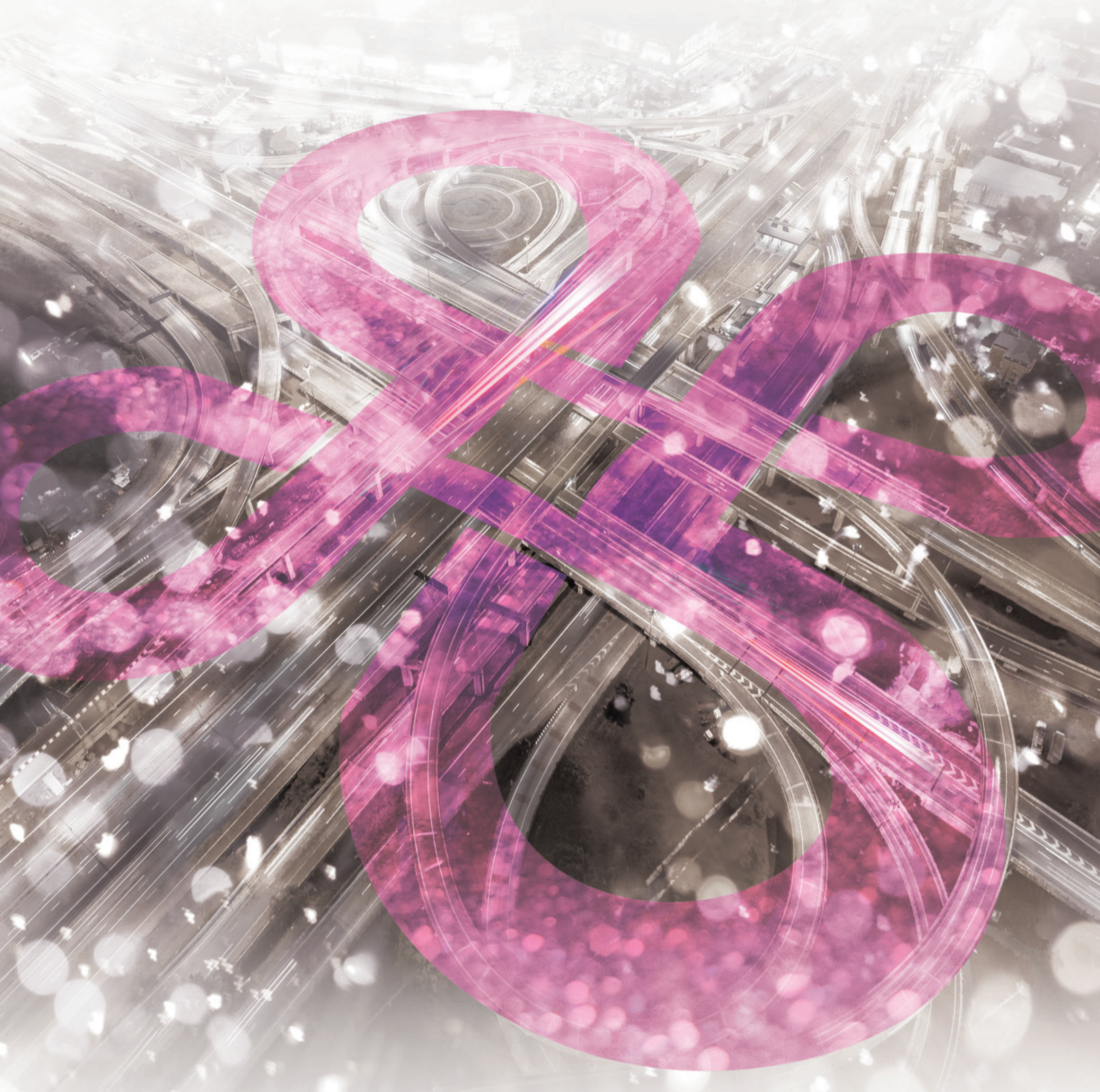
SUNWAY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00058



Annual Report 2018

CONTENTS

Corporate Information

DIRECTORS

Executive Directors:
Li Chongyang *(Managing Director)*
Qi Jiao
Lam Kai Yeung (re-designated on 31 July 2018)
Leung Chi Fai (executive duties suspended on 27 July 2018)

Non-executive Directors:
Huang Weidong *(Chairman)*
Liu Chenli (resigned on 3 August 2018)

