities		(7,305,087)	(9,192,322)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$	2018 HK$
Cash flows from investing activities			
Interest received		3,902	2,787
Decrease in other receivable		27,691,280	–
Decrease in pledged bank deposits		–	2,212,324
Proceeds on disposal of assets held for sales		332,396	–
Proceeds on disposal of property, plant and equipment		–	110,000
Purchase of property, plant and equipment		(1,793,239)	(888,428)
Payments for investment in TV programmes		(26,850,000)	–
Prepayments for acquisition of property, plant and equipment		–	(1,178,045)
Net cash inflow on disposal of subsidiaries	42	1,084,334	–
Decrease in amount due from a joint venture		15,900,878	–
Net cash from investing activities		16,369,551	258,638
Cash flows from financing activities			
Proceeds from new bank loans		–	13,457,100
Repayments of bank loans		–	(20,398,775)
Proceeds from shareholders' loans		9,715,000	1,613,122
Repayments of shareholders' loans		(764,615)	(3,252,353)
Proceeds from other loans		1,400,000	6,396,500
Repayments of other loans		(7,311,136)	(5,267,915)
Payment of lease liabilities		(2,497,334)	–
Proceeds from shares issued	34(a)	–	15,000,000
Share issue costs	34(a)	–	(25,000)
Repurchase of shares	34(b)	(165,924)	–
Net cash from financing activities		375,991	7,522,679
Net increase/(decrease) in cash and cash equivalents		9,440,455	(1,411,005)
Cash and cash equivalents at 1 January		837,849	2,283,931
Effect of foreign exchange rate changes		(7,335)	(35,077)
Cash and cash equivalents at 31 December		10,270,969	837,849

Note: The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying HKFRS 16 is recognised in accumulated losses at the date of initial application. See note 3.

The notes on pages 41 to 115 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. GENERAL INFORMATION

Phoenitron Holdings Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company is located at Suite 710, 7th Floor, North Tower, World Finance Centre, Harbour City, Tsimshatsui, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (the "Group") are manufacturing and sales of smart cards, provision of customised smart card application systems, provision of financial and management consultancy services, sales and trading of scrap metals and sales of petrochemical products. During the year ended 31 December 2019, the Group has expanded its scrap metal business to include sales and trading of scrap metals and has invested in a TV programme to commence the Group's business in media and entertainment industry.

The consolidated financial statements for the year ended 31 December 2019 were approved for issue by the board of directors on 14 May 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements on pages 33 to 115 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collectively includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong, except that the Company unable to provide sufficient appropriate audit evidence or satisfactory explanation to support the transactions and the Company's recoverability assessment of the amounts mentioned in note 25(c) to the consolidated financial statements. The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

The consolidated financial statements have been prepared on the historical cost basis except for investment in TV programmes and certain financial assets investments which are measured at fair values. The measurement bases are fully described in the accounting policies below.

In preparing the consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group in light of its net cash used in operating activities of HK$7,305,087 and net loss for the year attributable to owners of the Company of HK$42,133,116 incurred during the year ended 31 December 2019 and, as of that date, the Group's cash and cash equivalents amounted to HK$10,270,969. These indicate a condition which may cast significant doubt about the Group's ability to continue as a going concern. The directors of the Company had made an assessment and concluded the Group is able to continue as a going concern and will have sufficient financial resources to support its current operations and to meet its financial obligations as and when they fall due for at least the next twelve months from the end of the reporting period, having regard to (i) the Group's current and forecasted cash position; and (ii) the Company's substantial shareholder, Mr. Tsai Chi Yuan ("Mr. Tsai"), has confirmed to provide continuing financial support to the Group in the next twelve months from 1 January 2020 to enable it to meet its liabilities when they fall due. Consequently, the consolidated financial statements have been prepared on a going concern basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates and assumptions are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to accumulated losses).

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss. Cost also includes direct attributable costs of investment.

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

2.3 Associates and joint ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions relating about relevant activities require the unanimous consent of the parties sharing control.

In consolidated financial statements, an investment in an associate or a joint venture is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associate or joint venture is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate or joint venture's net assets less any identified impairment loss. The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associate or joint venture for the year, including any impairment loss on the investment in associate or joint venture recognised for the year. The Group's other comprehensive income for the year includes its share of the associate or joint venture's other comprehensive income for the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates and joint ventures (Continued)

Unrealised gains on transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the associate or joint venture. Where unrealised losses on assets sales between the Group and its associate or joint venture are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate or joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate or joint venture's accounting policies to those of the Group when the associate or joint venture's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. For this purpose, the Group's interest in the associate or joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or joint venture.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate or joint venture. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate or joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the associate or joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including cash flows arising from the operations of the associate or joint venture and the proceeds on ultimate disposal of the investment.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate or joint control over a joint venture.

In the Company's statement of financial position, investments in an associate and a joint venture are stated at cost less impairment losses.

2.4 Foreign currency translation

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

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

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 (i.e. only translated using the exchange rates at the transaction date).

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the reporting date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a joint venture that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation on property, plant and equipment is provided to write off the costs less their residual values over their estimated useful lives, using the straight-line method, at the rate of 20% per annum.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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 costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Intangible assets

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets, with indefinite useful lives, are tested for impairment as described below in note 2.20.

2.7 Leases

Definition of a lease and the Group as a lessee

Policy applicable from 1 January 2019

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

– the contracts contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

– the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

– the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Leases (Continued)

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

Policy applicable from 1 January 2019 (Continued)

Measurement and recognition of leases as a lessee

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

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

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

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Leases (Continued)

Policy applicable before 1 January 2019

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit and loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2.8 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss (“FVTPL”), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial instruments (Continued)

Financial assets (Continued)

Classification and initial measurement of financial assets (Continued)

Financial assets are classified into the following categories:

– amortised cost;

– FVTPL; or

– fair value through other comprehensive income ("FVOCI").

The classification is determined by both:

– the entity's business model for managing the financial asset; and

– the contractual cash flow characteristics of the financial asset.

Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs or other income, except for expected credit loss ("ECL") of trade receivables which is presented within administrative expenses.

Subsequent measurement of financial assets

<u>Debt investments – Financial assets at amortised cost</u>

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

– they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

– the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in other income in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and other receivables, amount due from a joint venture, long-term other receivables and cash and cash equivalents, fall into this category of financial instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement of financial assets (Continued)

Debt investments – Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements under HKFRS 9 apply.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group elects to designate the investment at FVOCI such that subsequent changes in fair value are recognised in other comprehensive income and accumulated in reserves in equity. Such elections are made on an instrument-by-instrument basis, but only be made if the investment meets the definition of equity from the issuer's perspective.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, lease liabilities and trade and other payables.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or other income.

Accounting policies of lease liabilities are set out in note 2.7.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial instruments (Continued)

Financial liabilities (Continued)

Classification and measurement of financial liabilities (Continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Details of accounting policy of derivative financial instruments is set out in note 2.11.

2.9 Impairment of financial assets and contract assets

HKFRS 9's impairment requirements use more forward-looking information to recognise ECL – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and trade receivables contract assets recognised and measured under HKFRS 15.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

– financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and

– financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Impairment of financial assets and contract assets (Continued)

Trade receivables and contract assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

Other financial assets measured at amortised cost

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Impairment of financial assets and contract assets (Continued)

Other financial assets measured at amortised cost (Continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

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

Detailed analysis of the ECL assessment of trade receivables, contract assets and other financial assets measured at amortised cost are set out in note 44.2.

2.10 Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. Cost is determined using the weighted average basis and, in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. It excludes borrowing costs.

2.11 Derivative financial instruments

Derivative financial instruments are recognised at fair value at the end of each reporting period with gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for hedged accounting under HKFRS 9.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2.17) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2.9 and are reclassified to receivables when the right to the consideration has become unconditional (see note 2.8).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Contract assets and contract liabilities (Continued)

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.17). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.8).

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

2.14 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each reporting period and adjusted to reflect the current best estimate.

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

2.15 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2.16 Non-current assets held for sale and discontinued operations

<u>Non-current assets held for sale</u>

Non-current assets that are highly probable to be recovered principally through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale are not depreciated.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Non-current assets held for sale and discontinued operations (Continued)

Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale. The component comprises operations and cash flows that can be clearly distinguished from the rest of the Group and represents a separate major line of business or geographical area of operations, 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.

When an operation is classified as discontinued, a single amount in the consolidated statement of profit or loss and other comprehensive income comprising the total of: (i) the post-tax profit or loss of discontinued operations and (ii) 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(s) constituting the discontinued operation.

2.17 Revenue recognition

Revenue arises mainly from sales of smart cards and related application systems, the provision of financial and management consultancy services, sales and trading of scrap metals and sales of petrochemical products.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer.

2. Identifying the performance obligations.

3. Determining the transaction price.

4. Allocating the transaction price to the performance obligations.

5. Recognising revenue when/as performance obligation(s) are satisfied.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Revenue recognition (Continued)

Further details of the Group's revenue and other income recognition policies are as follows:

Revenue from the sales of smart cards and related application systems, sales and trading of scrap metals and sales of petrochemical products for which control of assets is transferred at a point in time is recognised when the goods are delivered to customers. The Group does not provide any sales-related warranties. There is no right of return by customers under the Group's standard contract terms.

Service income from providing financial and management consultancy and handling fee income are recognised over time when the services are rendered.

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

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

Government grants relating to income is presented in gross under "Other income" in the consolidated statement of profit or loss and other comprehensive income.

2.19 Investment in TV programmes

The Group's investment in TV programmes which entitles the Group to share certain percentage of income to be generated from the related TV programmes based on the Group's investment portion as specified in respective TV programmes investment agreement but the Group has no control nor joint control over the investment. Investment in TV programmes are carried at fair value.

2.20 Impairment of non-financial assets (other than contract assets)

Intangible assets with indefinite useful lives are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. Property, plant and equipment, prepayments for acquisition of property, plant and equipment, interests in subsidiaries and an associate are subject to impairment testing whenever there are indications that the asset's carrying amount may not be recoverable.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Impairment of non-financial assets (other than contract assets) (Continued)

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses is charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

2.21 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

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

The employees of the Group's subsidiaries which operate in the People's Republic of China (the "PRC") and Taiwan are required to participate in various defined contribution plans operated by the relevant authorities. These subsidiaries are required to contribute specified percentage of its payroll costs in accordance with the local practice and regulations.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the share option reserve in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital and share premium. When the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

2.23 Borrowing costs

All borrowing costs are expensed in the period in which they are incurred.

2.24 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Accounting for income taxes (Continued)

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (1) when the existing temporary differences will reverse and (2) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

– income or loss excluding reversals of temporary differences; and

– reversals of existing temporary differences.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    (i) the same taxable entity; or

    (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision marker (i.e. executive directors) for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

In respect of geographical information, revenue is based on shipment destination instructed by customers and non-current assets are based on where the assets are located.

2.26 Related parties

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

(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 of a parent of the Group.

(b) an entity is related to the Group if any of the following conditions applies:

- (i) the entity and the Group are members of the same group.
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) the entity and the Group are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of 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).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

Notes to the Consolidated Financial Statements

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3. ADOPTION OF NEW AND AMENDED HKFRSs

(a) New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2019

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2019:

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

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKFRS 16 "Leases"

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

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

As a Lessee

The Group has elected not to include direct costs in the measurement of the right-of-use assets for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has elected to measure the right-of-use assets on a lease-by-lease basis as if HKFRS 16 has always been applied since the commencement date of the lease discounted using the Group's incremental borrowing rate at the date of initial application.

The discounting effects of refundable rental deposits paid included in "trade and other receivables" at transition were considered as additional lease payments and adjusted to the cost of corresponding right-of-use assets. Besides, liabilities accrued for leases of properties in which the lessors provided rent-free period were adjusted to the cost of corresponding right-of-use assets at transition.

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

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

On transition to HKFRS 16, the incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 4.9%.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

(a) New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2019 (Continued)

HKFRS 16 "Leases" (Continued)

As a Lessee (Continued)

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

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

	HK$
Total operating lease commitments disclosed at 31 December 2018	3,024,021
Recognition exemptions:	
– Leases with remaining lease term of less than 12 months	(434,700)
Less: Agreement signed before 1 January 2019 but effective in 2019	(2,014,848)
Add: Termination option reasonably certain not to be exercised	10,309,173
Operating leases liabilities before discounting	10,883,646
Discounting using incremental borrowing rate as at 1 January 2019	(1,477,366)
Total lease liabilities recognised under HKFRS 16 at 1 January 2019	9,406,280

	HK$
Classified as:	
Current lease liabilities	**1,291,254**
Non-current lease liabilities	**8,115,026**
	9,406,280

Total impact arising from transition to HKFRS 16

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

	HK$
Increase in right-of-use assets	**8,281,925**
Increase in lease liabilities	**(9,406,280)**
Increase in accumulated losses	**1,124,355**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

(b) Issued but not effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

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]
Amendments to HKFRS 3	*Definition of a Business*[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

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

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

3 Effective date not yet determined

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

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

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

The amendments clarify the definition of material and state that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". Materiality depends on nature or magnitude of information or both.

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;

- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold "could influence" with "could reasonably be expected to influence" in the definition of material; and

- clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

Notes to the Consolidated Financial Statements

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3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

(b) Issued but not effective HKFRSs (Continued)

Amendments to HKAS 1 and HKAS 8 "Definition of Material" (Continued)

Amendments to HKAS 1 and HKAS 8 are effective for annual reporting period beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The directors expect that the amendments have no material impact on the Group's consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Estimation uncertainty

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

Provision for impairment of trade and other receivables and contract assets within the scope of ECL under HKFRS 9

The Group makes allowances on items subjects to ECL (including trade and other receivables, contract assets and other financial assets measured at amortised cost) based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period as set out in note 2.9. As at 31 December 2019, the aggregate carrying amounts of trade and other receivables (excluding prepayments) and contract assets amounted to HK$26,215,643 (net of ECL allowance of HK$25,791,921) and HK$624,000, respectively (2018: HK$101,972,176 (net of ECL allowance of HK$2,527,299) and nil, respectively).

Impairment of property, plant and equipment

If circumstances indicate that the net book value of a long lived asset may not be recoverable, the asset may be considered "impaired" and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets". These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. It is difficult to precisely estimate fair value less cost of disposal because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant estimation relating to the level of sales volume, selling prices and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling prices and the amount of operating costs. As at 31 December 2019, the carrying amount of property, plant and equipment was HK$5,978,098 (2018: HK$6,980,393).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

4.1 Estimation uncertainty (Continued)

Estimated fair value of investment in TV programmes

As at 31 December 2019, the Group's investment in TV programmes (note 27) is stated at fair value of HK$26,850,000 (2018: nil) based on the valuation performed by independent qualified professional valuer. It is measured at fair value and determined based on unobserved inputs using valuation techniques as set out in note 27. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair value.

4.2 Critical accounting judgments

Determination of the lease term in lease contracts and discount rate

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension options, or not exercise a termination option. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by the Group; and
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs).

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated), which in turn affect the carrying amounts of lease liabilities and corresponding right-of-use assets.

During the year ended 31 December 2019, most extension options in leases of properties have not been included in the lease liabilities because the Group could replace the assets without significant cost or business disruption.

In determining the discount rate, the Group is required to exercise considerable judgment in relation to determining the discount rate taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and effective date of the modification.

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5. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the way in which information is reported internally to the executive directors for the purposes of resources allocation and assessment of segment performance. The business components in the internal reporting to the executive directors, the chief operating decision-makers, are determined following the Group's major product and service lines. The Group is currently organised into the following five operating segments:

- Sales of smart cards;
- Sales of smart card application systems;
- Financial and management consultancy services;
- Sales and trading of scrap metals; and
- Media and entertainment.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

During 2019, the Group has further expanded its business segment to include media and entertainment through the new investment in TV programmes (note 27). In addition, operation in sales of petrochemical products was discontinued. The segment information reported on the next pages does not include any amounts for this discontinued operation, which is described in more detail in note 12.

Revenue and expenses are allocated to the reportable segments with reference to sales generated and the expenses incurred by those segments. The measurement of segment profit or loss before income tax is the same as those used in preparing these financial statements under HKFRSs except that finance costs, impairment loss on other receivables and prepayments, reversal of impairment loss on amount due from a joint venture, gain on disposal of subsidiaries, exchange gains/losses (net) and corporate income and expenses (net) not directly attributable to business activities of the operating segments are not included in arriving at the operating results of the operating segments.

Segment assets include all assets with the exception of intangible asset, tax recoverable, assets which are not attributable to the business activities of the operating segments and other assets which are managed on a group basis such as cash and cash equivalents.

Segment liabilities include all liabilities except for deferred tax liabilities, liabilities which are not attributable to the business activities of the operating segments and other liabilities which are managed on a group basis such as borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. SEGMENT INFORMATION (Continued)

Segment results, segment assets and segment liabilities

Information regarding the Group's reportable segments including the reconciliation to revenue, loss/(profit) before income tax from continuing operations, total assets, total liabilities and other segment information are as follows:

2019

	Sales of smart cards HK$	Sales of smart card application systems HK$	Financial and management consultancy services HK$	Sales and trading of scrap metals HK$	Media and entertainment HK$	Unallocated HK$	Consolidated HK$
Reportable segment revenue	58,162,384	50,480	–	9,399,872	–	–	67,612,736
Reportable segment profit/(loss)	3,372,269	(10,821)	(1,043,467)	(1,621,857)	(655)	–	695,469
Finance costs							(589,573)
Impairment loss on other receivables and prepayments							(24,625,687)
Gain on disposal of subsidiaries							5,006,003
Exchange gains, net							1,039,144
Corporate expenses, net							(7,394,686)
Loss before income tax from continuing operations							(25,869,330)
Reportable segment assets	36,078,635	11,395	–	3,373,050	26,850,000	8,888,377	75,201,457
Intangible asset							420,000
Tax recoverable							393,790
Cash and cash equivalents							10,270,969
Total consolidated assets							86,286,216
Reportable segment liabilities	35,459,762	16,500	–	324,815	–	3,053,955	38,855,032
Borrowings							1,715,385
Deferred tax liabilities							4,707
Total consolidated liabilities							40,575,124
Other information							
Depreciation of owned assets	2,206,332	–	–	63,609	–	10,928	2,280,869
Depreciation of right-of -use assets	1,752,355	–	–	–	–	898,689	2,651,044
Interest income	3,129	7	–	551	–	205	3,892
Additions to non-current segment assets during the year	4,113,518	–	–	–	–	1,960,784	6,074,302

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. SEGMENT INFORMATION (Continued)

Segment results, segment assets and segment liabilities (Continued)

2018

	Sales of smart cards HK$ (Restated)	Sales of smart card application systems HK$ (Restated)	Financial and management consultancy services HK$ (Restated)	Sales and trading of scrap metals HK$ (Restated)	Media and entertainment HK$ (Restated)	Unallocated HK$ (Restated)	Consolidated HK$ (Restated)
Reportable segment revenue	50,175,902	28,220	–	–	–	–	50,204,122
Reportable segment loss	(4,322,001)	(10,239)	(375,109)	(3,524,707)	–	–	(8,232,056)
Finance costs							(1,092,964)
Reversal of impairment loss on amount due from a joint venture							23,215,878
Impairment loss on other receivables and prepayments							(225,546)
Exchange losses, net							(93,165)
Corporate expenses, net							(11,688,719)
Profit before income tax from continuing operations							1,883,428
Reportable segment assets	35,374,085	3,840	–	2,326,502	–	24,233,396	61,937,823
Intangible asset							420,000
Tax recoverable							393,790
Cash and cash equivalents							826,549
Total consolidated assets							63,578,162
Reportable segment liabilities	38,881,018	16,500	–	151,384	–	4,666,774	43,715,676
Borrowings							5,991,136
Deferred tax liabilities							4,707
Total consolidated liabilities							49,711,519
Other information							
Depreciation of owned assets	2,848,566	–	–	188,254	–	8,449	3,045,269
Interest income	2,518	3	–	31	–	122	2,674
Additions to non-current segment assets during the year	2,045,232	–	–	–	–	21,241	2,066,473

There has been no inter-segment sale between different business segments during the year or in prior year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. SEGMENT INFORMATION (Continued)

Geographical information

The following table presents the revenue from external customers for the reporting period and the specified non-current assets by geographical locations as at the reporting date.

	Revenue from external customers		Specified non-current assets	
	2019 HK$	2018 HK$ (Restated)	2019 HK$	2018 HK$
Continuing operations				
The PRC	3,198,704	4,930,540	12,605,527	6,790,563
Europe	25,337,690	16,884,503	–	–
Africa	26,383,058	24,456,118	–	–
Asia, excluding the PRC, Hong Kong and Taiwan	3,118,973	3,675,024	–	–
Hong Kong	174,439	257,937	2,371,897	1,722,741
Taiwan	9,399,872	–	1,525	65,134
	67,612,736	50,204,122	14,978,949	8,578,438

The Company is an investment holding company incorporated in the Cayman Islands where the Company does not have activities. Since the major operations of the Group are conducted in the PRC, which is considered as the Group's country of domicile for the disclosure purpose of HKFRS 8 "Operating Segments".

Specified non-current assets include property, plant and equipment, right-of-use assets, intangible asset, prepayments for acquisition of property, plant and equipment and interest in an associate.