Independent non-executive Directors:
Cong Yongjian
Lam Huen Sum
Ng Yuk Lam (appointed on 31 July 2018)

COMPANY SECRETARY
Lam Kai Yeung (appointed on 31 July 2018)
Leung Chi Fai (resigned on 31 July 2018)

AUTHORISED REPRESENTATIVES
Li Chongyang
Lam Kai Yeung (appointed on 31 July 2018)
Leung Chi Fai (resigned on 31 July 2018)

AUDIT COMMITTEE
Ng Yuk Lam *(Chairman)* (appointed on 31 July 2018)
Cong Yongjian
Lam Huen Sum
Liu Chenli (resigned on 3 August 2018)

NOMINATION COMMITTEE
Huang Weidong *(Chairman)*
Cong Yongjian
Lam Kai Yeung
Lam Huen Sum
Ng Yuk Lam (appointed on 31 July 2018)
Leung Chi Fai (resigned on 31 July 2018)
Liu Chenli (resigned on 3 August 2018)

REMUNERATION COMMITTEE
Ng Yuk Lam *(Chairman)* (appointed on 31 July 2018)
Huang Weidong
Cong Yongjian
Lam Huen Sum
Lam Kai Yeung (appointed on 31 July 2018)
Leung Chi Fai (resigned on 31 July 2018)
Liu Chenli (resigned on 3 August 2018)

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Unit 1902, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR
ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Unit 701–3&8, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

LEGAL ADVISERS
As to Bermuda law:
Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

As to Hong Kong law:
King & Wood Mallesons
13/F Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

PRINCIPAL BANKERS
In Hong Kong:
Bank of Communications Co., Ltd, Hong Kong Branch
Branch Dah Sing Bank Limited
Industrial Bank Co., Ltd, Hong Kong Branch

In the People's Republic of China:
Guangdong Yangdong Rural Commercial Bank
China Construction Bank Corporation
Industrial and Commercial Bank of China Limited

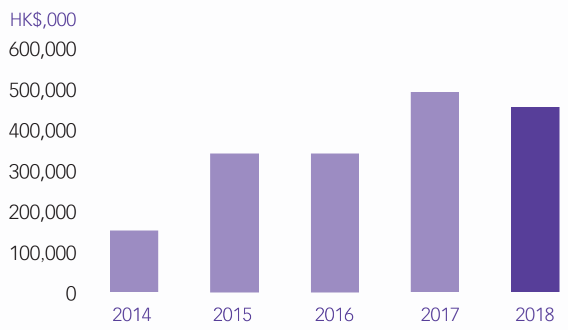
WEBSITE
http://www.hk0058.com

STOCK CODE
The Stock Exchange of Hong Kong Limited: 58

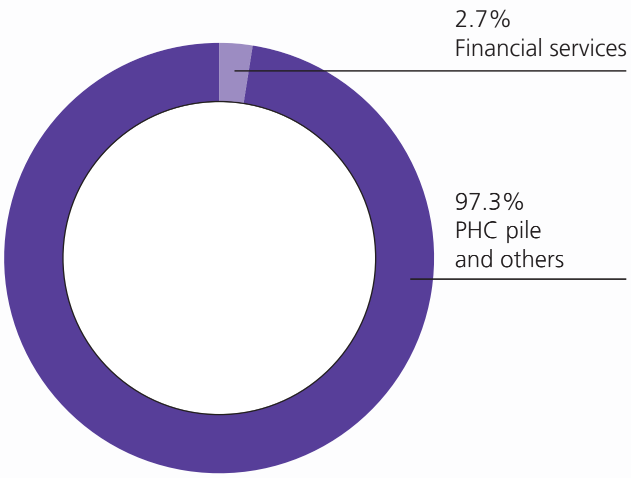
Financial Highlights

	2018 HK$'000	2017 HK$'000
OPERATING RESULTS		
Revenue	414,717	315,515
(Loss)/profit for the year	(43,626)	(4,366)
(Loss)/profit for the year attributable to owners of the Company	(50,501)	(7,784)
Loss per share – basic and diluted	HK(8.07 cents)	HK(1.48 cents)
Proposed final dividend per share	Nil	Nil
FINANCIAL POSITION		
Total assets	683,561	721,995
Total liabilities	149,797	134,816
Cash and cash equivalents	23,156	77,146
Equity attributable to owners of the Company	453,769	513,925
FINANCIAL RATIOS		
Current ratio	4.19	4.97
Gearing ratio	0.28	0.23

Equity attributable to owners of the Company



Revenue by business segments



REVIEW OF RESULTS AND OPERATIONS

Construction Materials Business

Construction materials business consisted of the PHC Pile and Others Business and the PC Steel Bar Business.

PHC Pile and Others Business

PHC Pile and Others Business is operated by a subsidiary of the Company, 廣東恒佳建材股份有限公司 Guangdong Hengjia Construction Materials Co., Ltd* ("**Guangdong Hengjia**") and its production factory is situated in Yangjiang City, Guangdong Province, the PRC. Guangdong Hengjia sells its products to customers located in Yangjiang City and its surrounding cities in Guangdong Province.

Revenue from the PHC Pile and Others Business represented mainly sales of pre-stressed high strength concrete pile, ready-mixed concrete and bricks which contributed approximately 36%, 49% and 13%, (for the year ended 31 December 2017 ("**FY2017**"): approximately 49%, 35% and 16%) respectively to the revenue of PHC Pile and Others Business. The total revenue of the Group for the year ended 31 December 2018 ("**FY2018**") was mainly generated from the PHC Pile and Others Business.

Revenue from external customers for FY2018 was HK$403,342,000 compared with HK$305,074,000 reported last year, which increased by approximately 32%. The increase in revenue for the period was mainly attributable to the rise in sales of ready-mixed concrete. PHC Pile and Others Business contributed approximately 97.3% and 96.7% of the total revenue of the Group for FY2018 and FY2017, respectively.

The operations of the PHC Pile and Others Business for FY2018 remained profitable. The segment profit for FY2018 was HK$27,061,000 as compared with HK$7,481,000 reported last year.

PC Steel Bar Business

PC Steel Bar Business is operated by a subsidiary of the Company, 珠海和盛特材股份有限公司 Zhuhai Hoston Special Materials Co., Ltd*. ("**Zhuhai Hoston**") and its production factory is situated in Zhuhai City, Guangdong Province, the PRC (the "**Zhuhai Factory**"). The operation of the Zhuhai Factory has been suspended since 1 January 2016.

PC Steel Bar Business did not generate revenue during the FY2018. Expenses incurred during the year were mainly staff costs and legal fees for the Zhuhai Factory. Segment loss for FY2018 was HK$299,000 as compared with HK$810,000 reported last year.

Financial Services Business

Financial services business consisted of money lending, provision of asset management services, advising on securities services and securities brokerage services in Hong Kong.

Money lending business contributed HK$11,375,000 to the revenue of the Group during FY2018 (FY2017: HK$10,441,000) which increased by 8.9% compared with last year and represented interest income from loans granted to customers.

Segment profit for FY2018 was HK$4,531,000 as compared with segment loss of HK$15,092,000 reported last year.

During the year ended 31 December 2017 and 2018, the Group's business in regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (Type 1, 4 and 9) had contributed minimal revenue to the Group. In view of the costs of maintaining the Type 1, 4 and 9 licences (which amounted to approximately HK$6,500,000 each year) and the minimal revenue contribution of such business segment to the Group, the Group intended to cease carrying on such business in the future.

Other gains and losses, net

Other gains and losses, net for FY2018 consisted of net exchange loss of HK$6,500,000, gain on disposal of property, plant and equipment of HK$439,000, net loss arising on investments at fair value through profit or loss of HK$457,000, provision for impairment loss of trade receivables, net of HK$12,479,000, reversal of provision for impairment loss of prepayments, deposits and other receivables, net of HK$64,000, provision of compensation and cost for legal cases of HK$1,638,000, impairment on goodwill of HK$1,041,000, impairment on intangible assets of HK$11,786,000 write-off of trade receivables of HK$289,000 and write-off of prepayments, deposit and other receivables of HK$132,000.

Other expenses

Other expenses for FY2018 mainly represented donations of HK$1,071,000.

Selling and distribution expenses

Selling and distribution expenses for FY2018 mainly comprised of transportation costs of HK$73,631,000 and salaries for the sale-persons of HK$1,567,000.

Administrative expenses

Administrative expenses for FY2018 mainly comprised of salaries and other benefits (including Directors' remuneration) of HK$16,552,000 and legal and professional fees of HK$13,733,000.

Finance costs

Finance costs for FY2018 were interest expenses for the bank borrowings of HK$3,005,000 and bond interest of HK$168,000.