Information about major customers

Revenue from each of the major customers during the reporting period is as follows:

	2019 HK$	2018 HK$
Continuing operations		
Customer A – Sales of smart cards	26,035,470	24,456,118
Customer B – Sales of smart cards	24,959,319	16,290,244
Customer C – Sales and trading of scrap metals	9,399,872	N/A[1]

1 This customer did not contribute any revenue to the Group in 2018.

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For the year ended 31 December 2019

6. REVENUE

The Group's principal activities are disclosed in note 1. The Group's revenue from continuing operations for goods transferred at a point in time from external customers is as follows:

	2019 HK$	2018 HK$ (Restated)
Continuing operations – by product lines		
Sales of smart cards	58,162,384	50,175,902
Sales of smart card application systems	50,480	28,220
Sales and trading of scrap metals	9,399,872	–
	67,612,736	50,204,122

Continuing operations

	2019 Sales of smart cards HK$	Sales of smart card application systems HK$	Sales and trading of scrap metals HK$
Geographical markets			
The PRC	3,198,704	–	–
Europe	25,337,690	–	–
Africa	26,383,058	–	–
Asia, excluding the PRC, Hong Kong and Taiwan	3,118,973	–	–
Hong Kong	123,959	50,480	–
Taiwan	–	–	9,399,872
Total	58,162,384	50,480	9,399,872

	2018 (Restated) Sales of smart cards HK$	Sales of smart card application systems HK$	Sales and trading of scrap metals HK$
Geographical markets			
The PRC	4,930,540	–	–
Europe	16,884,503	–	–
Africa	24,456,118	–	–
Asia, excluding the PRC and Hong Kong	3,675,024	–	–
Hong Kong	229,717	28,220	–
Total	50,175,902	28,220	–

Notes to the Consolidated Financial Statements

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7. OTHER INCOME

	2019 HK$	2018 HK$ (Restated)
Continuing operations		
Bank interest income	3,892	2,674
Government grants	18,558	28,529
Bad debts recovered	–	3,390,207
Reversal of impairment loss on trade receivables	–	99,514
Reversal of over-provision for bonus in prior year	612,402	–
Sundry income	478,181	678,109
	1,113,033	4,199,033

8. OTHER GAINS, NET

	2019 HK$	2018 HK$ (Restated)
Continuing operations		
Gain on disposal of assets classified as held for sales	1,467,398	–
Gain on disposal of property, plant and equipment	–	110,000
Gain on disposal of subsidiaries *(note 42(a))*	5,006,003	–
Exchange gains/(losses), net	1,039,144	(93,165)
	7,512,545	16,835

9. FINANCE COSTS

	2019 HK$	2018 HK$
Continuing operations		
Interest charges on bank loans	–	119,963
Interest charges on other borrowings	106,046	973,001
Finance charges on lease liabilities	483,527	–
	589,573	1,092,964

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10. (LOSS)/PROFIT BEFORE INCOME TAX

	2019 HK$	2018 HK$ (Restated)
Continuing operations		
(Loss)/Profit before income tax from continuing operations is arrived at after charging/(crediting):		
Auditor's remuneration		
– Audit services	760,406	730,401
– Non-audit services	121,802	121,800
Lease charges		
– Land and buildings held under operating leases	–	4,547,065
– Short term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	1,524,703	–
Costs of inventories recognised as an expense *(note)*	48,223,752	38,453,199
Written-off of property, plant and equipment	–	253,409
Impairment loss/(Reversal of impairment loss) on trade receivables	1,908	(99,514)
Impairment loss on other receivables and prepayments	24,625,687	225,546
Depreciation		
– Owned assets	2,280,869	3,045,269
– Right-of-use assets	2,651,044	–
Bad debts written off	–	112,558
Employee benefit expenses *(note 15)*	21,995,381	24,904,425

Note:

Cost of inventories includes HK$14,424,672 (2018: HK$13,899,034) relating to depreciation of owned assets, depreciation of right-of-use assets, staff costs and lease charges (2018: operating lease charges), which amount is also included in the respective total amounts disclosed above and in note 15 for these expenses.

11. INCOME TAX EXPENSE

	2019 HK$	2018 HK$ (Restated)
Continuing operations		
Current tax		
Hong Kong Profits Tax:		
Current year	–	181,097
Under-provision in prior year	–	59,212
Total income tax expense	–	240,309

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

11. INCOME TAX EXPENSE (Continued)

Reconciliation between income tax expense and accounting (loss)/profit at applicable tax rates is as follows:

	2019 HK$	2018 HK$ (Restated)
(Loss)/Profit before income tax from continuing operations	(25,869,330)	1,883,428
Income tax at Hong Kong Profits Tax rate of 16.5% (2018: 16.5%)	(4,268,439)	310,766
Effect of different tax rates of subsidiaries operating in other jurisdictions	327,578	(831,484)
Tax effect of non-deductible expenses	5,233,310	1,822,497
Tax effect of non-taxable income	(1,063,141)	(3,878,546)
Tax effect of tax losses not recognised	960,231	3,062,098
Utilisation of tax losses previously not recognised	(1,191,017)	(134,298)
Tax effect of other temporary differences not recognised	1,478	(4,936)
Effect of two-tiered profits tax rates regime	–	(165,000)
Under-provision in prior year	–	59,212
Income tax expense (relating to continuing operations)	–	240,309

Notes:

(a) Hong Kong Profits Tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying entities will be taxed at 8.25%, and the profits above HK$2,000,000 will be taxed at 16.5%. The profits of entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5%. For the year ended 31 December 2019, Hong Kong profits tax has been provided at the rate of 16.5% (2018: Hong Kong profits tax of Intercard Limited, a subsidiary of the Company, is calculated in accordance with the two-tiered profits tax rates regime) of the estimated assessable profits for the year.

(b) PRC Enterprise Income Tax

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year and prior year based on the existing legislation, interpretations and practices in respect thereof. The applicable income tax rate is 25% (2018: 25%) for the year ended 31 December 2019.

12. DISCONTINUED OPERATIONS

On 12 December 2019, the Group disposed of its 100% equity interests in Waywise Step International Limited ("Waywise Step International") and ceased the business in sales of petrochemical products thereafter. Waywise Step International holds the entire equity interest in Phoenitron Resources Company Limited ("Phoenitron HK"), which in turn, holds 75% of equity interest in Shanghai Phoenitron Petroleum & Chemical Company Limited ("Shanghai Phoenitron") and its wholly-owned subsidiary (collectively, the "Waywise Group"). Details of the assets and liabilities disposed of, and the calculation of profit or loss on disposal, are disclosed in note 42(b).

Notes to the Consolidated Financial Statements

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12. DISCONTINUED OPERATIONS (Continued)

Analysis of loss for the period/year from discontinued operations

The results of the discontinued operations included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows are set out below. The comparative loss and cash flows from discontinued operations have been represented to include those operations classified as discontinued in the current year.

(a) Loss for the period/year from discontinued operations

	For the period from 1 January to 12 December 2019 HK$	For the year ended 31 December 2018 HK$ (Restated)
Revenue	**–**	2,129,290
Cost of sales	**–**	(2,126,304)
Gross profit	**–**	2,986
Other income	**10**	177,928
Other (losses)/gains, net	**(615,682)**	560,833
Administrative expenses	**(403,258)**	(973,556)
Reversal of impairment loss on other receivables and prepayments	**–**	74
Loss from discontinued operations before income tax	**(1,018,930)**	(231,735)
Income tax credit	**–**	6,749
Loss for the period/year	**(1,018,930)**	(224,986)
Loss on disposal of subsidiaries *(note 42(b))*	**(15,342,843)**	–
Loss for the period/year from discontinued operations	**(16,361,773)**	(224,986)
Loss for the period/year from discontinued operations attributable to:		
– Owners of the Company	**(16,263,964)**	(29,537)
– Non-controlling interests	**(97,809)**	(195,449)
	(16,361,773)	(224,986)

None of depreciation and amortisation and auditors' remuneration included in loss for the period/year from discontinued operations.

Notes to the Consolidated Financial Statements

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12. DISCONTINUED OPERATIONS (Continued)

Analysis of loss for the period/year from discontinued operations (Continued)

(b) *Cash flows from discontinued operations*

	For the period from 1 January to 12 December 2019 HK$	For the year ended 31 December 2018 HK$
Net cash outflows from operating activities	(17,080)	(218,449)
Net cash inflows from investing activities	27,691,290	113
Net cash (outflows)/inflows from financing activities	(27,679,983)	206,356
Net cash outflows	(5,773)	(11,980)

13. DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2019 (2018: nil).

14. (LOSS)/EARNINGS PER SHARE

From continuing operations

(a) *Basic (loss)/earnings per share*

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, calculated as follows:

	2019	2018 (Restated)
(Loss)/Profit attributable to owners of the Company (HK$)	(25,869,152)	1,644,297
Weighted average number of ordinary shares in issue *(note)*	525,776,719	502,662,363
Basic (loss)/earnings per share (expressed in HK cents per share)	(4.920)	0.327

Note:

The weighted average number of ordinary shares for the year ended 31 December 2019 has included the effect of share repurchase as disclosed in note 34(b).

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14. (LOSS)/EARNINGS PER SHARE (Continued)

From continuing operations (Continued)

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares (diluted) in issues during the year, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2019	2018
Weighted average number of ordinary shares (basic)	**525,776,719**	502,662,363
Effect of deemed issue of shares under the Company's share option scheme	**–**	6,133,302
Weighted average number of ordinary shares (diluted)	**525,776,719**	508,795,665

Diluted (loss)/earnings per share

	2019	2018 (Restated)
(Loss)/Profit attributable to owners of the Company (HK$)	**(25,869,152)**	1,644,297
Weighted average number of ordinary shares (diluted)	**525,776,719**	508,795,665
Diluted (loss)/earnings per share (expressed in HK cents per share)	**(4.920)**	0.323

The diluted loss per share attributable to the owners of the Company for the year ended 31 December 2019 is the same as the basic loss per share because conversion of share options only decreases the loss per share and, therefore is anti-dilutive.

From discontinued operations

Basic loss per share for the discontinued operations is 3.093 HK cents per share (2018 (restated): 0.006 HK cents per share) and diluted loss per share for the discontinued operations is 3.093 HK cents per share (2018 (restated): 0.006 HK cents per share), based on the loss for the year from the discontinued operations of HK$16,263,964 (2018 (restated): HK$29,537) and the denominators detailed above for both basic and diluted loss per share.

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15. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)

	2019 HK$	2018 HK$ (Restated)
Continuing operations		
Salaries, wages and other benefits	20,717,079	20,701,104
Contributions to defined contribution retirement plans	1,278,302	864,321
Share-based payments *(note 35)*	–	3,339,000
	21,995,381	24,904,425

16. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' emoluments for the years ended 31 December 2019 and 2018 are as follows:

2019

	Fee HK$	Salaries, allowances and benefits in kind HK$	Discretionary bonus HK$	Retirement scheme contributions HK$	Share-based payments HK$	Total HK$
Executive Directors:						
Lily Wu *(note)*	–	339,341	–	16,931	–	356,272
Chang Wei Wen	–	1,204,776	54,000	49,490	–	1,308,266
Yang Meng Hsiu	–	287,692	–	28,490	–	316,182
	–	1,831,809	54,000	94,911	–	1,980,720
Independent Non-executive Directors:						
Wong Ka Wai, Jeanne	140,000	–	–	–	–	140,000
Leung Ka Kui, Johnny	140,000	–	–	–	–	140,000
Chan Siu Wing, Raymond	140,000	–	–	–	–	140,000
	420,000	–	–	–	–	420,000
	420,000	1,831,809	54,000	94,911	–	2,400,720

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16. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

2018

	Fee HK$	Salaries, allowances and benefits in kind HK$	Discretionary bonus HK$	Retirement scheme contributions HK$	Share-based payments HK$	Total HK$
Executive Directors:						
Lily Wu *(note)*	–	338,613	–	16,931	399,304	754,848
Chang Wei Wen	–	1,203,928	54,000	49,151	399,304	1,706,383
Yang Meng Hsiu	–	287,692	–	28,151	399,304	715,147
	–	1,830,233	54,000	94,233	1,197,912	3,176,378
Independent Non-executive Directors:						
Wong Ka Wai, Jeanne	120,000	–	–	–	39,930	159,930
Leung Ka Kui, Johnny	120,000	–	–	–	39,930	159,930
Chan Siu Wing, Raymond	120,000	–	–	–	39,930	159,930
	360,000	–	–	–	119,790	479,790
	360,000	1,830,233	54,000	94,233	1,317,702	3,656,168

Note:

Ms. Lily Wu is also the chief executive of the Company and her emoluments disclosed above include those for services rendered by her as the chief executive for the years ended 31 December 2019 and 2018.

During the years ended 31 December 2019 and 2018, no remuneration has been paid by the Group to the directors as an inducement to join or upon joining the Group and no directors have waived any remuneration.

The value of share options granted to directors is measured according to the Group's accounting policy for share-based employee compensation set out in note 2.22. The details of these benefits in kind including the principal terms and number of options granted are disclosed in note 35.