FINAL DIVIDEND

The Board resolved not to declare any final dividend for the year ended 31 December 2018 (2017: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its operations with equity fund raising activities, issuance of bond internally generated cash flow and banking facilities provided by its principal bankers in the PRC. As at 31 December 2018, the total shareholders' equity of the Group was HK$533,764,000, representing a decrease of approximately 9.1% over last year. As at 31 December 2018, the Group's cash and cash equivalents stood at HK$23,156,000 whereas interest-bearing borrowings were HK$27,988,000. The annual interest rates of the borrowings for FY2018 ranged from 5.00% to 8.12% per annum. Approximately 37.6% of the total borrowings were accounted for as current liabilities of the Group. The above borrowings were denominated in Hong Kong Dollar and Renminbi. During the year, the Group did not use any financial instruments for any hedging purposes. The gearing ratio, which was computed by dividing the current liabilities and non-current liabilities by equity, was approximately 28% as at 31 December 2018.

SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

The Group has no significant investment, acquisition and disposal during the year.

CAPITAL STRUCTURE

Convertible notes

As at 31 December 2018, the Company had convertible notes with principal amount of HK$30,000,000. Based on the opinions obtained from the legal adviser of the Company, in view of the on-going legal proceedings mentioned under the paragraph headed "Legal Proceedings" in this report, the Company maintains the position that all remaining convertible notes of the Company are void and are not capable of converting into shares of the Company.

On-market Share Repurchase

During the period from 19 January 2018 to 6 February 2018, the Company repurchased an aggregate of 185,720,000 ordinary shares (repurchased 140,000,000 shares in January 2018 and repurchased 45,720,000 shares in February 2018, respectively) of HK$0.01 each (before the share consolidation takes effect on 4 June 2018) in the share capital of the Company respectively (representing approximately 2.91% of the entire issued Shares) on the Stock Exchange pursuant to the general mandate to repurchase Shares granted by the shareholders of the Company to the Board at the annual general meeting of the Company held on 6 June 2017. The highest purchase price per Share was HK$0.058 and the lowest purchase price per Share was HK$0.050, and an aggregate of HK$9,957,000 (before brokerage and expenses) was utilized by the Company for such repurchases. The Company has cancelled an aggregate of 145,120,000 and 40,600,000 of the repurchased Shares on 8 February 2018 and 9 March 2018, respectively. Details of the aforesaid shares repurchases were disclosed in the Company's announcement dated 19 January 2018, and the Next Day Disclosure Return dated from 19 January 2018 to 9 March 2018.

Share Consolidation

As disclosed in the Company's announcement dated 18 April 2018, the Board proposed to put forward to the shareholders of the Company (the "**Shareholders**") a proposal of the share consolidation (the "**Share Consolidation**") on the basis that every ten (10) issued and unissued existing shares of a par value of HK$0.01 each in the share capital of the Company be consolidated into one (1) consolidated share of a par value of HK$0.10 each in the share capital of the Company (the "**Proposed Resolution**"). The Proposed Resolution was duly passed by the Shareholders by way of poll at the special general meeting of the Company held on 1 June 2018. All the conditions precedent of the Share Consolidation have been fulfilled and the Share Consolidation has become effective on 4 June 2018. The board lot size for trading on the Stock Exchange remains as 20,000 shares. Details of the Share Consolidation were disclosed in the Company's announcements dated 18 April 2018, 8 May 2018, 10 May 2018 and 1 June 2018 and the circular of the Company dated 10 May 2018.

Rights Issue and its Termination

On 28 June 2018 (after trading hours), the Company entered into the underwriting agreement with Kingston Securities Limited and Business Century Investments Limited (collectively, the "**Underwriters**") with respect to the rights issue (the "**Underwriting Agreement**"). The Company proposed to implement the rights issue on the basis of one (1) rights share (the "**Rights Share**") for every two (2) existing shares in issue and held on the Record Date (being 23 July 2018) by issuing not less than 312,068,162 Rights Shares at the subscription price of HK$0.188 per Rights Share and not more than 325,458,162 Rights Shares (assuming all the share options granted under the share option scheme of the Company having been exercised in full, but there is no other changes in the issued share capital of the Company from the date of the announcement of the Company dated 28 June 2018 up to and including the Record Date). On 25 July 2018 (after trading hours), under the Company's then circumstances, the Company and the Underwriters mutually agreed to terminate the Underwriting Agreement. As a result of the termination, all of the terms and conditions of the Underwriting Agreement shall cease to have any further effect and each of the parties to the Underwriting Agreement shall be released from all obligations under the Underwriting Agreement with effect from 25 July 2018. Accordingly, the Rights Issue did not proceed. Details of the Rights Issue and its termination were disclosed in the Company's announcements dated 28 June 2018 and 25 July 2018 and the prospectus of the Company in relation to the Rights Issue dated 24 July 2018.

On 13 November 2018 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter with respect to the Rights Issue. The Company proposed to implement the Rights Issue on the basis of one (1) Rights Share for every two (2) existing Shares in issue and held on the Record Date by issuing not less than 312,068,162 Rights Shares (assuming there is no changes in the issued share capital of the Company from the date of the announcement of the Company dated 13 November 2018 up to and including the Record Date) and not more than 324,008,162 Rights Shares (assuming all the Share Options having been exercised in full, but there is no other changes in the issued share capital of the Company from the date of the announcement of the Company dated 13 November 2018 up to and including the Record Date), at the Subscription Price of HK$0.13 per Rights Share.

As disclosed in the Company's announcement dated 6 December 2018, the Company noted that one of the conditions precedent of the Underwriting Agreement may not be able to be fulfilled. Therefore, the Company and the Underwriter mutually agreed to terminate the Underwriting Agreement on 6 December 2018 and the Rights Issue has lapsed.

Share options

In accordance with the share options scheme approved and adopted by the Company on 17 June 2016 (the "**Share Option Scheme**"), on 22 June 2016, the Company granted options to certain directors, employees, substantial shareholders and consultants of the Group to subscribe for a total of 436,200,000 ordinary shares of HK$0.01 each in the capital of the Company on or before 21 June 2026 at an exercise price of HK$0.1682 per share. On 4 June 2018 on which the Share Consolidation became effective, the exercise prices and the number of consolidated Shares to be issued upon exercise of the outstanding share option were adjusted to HK$1.682 and 26,780,000 Shares respectively in accordance with the terms and conditions of the Share Option Scheme, Rule 17.03(13) of the Listing Rules and the supplementary guidance dated 5 September 2005 issued by the Stock Exchange. During FP2018, total 2,900,000 share options were cancelled. No share options were granted, exercised or lapsed.

Issued share capital

As at 31 December 2018, after the Share Consolidation became effective, the issued shares of the Company was 624,136,324 (as at 31 December 2017: 6,427,083,246) ordinary shares of HK$0.01 each.

Further Change in Use of Proceeds

As disclosed in the announcement of the Company dated 24 November 2017 and the annual report of the Company for the year ended 31 December 2017, the Board intended to allocate the net proceeds (the "**Net Proceeds**") from the placing of approximately HK$73.10 million as to: (a) approximately HK$30.20 million for the development of financial services business; (b) approximately HK$8.50 million for general working capital of the Group; and (c) approximately HK$34.40 million for the Acquisitions (as defined in the announcement of the Company dated 21 November 2017) (the "**Proceeds for Intended Acquisitions**"). As disclosed in the announcement of the Company dated 6 February 2018, the parties to the Acquisitions had been engaging in further negotiations.

In view of the above circumstances, as disclosed in the announcement of the Company dated 26 July 2018, the Board had resolved: (a) to apply part of the Proceeds for Intended Acquisitions in the sum of approximately HK$12.54 million towards the development of financial services business; (b) to apply part of the Proceeds for Intended Acquisitions in the sum of approximately HK$5.1 million towards general working capital; and (c) to apply the remaining part of the Proceeds for Intended Acquisitions in the sum of approximately HK$9.96 million towards Share buyback.

PLEDGE OF ASSETS

As at 31 December 2018, the Group's certain buildings of HK$35,973,000 and certain prepaid land lease payments of HK$22,833,000 were used to secure banking facilities for the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had approximately 400 full-time management, administrative, technical and production staff in the PRC and Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group's Directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme. Other staff benefit includes share options granted or to be granted under the Share Option Scheme.

FOREIGN EXCHANGE AND CURRENCY RISKS

The Group's monetary assets, liabilities and transactions are principally denominated in Renminbi ("**RMB**") and Hong Kong Dollars ("**HKD**"). The Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against RMB. The Group has a net exchange exposure to RMB as the Group's assets are principally located in the PRC. The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner.

COMMITMENT

Save as disclosed in note 35 of the notes to the Consolidated Financial Statements, the Group did not have material commitments as at 31 December 2018 (31 December 2017: Nil).