Notes to the Consolidated Financial Statements

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17. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals include one (2018: two) director(s) whose remuneration is disclosed in note 16. The aggregate emoluments of the remaining four (2018: three) highest paid individuals are as follows:

	2019 HK$	2018 HK$
Salaries and allowances	2,527,911	1,846,868
Contributions to retirement scheme	64,525	54,000
Share-based payments	–	532,405
	2,592,436	2,433,273

The emoluments fell within the following bands:

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

18. RETIREMENT SCHEMES

Under the Mandatory Provident Fund Schemes Ordinance regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1 December 2000, the Group participates in a MPF Scheme operated by an approved trustee in Hong Kong and makes contributions for its eligible employees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income. The cap of monthly relevant income is HK$30,000 during the year (2018: HK$30,000). Contributions to the scheme vest immediately.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme being operated by the local PRC government. The subsidiaries are required to contribute specified percentage of the average basic salary to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

Pursuant to the labour regulations of Taiwan, the Group joined defined contribution retirement plans for its employees. The Group is required to make contributions to the retirement plans at the applicable rates of 6% based on the eligible employees' salaries (2018: 6%).

During the year ended 31 December 2019, the aggregate amount of employer's contribution from continuing operations made by the Group is HK$1,278,302 (2018 (Restated): HK$864,321).

Notes to the Consolidated Financial Statements

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19. PROPERTY, PLANT AND EQUIPMENT

	Printing and testing equipment HK$	Office equipment HK$	Furniture and fixtures HK$	Leasehold improvement HK$	Motor vehicles HK$	Total HK$
At 1 January 2018						
Cost	80,444,824	2,244,102	2,440,677	3,593,097	2,803,601	91,526,301
Accumulated depreciation	(73,737,148)	(2,025,655)	(1,960,997)	(1,332,478)	(2,665,291)	(81,721,569)
Net book amount	6,707,676	218,447	479,680	2,260,619	138,310	9,804,732
Year ended 31 December 2018						
Opening net book amount	6,707,676	218,447	479,680	2,260,619	138,310	9,804,732
Additions	861,823	26,605	–	–	–	888,428
Written-off	(253,409)	–	–	–	–	(253,409)
Depreciation	(2,176,015)	(92,371)	(203,267)	(494,761)	(78,855)	(3,045,269)
Exchange differences	(300,270)	(1,969)	(5,208)	(99,687)	(6,955)	(414,089)
Closing net book amount	4,839,805	150,712	271,205	1,666,171	52,500	6,980,393
At 31 December 2018 and 1 January 2019						
Cost	41,143,211	1,343,039	2,093,253	2,928,269	2,449,247	49,957,019
Accumulated depreciation	(36,303,406)	(1,192,327)	(1,822,048)	(1,262,098)	(2,396,747)	(42,976,626)
Net book amount	4,839,805	150,712	271,205	1,666,171	52,500	6,980,393
Year ended 31 December 2019						
Opening net book amount	4,839,805	150,712	271,205	1,666,171	52,500	6,980,393
Additions	2,931,185	40,099	–	–	–	2,971,284
Disposal of subsidiaries *(note 42(a))*	(1,611,169)	–	–	–	–	(1,611,169)
Depreciation	(1,568,041)	(98,909)	(89,519)	(472,629)	(51,771)	(2,280,869)
Exchange differences	(52,588)	(630)	(1,276)	(26,318)	(729)	(81,541)
Closing net book amount	4,539,192	91,272	180,410	1,167,224	–	5,978,098
At 31 December 2019						
Cost	29,975,097	1,242,587	2,089,429	2,876,477	2,430,495	38,614,085
Accumulated depreciation	(25,435,905)	(1,151,315)	(1,909,019)	(1,709,253)	(2,430,495)	(32,635,987)
Net book amount	4,539,192	91,272	180,410	1,167,224	–	5,978,098

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20. INTANGIBLE ASSET

	PRC driving licence HK$
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	
Cost and net book amount	**420,000**

The intangible asset represents the acquisition cost of a driving licence in the PRC. The PRC driving licence is considered to have an indefinite economic life as there is no foreseeable limit on the period of time over which the driving licence is expected to generate economic benefit to the Group and the licence is renewable at minimal cost. Accordingly, it is not amortised.

21. RIGHT-OF-USE ASSETS

	HK$
Right-of-use assets recognised under HKFRS 16 at 1 January 2019 *(note 3(a))*	**8,281,925**
Additions	**3,103,018**
Depreciation	**(2,651,044)**
Exchange differences	**(153,048)**
Balance at 31 December 2019	**8,580,851**

The Group leases a factory, certain offices, warehouse and staff quarter. Rental contracts are typically made for fixed periods of 2 to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

	Carrying amount		Depreciation
	As at 31 December 2019 HK$	As at 1 January 2019 HK$	**Year ended 31 December 2019 HK$**
Factory	**4,804,709**	5,930,577	**1,016,273**
Offices	**2,967,059**	2,351,348	**1,301,620**
Warehouse	**211,964**	–	**87,283**
Staff quarter	**597,119**	–	**245,868**
Total	**8,580,851**	8,281,925	**2,651,044**

The details in relation to these leases are set out in note 30.

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22. INTEREST IN AN ASSOCIATE

	2019 HK$	2018 HK$
Share of net assets	–	–

Details of the Group's associate, which is unlisted, as at 31 December 2019 and 2018 are as follows:

Name of company	Place of establishment	Particulars of paid-up registered capital	Group's effective interest	Principal activities
力欣房地產經紀（上海）有限公司（"力欣房地產"）	The PRC	Renminbi ("RMB") 5,000,000	Nil (2018: 20%)	Inactive and disposed by the Group in 2019

The associate has a reporting date of 31 December. Financial information is not available to disclose in the financial statements as the associate was dormant and inactive during the period from 1 January 2019 to 12 December 2019 and year ended 31 December 2018. The Group has disposed its entire interest in 力欣房地產 through the disposal of Waywise Group (note 42(b)) during the year ended 31 December 2019.

During the year ended 31 December 2018, the Group disposed its entire interest in 張家港保稅區騏璉貿易有限公司 to a third party with no consideration. As of the date of the disposal, no capital has been paid-up.

The Group has not incurred any contingent liabilities or other commitments relating to its investment in the associate.

23. LONG-TERM FINANCIAL ASSETS INVESTMENTS

Hota (USA) Holding Corp ("Hota (USA)") is an investment holding company incorporated in the United States of America ("USA"), and its subsidiary was previously engaged in the business of disintegration of used automobiles and sale of metal derived from automobiles in Zhangjiagang, the PRC (the "Resources Recycling Business").

As at 31 December 2019, the Group is interested in (i) 83.33% (2018: 83.33%) of the Series A preferred shares of Hota (USA), which entitles the Group to receive 5% non-cumulative dividends and are redeemable at 100% of the respective principal amount since the 3rd quarter of 2012; and (ii) 35.29% (2018: 35.29%) of the common shares of Hota (USA). Each of the Series A preferred shares entitles the holder thereof to convert the same into one common share of Hota (USA) and the holders of the Series A preferred shares shall be entitled to have one vote for each common share of Hota (USA) into which each Series A preferred share is convertible on an as-converted basis, and shall vote together with the holders of the common shares. Accordingly, the Group is interested in 57.81% (2018: 57.81%) of the entire share capital of Hota (USA) as at 31 December 2019 as enlarged by the allotment and issue of the common shares upon exercise of the conversion rights attaching to the entire Series A preferred shares in issue. The board of Hota (USA) comprised of 4 directors, 2 of whom were appointed by the Group and decision is taken by simple majority. Accordingly, the directors regard Hota (USA) as a joint venture of the Group.

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23. LONG-TERM FINANCIAL ASSETS INVESTMENTS (Continued)

The Series A preferred shares and the derivative component arising from the conversion right of the Series A preferred shares (the "Derivative Component") are accounted for as financial assets at FVTPL. The Group's investment in the common shares of Hota (USA) are accounted for as interest in a joint venture and was fully impaired in prior years.

The fair value of financial assets at FVTPL are determined using adjusted net asset method with inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3). The effects of unobservable inputs are not significant for equity investments.

The Resources Recycling Business carried out by Hota Auto Recycling Corporation (張家港永峰泰環保科技有限公司, "HARC"), the principal subsidiary of Hota (USA), has stopped commercial production since 2014 due to unfavorable market environment and was under bankruptcy administration in 2018. HARC was deregistered during the year ended 31 December 2019 and Hota (USA) became inactive thereafter. Accordingly, the Group considered the fair value of the Series A preferred shares and the Derivative Component to be nil as at 31 December 2019 and 2018.

The Group has not incurred any contingent liabilities or other commitments relating to its investment in the joint venture. No share of losses/profits of Hota (USA) and its subsidiary (the "Hota Group") is recognised by the Group for the years ended 31 December 2019 and 2018. The Group has not recognised losses amounting to approximately HK$77,599 for the year ended 31 December 2019 (2018: share of profits of approximately HK$68,656,159 which primarily attributable to the pro-rata share of profits arised from the accounting treatment for derecognising assets and liabilities of HARC from Hota Group) for the joint venture. The Group did not recognise the share of profit in 2018 as the share of profits did not exceed the accumulated share of losses not recognised. As at 31 December 2019, the accumulated unrecognised loss of the Hota Group amounted to approximately HK$52,706,959 (2018: HK$52,629,360).

Details of Hota (USA) and its principal subsidiary as at 31 December 2019 and 2018 are as follows:

Name of company	Place of establishment	Particulars of paid-up registered capital	Percentage of ownership interest	Principal activities
Hota (USA)	USA	Common shares United States dollar ("USD") 34	35.29% (2018: 35.29%)	Inactive
		Series A preferred shares USD12,000,000	83.33% (2018: 83.33%)	
HARC*	The PRC	USD20,000,000		Inactive and deregistered in 2019

* Wholly-foreign-owned enterprise held by Hota (USA)

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23. LONG-TERM FINANCIAL ASSETS INVESTMENTS (Continued)

Hota Group has a reporting date of 31 December. Summarised unaudited financial information in relation to the joint venture is presented below:

	2019 HK$	2018 HK$
As at 31 December		
Current assets	497,617	496,967
Current liabilities	(377,141,279)	(374,723,730)
Non-current liabilities	(93,600,000)	(93,000,000)
Net liabilities	(470,243,662)	(467,226,763)
Included in the above amounts are:		
Cash and cash equivalents	2,122	2,114
Current financial liabilities (excluding trade and other payable)	(376,414,709)	(374,001,817)
Non-current financial liabilities (excluding other payable and provision)	(93,600,000)	(93,000,000)
Year ended 31 December		
Revenue	–	–
(Loss)/Profit for the year and total comprehensive (loss)/income (note)	(219,890)	194,548,480
Included in the above amounts are:		
Depreciation and amortisation	–	840,866

Note: Amount included for the year ended 31 December 2018 was the profit arised from the accounting treatment for derecognising assets and liabilities of HARC from Hota Group.

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24. INVENTORIES

	2019 HK$	2018 HK$
Raw materials	**961,672**	573,555
Work-in-progress	**1,258,623**	743,259
Finished goods	**23,438**	14,345
	2,243,733	1,331,159

25. TRADE AND OTHER RECEIVABLES

	2019 HK$	2018 HK$
Trade receivables	**13,816,756**	14,793,651
Less: ECL allowance	**(3,947)**	(2,039)
Trade receivables, net *(note (a))*	**13,812,809**	14,791,612
Other receivables, deposits and prepayments	**42,899,940**	94,508,358
Less: ECL allowance *(note (b))*	**(25,787,974)**	(2,525,260)
Other receivables, net *(note (c))*	**17,111,966**	91,983,098
	30,924,775	106,774,710
Less: non-current portion		
Long-term other receivable *(note (c))*	**–**	–
Current portion	**30,924,775**	106,774,710

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

25. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

(a) The credit term granted by the Group to its trade customers normally ranges from 30 days to 90 days. Based on the invoice dates, the ageing analysis of the Group's trade receivables (net of ECL allowance) is as follows:

	2019 HK$	2018 HK$
0 – 30 days	5,494,533	3,867,673
31 – 90 days	7,071,724	7,908,436
Over 90 days	1,250,499	3,017,542
Less: ECL allowance	(3,947)	(2,039)
	13,812,809	14,791,612

The movement in the ECL allowance of trade receivables is as follows:

	2019 HK$	2018 HK$
Balance at 1 January	2,039	101,553
ECL allowance recognised/(reversed) during the year	1,908	(99,514)
Balance at 31 December	3,947	2,039

During the year ended 31 December 2019, management has determined none (2018: HK$112,558) of the trade receivables as individually impaired and written off as bad debts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

25. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) The movement in the ECL allowance of other receivables and prepayments is as follows:

	2019 HK$	2018 HK$ (Restated)
Balance at 1 January	2,525,260	2,299,788
Discontinued operations *(note 12(a))*	–	(74)
Disposal of subsidiaries	(33,419)	–
Transfer to assets classified as held for sales	(1,329,554)	–
ECL allowance recognised during the year *(note (c))*	24,625,687	225,546
Balance at 31 December	25,787,974	2,525,260

(c) Included in the Group's other receivables as at 31 December 2018 was receivables from a petroleum company (the "Petroleum Company") of RMB68,186,400 (equivalent to approximately HK$77,484,545) which is unsecured, interest-free and has no fixed repayment terms, except for an amount of RMB19,436,400 (equivalent to approximately HK$22,086,818) which is due on or before 10 March 2019. The amount due is in substance guaranteed by a customer (the "Shanghai Customer"). No expected credit loss allowance was recognised against these receivables as at 31 December 2018. Details of the balance are summarised below:

Shanghai Phoenitron was an indirect non-wholly owned subsidiary of the Company in 2018, in which 75% of equity interest was held by Phoenitron HK, an indirect wholly-owned subsidiary of the Company in 2018, and 25% of equity interest was held by Mr. Sun.

As at 10 December 2018, Shanghai Phoenitron has outstanding trade receivables due from the Shanghai Customer of RMB84,744,000 (equivalent to approximately HK$96,300,000) (the "Outstanding Amount") and outstanding trade payables due to the Petroleum Company of RMB307,600 (equivalent to approximately HK$349,546).

On 10 December 2018, Shanghai Phoenitron, the Shanghai Customer and the Petroleum Company entered into an agreement ("Agreement A") in which the Shanghai Customer has assigned part of its trade receivable of RMB84,744,000 (equivalent to approximately HK$96,300,000) from the Petroleum Company to Shanghai Phoenitron, and Shanghai Phoenitron has agreed to assume all rights and benefits of Shanghai Customer's trade receivables from the Petroleum Company of RMB84,744,000 (equivalent to approximately HK$96,300,000), as settlement of the Outstanding Amount, with full recourse if the Petroleum Company failed to make full settlement to Shanghai Phoenitron. In this respect, the Group derecognised trade receivables of RMB84,744,000 (equivalent to approximately HK$96,300,000) from the Shanghai Customer and recognised other receivables from the Petroleum Company of the same amount (the "Petroleum Company Receivables") during the year ended 31 December 2018.

On 17 December 2018, Shanghai Phoenitron completed a share reduction of which RMB48,750,000 (equivalent to approximately HK$55,397,727) should be payable to Phoenitron HK and RMB16,250,000 (equivalent to approximately HK$18,465,909) should be payable to Mr. Sun.

On 20 December 2018, Shanghai Phoenitron, the Petroleum Company, Phoenitron HK and Mr. Sun entered into an agreement ("Agreement B") in which (i) Phoenitron HK and Mr. Sun have agreed to assume all rights and benefits of part of the Petroleum Company Receivables of RMB65,000,000 (equivalent to approximately HK$73,863,636) as settlement of the share reduction of Shanghai Phoenitron as mentioned above, and (ii) Shanghai Phoenitron and the Petroleum Company have agreed to offset the trade payables to the Petroleum Company of RMB307,600 (equivalent to approximately HK$349,546) against other receivables from the Petroleum Company. In this respect, in the books of Shanghai Phoenitron, the amount due from the Petroleum Company decreased from RMB84,744,000 (equivalent to approximately HK$96,300,000) to RMB19,436,400 (equivalent to approximately HK$22,086,818). Meanwhile, an amount due from the Petroleum Company of RMB48,750,000 (equivalent to approximately HK$55,397,727) and RMB16,250,000 (equivalent to approximately HK$18,465,909) was recognised in the books of Phoenitron HK and Mr. Sun, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

25. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(c) (Continued)

In this respect, the Group has total other receivables from the Petroleum Company of RMB68,186,400 (equivalent to approximately HK$77,484,545) as at 31 December 2018.

Based on Agreement B, the Petroleum Company should settle RMB19,436,400 (equivalent to approximately HK$22,086,818) ("First Instalment") on or before 10 March 2019 and there are no repayment terms stated on the remaining balance of RMB48,750,000 (equivalent to approximately HK$55,397,727) to Phoenitron HK and RMB16,250,000 (equivalent to approximately HK$18,465,909) to Mr. Sun. The Petroleum Company has default in payment of the First Instalment on the due date and the related receivables from the Petroleum Company remained unsettled.

On 5 July 2019, Phoenitron HK and the Petroleum Company entered into a repayment agreement in which the amounts receivable from the Petroleum Company of RMB48,750,000 (equivalent to approximately HK$54,166,667) will be settled in three instalments: (i) RMB24,375,000 (equivalent to approximately HK$27,083,333) by 25 August 2019 which has been settled during the year ended 31 December 2019; (ii) RMB12,187,500 (equivalent to approximately HK$13,541,667) by 25 August 2020; and (iii) RMB12,187,500 (equivalent to approximately HK$13,541,667) by 25 August 2021.

On 15 October 2019, Phoenitron HK issued a notice to the Petroleum Company in which Phoenitron HK has assigned its outstanding other receivables from the Petroleum Company of RMB24,375,000 (equivalent to approximately HK$27,083,333) to the Company.

As detailed in notes 12 and 42(b), the Group has completed the disposal of its entire equity interests in Waywise Group on 12 December 2019. In this regard, other receivables from the Petroleum Company of RMB19,436,400 (equivalent to approximately HK$21,596,000) to Shanghai Phoenitron was derecognised in the Group's consolidated financial statements during the year ended 31 December 2019.

Accordingly, included in the Group's and the Company's other receivables as at 31 December 2019 are receivables from the Petroleum Company of RMB24,375,000 (equivalent to approximately HK$27,083,333). At the end of the reporting period, based on the repayment history over the past 18 months, available financial information, discussions with PRC lawyer and taking into account of the current market situation, the Group and the Company assessed the credit risk on these receivables and recognised a lifetime expected credit loss allowance of RMB22,917,734 (equivalent to approximately HK$25,464,149) on these receivables after considered the discounting effect during the year ended 31 December 2019.

26. AMOUNT DUE FROM A JOINT VENTURE

As at 31 December 2018, amounts due comprise of loans to and interest receivables from Hota (USA) and HARC (collectively the "Loans") which are unsecured, repayable on demand and interest-bearing at 10% per annum and 19% per annum, respectively.

As disclosed in note 23, HARC was under liquidation in 2018. In January 2019, a proposed distribution for partial repayment for the amounts due to the Group of RMB21,061,827 (approximately HK$23,933,895) (the "Proposed Distribution") was approved by the People's Court of Zhangjiagang City, Jiangsu Province (江蘇省張家港市人民法院). On 4 March 2019, the Group has assigned the Proposed Distribution to a third party at a consideration of RMB20,429,973 (approximately HK$23,215,878) (the "Consideration"). Accordingly, the Group has made a reversal of impairment of HK$23,215,878 during the year ended 31 December 2018. The above transaction was completed in 2019 and the Consideration was fully settled by cash and set off arrangement against other borrowings from shareholders of the Company (note 43(iv)).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

27. INVESTMENT IN TV PROGRAMMES

	HK$
As at 1 January 2018, 31 December 2018 and 1 January 2019	–
Additions	26,850,000
As at 31 December 2019	**26,850,000**

The Group's investment in TV programmes are measured at fair value in the consolidated statement of financial position on a recurring basis, categorised into three levels of a fair value hierarchy. The levels are based on the observability of significant inputs to the measurements, as follows:

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

The level in the fair value hierarchy within which the investment in TV programmes is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

As at 31 December 2019, the Group had only Level 3 investment in TV programmes. There were no transfers between Levels 1, 2 and 3 during the year ended 31 December 2019 (2018: nil).

Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include discounted cash flow.

Fair value measurements using significant unobservable inputs (level 3)

The above table presents the changes in level 3 item for the year ended 31 December 2019. The key unobservable input is the expected cash inflow generated from the financial assets, based on an appropriate discount rate. The discount rate of 23.51% is used for the fair value measurement. The higher the estimated discount rate, the lower the fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

28. CASH AND CASH EQUIVALENTS

	2019 HK$	2018 HK$
Cash at banks and in hand	**10,270,969**	837,849
Denominated in:		
RMB	**1,783,440**	355,260
Hong Kong Dollars	**2,467,364**	292,605
USD	**1,879,592**	86,740
New Taiwan Dollar ("NTD")	**4,140,573**	103,244
	10,270,969	837,849

As at the reporting date, bank balances and cash of the Group denominated in RMB amounted to HK$1,783,440 (2018: HK$355,260). RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

29. TRADE AND OTHER PAYABLES

	2019 HK$	2018 HK$
Trade payables	**19,056,397**	29,739,997
Other payables and accrual	**9,183,942**	16,104,283
	28,240,339	45,844,280

Included in other payables and accrual of the Group is HK$413,625 (2018: HK$4,166,849) of legal and professional fee payables, HK$2,092,241 (2018: HK$1,408,428) of equipment expenses accrual and HK$1,918,312 (2018: HK$3,166,412) of salaries and wages payables.

Credit periods granted by suppliers normally range from 30 days to 90 days. Based on the invoice date, the ageing analysis of the trade payables is as follows:

	2019 HK$	2018 HK$
0 – 30 days	**3,086,503**	1,470,892
31 – 60 days	**2,215,162**	957,825
61 – 90 days	**1,167,186**	3,011,715
Over 90 days	**12,587,546**	24,299,565
	19,056,397	29,739,997

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

30. LEASE LIABILITIES

	2019 HK$
Total minimum lease payments:	
Due within one year	3,300,373
Due in the second to fifth years	7,583,745
	10,884,118
Future finance charges on leases liabilities	(1,053,325)
Present value of leases liabilities	9,830,793

	2019 HK$
Present value of minimum lease payments:	
Due within one year	2,911,480
Due in the second to fifth years	6,919,313
	9,830,793
Less: Portion due within one year included under current liabilities	(2,911,480)
Portion due after one year included under non-current liabilities	6,919,313

During the year ended 31 December 2019, the total cash outflows for the leases including short term leases are HK$4,505,564.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

30. LEASE LIABILITIES (Continued)

Details of the lease activities

As at 31 December 2019, the Group has entered into leases for a factory, certain offices, warehouse and staff quarter.

Types of right-of-use assets	Number of leases	Range of remaining lease term	Particulars
Factory	1	4.82 years	• Contains an option to renew the lease after the end of the contract by giving a two months' notice to landlord before the end of the contract. • Contains an option to terminate the lease by giving a two months' notice to landlord.
Offices	2	1.12 to 4.84 years	• One of the contract contains an option to renew the lease after the end of the contract by giving a two months' notice to landlord before the end of the contract. • One of the contract contains an option to terminate the lease by giving a two months' notice to landlord.
Warehouse	1	1.46 years	• No option to renew and terminate.
Staff quarter	1	1.39 years	• Contains an option to terminate the lease by giving a one month notice to landlord after 1 year of the lease terms.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

31. CONTRACT ASSETS AND CONTRACT LIABILITIES

	2019 HK$	2018 HK$
Contract assets arising from sales of smart cards	**624,000**	–

The contract assets primarily relate to the Group's right to consideration for goods sold but not billed because the Group is entitled to bill only upon receipt of the goods by the customer. The contract assets are transferred to trade receivables when the corresponding billing is issued.

	2019 HK$	2018 HK$
Contract liabilities arising from sales of smart cards	**783,900**	–

When the Group receives a deposit before the delivery of goods, this will give rise to contract liabilities at the start of a contract until the revenue recognised.

As at 31 December 2019, the deposits receipt in advance amounted to HK$783,900 (2018: nil) are denominated in USD and are expected to be recognised as revenue within one year. As permitted by HKFRS 15, the transaction price allocated to unsatisfied contracts for periods of one year or less is not disclosed.

32. BORROWINGS

	2019 HK$	2018 HK$
Current liabilities		
Other borrowings, unsecured		
– Substantial shareholder	**1,715,385**	–
– Minority shareholder	**–**	80,000
– Third parties	**–**	6,377,045
	1,715,385	6,457,045

As at 31 December 2019, the amount due to Mr. Tsai of HK$1,715,385 (2018: nil) is unsecured, interest-free and repayable on demand.

As at 31 December 2018, the amounts due are unsecured, interest-bearing at 0% to 20% per annum and repayable on demand.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

33. DEFERRED TAX

At the reporting dates, the Group's recognised deferred tax liabilities arise from depreciation allowance in excess of accounting depreciation. The Group has not recognised deferred tax assets in respect of tax losses of approximately HK$76,487,300 as at 31 December 2019 (2018: HK$97,488,350). Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise benefits therefrom. Under the current tax legislation in Hong Kong, the tax losses amounting to HK$26,688,383 (2018: HK$21,833,252) do not have expiry period. Under the current tax legislation in the PRC, the tax losses amounting to HK$39,662,682 (2018: HK$64,368,131) can be carried forward for five years from the year when the corresponding loss was incurred. Under the current tax legislation in Taiwan, the tax losses amounting to HK$10,136,235 (2018: HK$11,286,967) can be carried forward for ten years from the year when the corresponding loss was incurred.

As at 31 December 2019, deferred tax liabilities have not been established for the withholding tax that would be payable on the unremitted earnings of approximately HK$11,971,934 (2018: HK$17,207,279) of certain PRC subsidiaries because the Company controls the dividend policy of these subsidiaries and it is not probable that these subsidiaries will distribute such earnings in foreseeable future.

34. SHARE CAPITAL

	2019			2018		
	Par value per share HK$	**Number of shares**	**Nominal value HK$**	Par value per share HK$	Number of shares	Nominal value HK$
Authorised:						
Ordinary shares						
At 1 January and 31 December	**0.20**	**1,500,000,000**	**300,000,000**	0.20	1,500,000,000	300,000,000
Issued and fully paid:						
Ordinary shares						
At 1 January	**0.20**	**526,292,500**	**105,258,500**	0.20	451,292,500	90,258,500
Issue of shares upon shares subscription *(note (a))*	**–**	**–**	**–**	0.20	75,000,000	15,000,000
Repurchase of shares *(note (b))*	**0.20**	**(945,000)**	**(189,000)**	–	–	–
At 31 December	**0.20**	**525,347,500**	**105,069,500**	0.20	526,292,500	105,258,500

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

34. SHARE CAPITAL (Continued)

Notes:

(a) Pursuant to subscription agreements entered into between the Company and four subscribers (the "2018 Subscribers") on 16 April 2018, 75,000,000 new ordinary shares of the Company were allotted and issued at a price of HK$0.20 per share to the 2018 Subscribers on 26 April 2018 for a total cash consideration of HK$15,000,000, which resulted in an increase in share capital by HK$15,000,000 and decrease in share premium by HK$25,000 for netting off the cost of share subscription amount.

(b) During the year ended 31 December 2019, the Company repurchased its own ordinary shares on the Stock Exchange and the repurchased shares were cancelled during the year. Details of the shares repurchased during 2019 are summarised as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share Highest HK$	Price per ordinary share Lowest HK$	Aggregate purchase price HK$
May 2019	330,000	0.190	0.170	59,090
June 2019	615,000	0.186	0.150	104,960
	945,000			164,050
Total expenses on shares repurchased during the year				1,874
Total				165,924

The share capital of the Company comprises only of fully paid ordinary shares of HK$105,069,500 (2018: HK$105,258,500). All shares are equally eligible to receive dividends and to the repayment of capital and each of the shares are entitled to one vote at shareholders' meeting of the Company.

35. SHARE OPTIONS

Pursuant to the resolution passed by the shareholders of the Company at the extraordinary general meeting of the Company dated 8 January 2008, a new share option scheme (the "New Share Option Scheme") was approved and adopted. The summary of the terms of the share option scheme is set out below.

The purpose of the New Share Option Scheme is to recognise and motivate the contribution of employees to the growth of the Group. Under the New Share Option Scheme, the board of directors which shall include the independent non-executive directors may, at its discretion, invite any employees including any executive directors of any companies in the Group to take up options at HK$1.00 to subscribe for shares in the Company at the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediate preceding the date of grant; and (iii) the nominal value of a share.

The total number of shares which may be issued upon exercise of all options which may be granted under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue as at the date of approval of the New Share Option Scheme.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

35. SHARE OPTIONS (Continued)

Under the New Share Option Scheme, any employee of the Group is eligible to participate as grantee in and receive share options. Unless approved by the shareholders in the manner set out below, the total number of shares issued and to be issued upon exercise of the share options granted to each participant (including both exercised and outstanding share options) in any 12-month period must not exceed 1 percent of the shares in issue ("Individual Limit"). Where any further grant of share options to a participant would result in the shares issued and to be issued upon exercise of all share options granted and to be granted to such participant (including exercised, cancelled and outstanding share options) exceeding his or her Individual Limit, such further grant must be separately approved by the shareholders in general meeting with such participant and his or her associates abstaining from voting.

The option period in respect of any particular option shall be determined by the board of directors, provided that no option shall be exercisable after ten years from the date of its grant.

The share options are fully vested at the date of grant. All share-based employee compensation will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

Summary of the share options outstanding during the year and in prior year are as follows:

2019

Name of participant	As at 1 January 2019	Granted during the year	Lapsed during the year	As at 31 December 2019	Date of grant	Exercisable period	Exercise price HK$
Directors							
Lily Wu	4,500,000	–	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Chang Wei Wen	4,500,000	–	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Yang Meng Hsiu	4,500,000	–	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Chan Siu Wing, Raymond	450,000	–	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Leung Ka Kui, Johnny	450,000	–	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Wong Ka Wai, Jeanne	450,000	–	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
	14,850,000	–	–	14,850,000			
Other employees							
In aggregate	22,779,250	–	–	22,779,250	3 January 2018	3 January 2018 to 2 January 2028	0.20
	37,629,250	–	–	37,629,250			

Notes to the Consolidated Financial Statements

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35. SHARE OPTIONS (Continued)

2019 (Continued)

	As at 1 January 2019 HK$	Granted during the year HK$	Lapsed during the year HK$	As at 31 December 2019 HK$
Weighted average exercise price per share	0.20	–	–	0.20
Weighted average remaining contractual life of options outstanding as at 31 December 2019				8.01 years
Number of options exercisable as at 31 December 2019				37,629,250
Weighted average exercise price per share of options exercisable as at 31 December 2019				HK$0.20

2018

Name of participant	As at 1 January 2018	Granted during the year	Lapsed during the year	As at 31 December 2018	Date of grant	Exercisable period	Exercise price HK$
Directors							
Lily Wu	500,000	–	(500,000)	–	17 November 2008	17 November 2008 to 16 November 2018	1.86
	–	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Chang Wei Wen	–	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Yang Meng Hsiu	–	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Chan Siu Wing, Raymond	–	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Leung Ka Kui, Johnny	–	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Wong Ka Wai, Jeanne	–	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
	500,000	14,850,000	(500,000)	14,850,000			
Other employees							
In aggregate	–	22,779,250	–	22,779,250	3 January 2018	3 January 2018 to 2 January 2028	0.20
	500,000	37,629,250	(500,000)	37,629,250			

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

35. SHARE OPTIONS (Continued)

2018 (Continued)

	As at 1 January 2018 HK$	Granted during the year HK$	Lapsed during the year HK$	As at 31 December 2018 HK$
Weighted average exercise price per share	1.86	0.20	1.86	0.20
Weighted average remaining contractual life of options outstanding as at 31 December 2018				9.01 years
Number of options exercisable as at 31 December 2018				37,629,250
Weighted average exercise price per share of options exercisable as at 31 December 2018				HK$0.20

The Company did not grant any share options during the year ended 31 December 2019. No share options were exercised or forfeited during the years ended 31 December 2019 and 2018.

During the year ended 31 December 2018, 37,629,250 options were granted on 3 January 2018 with estimated total fair values of approximately HK$3,339,000. The exercise price of the share options granted is HK$0.20 per share. The share options are valid for a period of 10 years and fully vested at the grant date.

The fair values of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair values were measured using the Binomial Option Pricing Model. The inputs into the model were as follows:

	3 January 2018
Share price at grant date	HK$0.131
Expected volatility	74.77%
Expected option life	10 years
Risk-free interest rate	1.82%
Expected dividend yield	–

Expected volatility was determined by using historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability and behavioural considerations. Expected dividends are based on historical dividend. Changes in the subjective input assumptions could materially affect the fair value estimate. The Group recognised a total expense of HK$3,339,000 for the year ended 31 December 2018 (2019: nil) in relation to share options granted by the Company and the share-based payments were included in "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

36. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Share premium represents the excess of the net proceeds from issuance of the shares of the Company over its par value, less any dividends paid out of the share premium account and any premium paid for the repurchase of shares of the Company.

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36. RESERVES (Continued)

The Group (Continued)

Contributed surplus of the Group represents the difference between the nominal value of the share capital and share premium of the subsidiaries acquired pursuant to a group reorganisation conducted in previous years over the nominal value of the share capital of the Company issued in exchange therefore, less share issue expenses.

Translation reserve of the Group represents the exchange differences on translation of the financial statements of the PRC subsidiaries and a Taiwan subsidiary.

Share option reserve is set up in accordance with the accounting policy set out in note 2.22.

Certain portion of the retained earnings of the Company's PRC subsidiaries is restricted for distribution. Under the relevant PRC laws and regulations, the PRC subsidiaries are required to appropriate at least 10% of profit after tax to general reserve fund until reaching 50% of the registered capital. The general reserve fund can be applied to set-off accumulated losses and to convert into paid-in capital. Such restricted profits included in the Group's accumulated losses amounted to HK$10,824,274 (2018: HK$11,347,376).

The Company

	Share premium HK$	Contributed surplus HK$	Share option reserve HK$	Other reserves HK$	Accumulated losses HK$	Total HK$
At 1 January 2018	363,342,716	24,190,659	1,360,008	7	(406,688,338)	(17,794,948)
Loss for the year	–	–	–	–	(1,842,099)	(1,842,099)
Issue of shares upon share subscription *(note 34(a))*	(25,000)	–	–	–	–	(25,000)
Share-based payments *(note 35)*	–	–	3,339,000	–	–	3,339,000
Lapse of employee share options	–	–	(1,360,008)	–	1,360,008	–
At 31 December 2018 and 1 January 2019	363,317,716	24,190,659	3,339,000	7	(407,170,429)	(16,323,047)
Loss for the year	–	–	–	–	(43,161,820)*	(43,161,820)
Repurchase of shares *(note 34(b))*	23,076	–	–	–	–	23,076
At 31 December 2019	363,340,792	24,190,659	3,339,000	7	(450,332,249)	(59,461,791)

* Loss for the year mainly included the expected credit loss allowance made on other receivables. Please refer to note 25(c) for details.

Share premium represents the excess of the net proceeds from issuance of the shares of the Company over its par value, less any dividends paid out of the share premium account and any premium paid for the repurchase of shares of the Company.

Contributed surplus of the Company represents the difference between the combined net assets value of the subsidiaries acquired pursuant to a group reorganisation conducted in previous years over the nominal value of the share capital of the Company issued in exchange therefore, less share issue expenses.

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37. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION

	Notes	2019 HK$	2018 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		32,480	43,408
Right-of-use assets		1,062,095	–
Interests in subsidiaries	38	44,750,180	75,480,419
Long-term other receivable	25(c)	–	–
		45,844,755	75,523,827
Current assets			
Prepayments, deposits and other receivables		1,793,801	974,110
Amount due from a joint venture	26	–	23,215,878
Cash and cash equivalents		2,132,986	73,290
		3,926,787	24,263,278
Current liabilities			
Other payables		1,979,113	4,666,777
Lease liabilities		991,077	–
Borrowings		700,000	5,775,000
Amount due to a subsidiary		409,875	409,875
		4,080,065	10,851,652
Net current (liabilities)/assets		(153,278)	13,411,626
Total assets less current liabilities		45,691,477	88,935,453
Non-current liabilities			
Lease liabilities		83,768	–
Net assets		45,607,709	88,935,453
EQUITY			
Share capital	34	105,069,500	105,258,500
Reserves	36	(59,461,791)	(16,323,047)
Total equity		45,607,709	88,935,453

Approved and authorised for issue by the board of directors on 14 May 2020.

Lily Wu
Director

Chang Wei Wen
Director

Notes to the Consolidated Financial Statements

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38. INTERESTS IN SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2019 and 2018 are as follows:

Name of company	Place of incorporation/ establishment and operation and kind of legal entity	Particulars of issued capital/paid-up registered capital	Percentage of interest held by the Company	Principal activities
Cardlink Technology (HK) Limited	Hong Kong, limited liability company	HK$10,000	100%	Investment holding
Elegant Future (Hong Kong) Limited	Hong Kong, limited liability company	HK$1	100%	Investment holding and trading of scrap vehicles
Elegant Future (Taiwan) Company Limited	Taiwan, limited liability company	NTD60,000,000	100%	Sales and trading of scrap metals (2018: Trading and dismantling of scrap vehicles)
Intercard Limited	Hong Kong, limited liability company	HK$10,666,667	100%	Sales of smart cards, system development and provision of research and development, marketing and sales
Phoenitron HK	Hong Kong, limited liability company	2019: Nil (2018: HK$10,000 *(note (b))*	2019: Nil (2018: 100%)	Investment holding
PMIS Limited	Hong Kong, limited liability company	HK$10,000	100%	Development and provision of smart card application systems
Shanghai Phoenitron	The PRC, partially-foreign-owned enterprises	2019: Nil (2018: RMB15,000,000) *(notes (b), (c) and 25(c))*	2019: Nil (2018: 75%)	Provision of LNG services and sales of petrochemical products
Topwise Technology (SZ) Limited	The PRC, wholly-foreign-owned enterprises	HK$10,000,000	100%	Smart cards manufacturing and sales
Waystech Group Limited	BVI, limited liability company	US$10,000	100%	Investment holding
北京萬利時智能科技有限公司	The PRC, wholly-foreign-owned enterprises	2019: Nil (2018: RMB8,335,083) *(note (a))*	2019: Nil (2018: 100%)	Dormant
上海仁重新能源科技有限公司	The PRC, wholly-foreign-owned enterprises	2019: Nil (2018: RMB5,000,000) *(notes (b) and (c))*	2019: Nil (2018: 75%)	Provision of LNG services and sales of petrochemical products

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

38. INTERESTS IN SUBSIDIARIES (Continued)

Notes:

(a) As disclosed in note 42(a), the Group disposed of its 100% equity interests in World Praise International Limited and its wholly-owned subsidiaries including Jointop (H.K.) Limited and 北京萬利時智能科技有限公司 ("World Praise Group") during the year ended 31 December 2019.

(b) As disclosed in note 42(b), the Group disposed of its 100% equity interests in Waywise Group during the year ended 31 December 2019.

(c) During the year ended 31 December 2018, the Group completed a share reduction of the subsidiary, equity interest remains at 75%.

Other than Waystech Group Limited, which is held directly by the Company, all subsidiaries are held indirectly.

None of the subsidiaries has issued any debt securities at the end of the year.

39. NON-CONTROLLING INTERESTS

In 2018, Shanghai Phoenitron, the 75% subsidiary of the Company, has material non-controlling interest ("NCI") as at 31 December 2018. Subsequent to its disposal through Waywise Group (notes 38 and 42(b)) during the year ended 31 December 2019, the NCI of all subsidiaries that are not 100% owned by the Group are considered to be immaterial and hence no summarised financial information are presented for 2019. The summarised financial information in relation to Shanghai Phoenitron, before intra-group eliminations, for the year ended 31 December 2018 are set out in the Company's annual report 2018.

40. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the consolidated financial statements, the following transactions were carried out by the Group in the ordinary course of business with related parties.

(a) Transactions with related parties

Related party relationship	Type of transaction	2019 HK$	2018 HK$
Mr. Tsai, the substantial shareholder of the Company	Consultancy fee expense	**1,320,000**	1,320,000
	Salaries and allowances	**256,410**	246,154
	Rental expense relating to short-term leases (2018: Rental expense)	**271,385**	271,385
	Non-interest bearing borrowings – additions	**5,915,000**	813,122
Mr. Chang Wei Wen, a director and a shareholder of the Company	Interest expense	**9,764**	–
	Non-interest bearing borrowings – additions	**–**	800,000
	Interest-bearing borrowings – additions	**300,000**	–

(b) Compensation of key management personnel

Members of key management during the year comprised only the executive directors whose remunerations are set out in note 16.

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41. COMMITMENTS

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

(a) Capital commitments

	2019 HK$	2018 HK$
Contracted but not provided for:		
– Acquisition of plant and equipment	–	3,298,156

(b) Lease commitments

As lessee

At the reporting date, the lease commitments for short-term leases (2018: total future minimum lease payments payable by the Group under non-cancellable operating leases) are as follows:

	2019 HK$	2018 HK$
Within one year	225,231	1,890,669
In the second to fifth year, inclusive	–	1,133,352
	225,231	3,024,021

As at 31 December 2019, the Group leases a staff quarter and an office with a lease period of 12 months, which are qualified to be accounted for under short-term lease exemption under HKFRS 16.

As at 31 December 2018, the Group leases a number of properties under operating leases. The leases run for an initial period of one to eight years, with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

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42. DISPOSAL OF SUBSIDIARIES

(a) Disposal of World Praise Group with loss of control

On 28 June 2019, the Group has completed the disposal of its entire interest in World Praise Group to an independent third party at a consideration of HK$100,000. World Praise Group is engaged in sales of smart cards and investment holding.

Consideration received are as follows:

	2019 HK$
Total consideration received in cash and cash equivalents	100,000

The major classes of assets and liabilities of the World Praise Group as at 28 June 2019, are as follows:

	HK$
Property, plant and equipment *(note 19)*	1,611,169
Trade and other receivables	3,991,179
Cash and cash equivalents	9,876
Trade and other payables	(7,384,150)
Net liabilities disposed of	(1,771,926)

	2019 HK$
Gain on disposal of subsidiaries:	
Consideration received	100,000
Net liabilities disposed of	1,771,926
Cumulative exchange differences in respect of net liabilities of the subsidiaries reclassified from equity to profit or loss on loss of control of subsidiary	3,134,077
Gain on disposal of subsidiaries *(note 8)*	5,006,003

	2019 HK$
Analysis of net cash flow on disposal:	
Consideration received in cash and cash equivalents	100,000
Cash and cash equivalents disposed of	(9,876)
Net cash inflow on disposal of subsidiaries	90,124

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For the year ended 31 December 2019

42. DISPOSAL OF SUBSIDIARIES (Continued)

(b) Disposal of Waywise Group with loss of control

On 12 December 2019, the Group has completed the disposal of its entire interest in Waywise Group to an independent third party at a consideration of HK$7,000,000. Waywise Group is engaged in sales of petrochemical products and investment holding.

Consideration are as follows:

	2019 HK$
Consideration received in cash and cash equivalents	1,000,000
Consideration receivable	6,000,000
Total consideration *(note)*	7,000,000

The major classes of assets and liabilities of the Waywise Group as at 12 December 2019, are as follows:

	HK$
Interest in an associate *(note 22)*	–
Trade and other receivables	21,629,355
Tax recoverable	274,199
Cash and cash equivalents	5,790
Trade and other payables	(2,430,562)
Borrowings	(455,556)
Net assets disposed of	19,023,226

	2019 HK$
Loss on disposal of subsidiaries:	
Consideration received and receivable	7,000,000
Net assets disposed of	(19,023,226)
Non-controlling interests	5,182,007
Cumulative exchange differences in respect of net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of subsidiary	(8,501,624)
Loss on disposal of subsidiaries *(note 12)*	(15,342,843)

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For the year ended 31 December 2019

42. DISPOSAL OF SUBSIDIARIES (Continued)

(b) Disposal of Waywise Group with loss of control (Continued)

The loss on disposal is included in the loss for the year from discontinued operations in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 (note 12).

	2019 HK$
Analysis of net cash flow on disposal:	
Consideration received in cash and cash equivalents	1,000,000
Cash and cash equivalents disposed of	(5,790)
Net cash inflow on disposal of subsidiaries	994,210

Note: As at 31 December 2019, HK$1,000,000 was settled in 2019 and the remaining consideration of HK$6,000,000 was included in other receivables and was fully received subsequently.

43. SIGNIFICANT NON-CASH TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, during the years ended 31 December 2019 and 2018, the Group had the following major non-cash transactions:

(i) During the year ended 31 December 2018, the Group assigned certain other receivables from a third party of RMB84,654,000 (approximately HK$96,197,727) to a third party supplier. Accordingly, the other receivables of HK$96,197,727 was offset against trade payables.

(ii) During the year ended 31 December 2018, as disclosed in note 25(c), a customer of the Group settled the trade receivables of RMB84,744,000 (approximately HK$96,300,000) by assigning amounts receivable from a third party to the Group. Accordingly, trade receivables of HK$96,300,000 was transferred to other receivables.

(iii) During the year ended 31 December 2019, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to HK$3,103,018 was recognised at the lease commencement date.

(iv) During the year ended 31 December 2019, an amount due from a joint venture (note 26) of HK$7,315,000 was fully offset against other borrowings from Mr. Tsai and a minority shareholder of the Company of HK$3,815,000 and HK$3,500,000, respectively.

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44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk and foreign currency risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

In light of the simplicity of the operations, the risk management of the Group is carried out by the board of directors (the "Board") directly. The Board discusses both formally and informally principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, liquidity risk and use of financial instruments.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

44.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	2019 HK$	2018 HK$
Financial assets		
Financial assets at FVTPL		
– Long-term financial assets investments	–	–
– Investment in TV programmes	26,850,000	–
Financial assets at amortised cost		
– Trade and other receivables	26,215,643	101,972,176
– Amount due from a joint venture	–	23,215,878
– Cash and cash equivalents	10,270,969	837,849
	63,336,612	126,025,903
Financial liabilities		
Financial liabilities at amortised cost		
– Trade and other payables	27,190,881	43,568,598
– Borrowings	1,715,385	6,457,045
– Lease liabilities	9,830,793	–
	38,737,059	50,025,643

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

44.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2019 and 2018 is the carrying amount as disclosed in note 44.1.

(i) *Trade receivables and contract assets*

The Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers after a credit worthiness assessment. When considered appropriate, customers may be requested to provide proof as to their financial position. Where available at reasonable cost, external credit ratings and/or reports on customers are obtained and used. Customers who are not considered creditworthy are required to pay in advance or on delivery of goods. Payment record of customers is closely monitored. It is not the Group's policy to request collateral from its customers.

In addition, as set out in note 2.9, the Group assesses ECL under HKFRS 9 on trade receivables and contract assets based on provision matrix, the expected loss rates are based on the payment profile for sales in the past 24 months as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables and contract assets are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 90 days from the due date and failure to engage with the Company on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

44.2 Credit risk (Continued)

(i) Trade receivables and contract assets (Continued)

On the above basis, the ECL for trade receivables and contract assets as at 31 December 2019 and 2018 was determined as follows:

	Current HK$	1-30 days past due HK$	31-90 days past due HK$	Over 90 days past due HK$	Total HK$
31 December 2019					
ECL rate	0.01%	0.02%	0.02%	0.03%-100%	
Gross carrying amount					
– trade receivables	11,573,013	2,205,446	11,800	26,497	13,816,756
Gross carrying amount					
– contract assets	624,000	–	–	–	624,000
Lifetime ECL	1,157	441	2	2,347	3,947
31 December 2018					
ECL rate	0.01%	0.01%	0.05%	0.29%-100%	
Gross carrying amount					
– trade receivables	10,038,944	3,507,851	1,235,202	11,654	14,793,651
Lifetime ECL	1,004	351	618	66	2,039

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables, amount due from a joint venture and bank balances and cash. In order to minimise the credit risk of other receivables and amount due from a joint venture, the management would make periodic collective and individual assessment on the recoverability of other receivables and amount due from a joint venture based on historical settlement records and past experience as well as current external information. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of other receivables and amount due from a joint venture are considered to be low.

Except for the matters as described in note 25(c) in relation to the other receivables from the Petroleum Company as at 31 December 2019, the management is of opinion that there is no significant increase in credit risk on these other receivables and amount due from a joint venture since initial recognition as the risk of default is low after considering the factors as set out in note 2.9 and, thus, ECL recognised is based on 12-month ECL and the impact of ECL is insignificant for the year ended 31 December 2019. For the year ended 31 December 2018, the ECL rate applied for other receivables and amount due from a joint venture ranging from 0.41% to 4.71%, except for the other receivables of HK$1,402,564 mentioned below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

44.2 Credit risk (Continued)

(ii) Other financial assets at amortised cost (Continued)

As at 31 December 2019, the ECL of other receivables from the Petroleum Company was based on an individual assessment as described in note 25(c) to the consolidated financial statements.

As at 31 December 2018, the ECL of other receivables of HK$1,402,564 was assessed under life-time ECL as it was under disputes and litigation processes. Based on the legal opinion from the lawyer, the chance to win the court case is highly probable. Thus, the management considered the ECL rate for such amount is 30.8%. During the year ended 31 December 2019, the Group won the court case and thus no further ECL allowance was recognised.

The credit risks on bank balance and cash are considered to be insignificant because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

The policy to manage credit risk has been followed by the Group since prior years is considered to be effective.

44.3 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management.

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants by reviewing each operating entity's cash flow forecast, to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions and related parties to meet its liquidity requirements in the short and longer term. The liquidity policy has been followed by the Group since prior years and is considered to have been effective in managing liquidity risks.

The following table summarises the maturity analysis of the Group's financial liabilities, including loans with a repayment on demand clause, based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the borrowers will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

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44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

44.3 Liquidity risk (Continued)

	Within 1 year or on demand HK$	Over 1 year but within 5 years HK$	Total undiscounted amount HK$	Carrying amount HK$
At 31 December 2019				
Trade and other payables	27,190,881	–	27,190,881	27,190,881
Other borrowings	1,715,385	–	1,715,385	1,715,385
Lease liabilities	3,300,373	7,583,745	10,884,118	9,830,793
	32,206,639	7,583,745	39,790,384	38,737,059
At 31 December 2018				
Trade and other payables	43,568,598	–	43,568,598	43,568,598
Other borrowings	6,457,045	–	6,457,045	6,457,045
	50,025,643	–	50,025,643	50,025,643

44.4 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk mainly arises from borrowings and bank balances.

The Group manages interest rate risk by monitoring its interest rate profile as set out in note 32. The Group conducts periodical review to determine preferred interest rates mix appropriate for the business profile. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The policy to manage interest rate risk has been followed by the Group since prior years is considered to be effective.

The Group has no significant exposure to interest rates risk as the Group currently has no material financial assets and liabilities with floating interest rates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

44.5 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise from its overseas sales and purchases, which are primarily denominated in RMB and USD. These are not the functional currencies of the Group entities to which these transactions relate.

To mitigate the Group's exposure to foreign currency risk, cash flows in foreign currencies are monitored into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short term foreign currency cash flows (due within 6 months) from longer term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. The policy to manage foreign currency risk has been followed by the Group since prior years and is considered to be effective.

Summary of exposure

Foreign currency denominated financial assets and liabilities, translated into Hong Kong dollars at the closing rates, are as follows:

	2019		2018	
	RMB HK$	USD HK$	RMB HK$	USD HK$
Trade and other receivables	–	13,189,750	55,397,727	10,379,684
Amount due from a joint venture	–	–	23,215,878	–
Investment in TV programmes	26,850,000	–	–	–
Cash and cash equivalents	42	1,879,592	42	86,740
Trade and other payables	(16,478)	(1,340,362)	(14,035)	(1,785,111)
Gross exposure arising from recognised financial assets and liabilities	26,833,564	13,728,980	78,599,612	8,681,313

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

44.5 Foreign currency risk (Continued)

Sensitivity analysis

As HK$ is linked to USD, the directors consider that the Group's exposure on foreign currency risk in respect of USD is not significant. The following table illustrates the sensitivity of the Group's profit/loss for the year and equity in regards to a 5% (2018: 5%) appreciation in the group entities' functional currencies against other foreign currencies. The 5% (2018: 5%) is the rate used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

The sensitivity analysis of the Group's exposure to foreign currency risk at the end of the reporting period has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year and held constant throughout the year.

	2019 Increase/ (Decrease) in loss for the year and accumulated losses RMB HK$	2018 (Decrease)/ Increase in profit for the year and (increase)/decrease accumulated losses RMB HK$
Changes in exchange rate:		
HK$ appreciate by 5% (2018: 5%) against foreign currencies	**1,341,678**	(3,281,534)
HK$ depreciate by 5% (2018: 5%) against foreign currencies	**(1,341,678)**	3,281,534

The sensitivity analysis for the year ended 31 December 2018 has been prepared on the same basis.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions.

44.6 Fair value measurements of financial instruments

The Group's financial instruments classified within Level 3 of the fair value hierarchy represent the long-term financial investments and investment in TV programmes, the valuation process and the reconciliation of its carrying amounts as at 31 December 2019 and 2018 are disclosed in note 23 and 27. Except as disclosed above, all other financial instruments are carried at amortised cost with amounts not materially different from their fair values as at 31 December 2019 and 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Bank loans HK$	Other borrowings – shareholders loans HK$	Other borrowings – other loans HK$	Lease liabilities HK$	Total HK$
1 January 2019	–	80,000	6,377,045	–	6,457,045
Impact on initial application of HKFRS 16 *(note 3(a))*	–	–	–	9,406,280	9,406,280
Adjusted balance at 1 January 2019	–	80,000	6,377,045	9,406,280	15,863,325
Cash-flows:					
– Proceeds	–	9,715,000	1,400,000	–	11,115,000
– Repayment	–	(764,615)	(7,311,136)	–	(8,075,751)
– Capital element of lease rentals paid	–	–	–	(2,497,334)	(2,497,334)
– Interest element of lease rentals paid	–	–	–	(483,527)	(483,527)
Non-cash:					
– Exchange adjustments	–	–	(10,353)	(181,171)	(191,524)
– Entering into new leases	–	–	–	3,103,018	3,103,018
– Interest expense	–	–	–	483,527	483,527
– Set off with amount due from a joint venture	–	(7,315,000)	–	–	(7,315,000)
– Disposal of subsidiaries *(note 42(b))*	–	–	(455,556)	–	(455,556)
31 December 2019	–	1,715,385	–	9,830,793	11,546,178
1 January 2018	6,941,675	1,719,231	5,262,128	–	13,923,034
Cash-flows:					
– Proceeds	13,457,100	1,613,122	6,396,500	–	21,466,722
– Repayment	(20,398,775)	(3,252,353)	(5,267,915)	–	(28,919,043)
Non-cash:					
– Exchange adjustments	–	–	(13,668)	–	(13,668)
31 December 2018	–	80,000	6,377,045	–	6,457,045

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46. CAPITAL MANAGEMENT

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors capital on the basis of gearing ratio. The ratio defined and calculated by the Group as total borrowings including lease liabilities expressed as a percentage of total assets, was 13.4% as at 31 December 2019 as compared to 4.6% as at 31 December 2018.

Financial Summary

For the year ended 31 December 2019

The following is a summary of the consolidated results and consolidated assets and liabilities of the Group for each of the five years ended 31 December 2019:

CONSOLIDATED RESULTS

	2015 HK$ (Restated)	2016 HK$ (Restated)	2017 HK$ (Restated)	2018 HK$ (Restated)	**2019** **HK$**
Continuing operations					
Revenue	141,360,402	87,630,400	46,235,468	50,204,122	**67,612,736**
Profit/(Loss) from operations	6,613,454	(234,459,127)	(18,486,614)	2,976,392	**(25,279,757)**
Finance costs	(1,611,551)	(647,613)	(786,638)	(1,092,964)	**(589,573)**
Profit/(Loss) before income tax	5,001,903	(235,106,740)	(19,273,252)	1,883,428	**(25,869,330)**
Income tax (expense)/credit	(2,543,235)	(364,183)	19,802	(240,309)	**–**
Profit/(Loss) for the year from continuing operations	2,458,668	(235,470,923)	(19,253,450)	1,643,119	**(25,869,330)**
Discontinued operations					
Profit/(Loss) for the year from discontinued operations	4,094,252	1,626,236	(689,113)	(224,986)	**(16,361,773)**
Profit/(Loss) for the year	6,552,920	(233,844,687)	(19,942,563)	1,418,133	**(42,231,103)**

CONSOLIDATED ASSETS AND LIABILITIES

	2015 HK$	2016 HK$	2017 HK$	2018 HK$	**2019** **HK$**
Non-current assets	36,850,227	10,949,415	10,224,732	8,578,438	**14,978,949**
Current assets	367,581,111	129,238,442	237,062,415	132,833,817	**71,307,267**
Current liabilities	83,278,810	49,574,149	153,870,064	52,301,325	**33,651,104**
Non-current liabilities	4,707	4,707	4,707	4,707	**6,924,020**