CONTINGENT LIABILITIES

As at 31 December 2018 and 31 December 2017, the Company did not have any material contingent liabilities.

EVENT AFTER THE REPORTING PERIOD

On 12 February 2019, the number of outstanding Share Options which have not been exercised was 23,880,000 (the "**Outstanding Share Options**"), each of which is exercisable at the exercise price of HK$1.682 per Share.

The purpose of the Share Option Scheme is to provide incentives or rewards to the eligible participants for their contribution to, and continuing efforts to promote the interests of the Company and to enable the Company to recruit and retain high-caliber employees. As the exercise price of the Outstanding Share Options were comparatively high when compared with the market prices of the Shares at that time, which deters the Grantees from exercising the Outstanding Share Options to subscribe for the Shares, the Board considered that it was in the interest of the Company and the Grantees to cancel the Outstanding Share Options granted but not exercised.

Having considered the above reasons, on 12 February 2019, the Board resolved to cancel the Outstanding Share Options, subject to the written consent of the Grantees to cancel their respective Outstanding Share Options. No compensation shall be payable to the Grantees for cancellation of the Outstanding Share Options. For details, please refer to the Company announcement dated 12 February 2019.

On 13 March 2019 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber agreed to subscribe for and the Company agreed to issue and allot 124,800,000 Shares in cash at the Share Subscription Price of HK$0.136 per Subscription Share. The Subscription Shares represented (i) approximately 19.996% of the existing issued share capital of the Company as at 13 March 2019; and (ii) approximately 16.66% of the issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares. The gross proceeds from the Share Subscription was approximately HK$16,972,800. The net proceeds from the Share Subscription, after deducting related expenses, was approximately HK$16,722,800, representing a net price of approximately HK$0.134 per Subscription Share, which would be used for general working capital purposes. On 27 March 2019, all the conditions of the Subscription Agreement have been fulfilled and completion of the Share Subscription took place. For details, please refer to the company announcements dated 13 March 2019 and 27 March 2019.

LEGAL PROCEEDINGS

As at the date of this report, the Group was involved in the following legal proceedings:

The Company/its subsidiary as the defendant

(a) Pursuant to a civil ruling dated 13 July 2016 issued by 廣東省珠海市香洲區人民法院 (Guangdong Zhuhai Xiangzhou People's Court)* (the "**Xiangzhou People's Court**"), 70% equity interest of Zhuhai Hoston in Guangdong Hengjia was charged to 珠海市中小企業融資擔保有限公司 (Zhuhai Small & Medium Enterprises Financing Guarantee Co., Ltd) ("**Zhuhai Small & Medium Enterprises**") as security for the debt owned to Zhuhai Small & Medium Enterprises. In view of the full and final settlement of the claim by Zhuhai Small & Medium Enterprises, the management of Zhuhai Hoston will apply to the court to release the said charge.

(b) References are made to the Company's announcements dated 5 February 2016, 14 March 2017 and 4 September 2017 in relation to an action commenced by Liu Qian (劉倩) ("**Ms. Liu**") as the plaintiff against the Company as the defendant in the Court of First Instance of the High Court of Hong Kong (the "**Court of First Instance**") on 3 February 2016 (the "**Action**"). On 13 March 2017, upon the application of Ms. Liu and after the substantive hearing of the application on 27 February 2017, the Court of First Instance entered summary judgment against the Company with damages to be assessed (the "**Summary Judgment**"). The Company filed an appeal against the Summary Judgment on 7 April 2017 (the "**Appeal**") and the substantive hearing of the Appeal was heard in the Court of Appeal of the High Court of Hong Kong (the "**Court of Appeal**") on 22 August 2017 with judgment reserved. On 1 September 2017, the Court of Appeal allowed the Appeal, set aside the Summary Judgment and granted the Company unconditional leave to defend the Action with the costs to the Company.

On 21 December 2018, the Company entered into a consent summons with Ms. Liu for full and final settlement of the costs order in favour of the Company in the Appeal, which was made an order on 31 December 2018.

The court further gave directions on 31 December 2018 for the parties to consider fixing a case management summons but no case management summons has been fixed yet as of the date of this report.

(c) References are made to the announcements of the Company dated 11 November 2016, 15 December 2017 and the Annual Report 2017 in relation to the civil complaints involving Zhuhai Hoston.

(i) Zhuhai Hoston received civil rulings on 10 April 2017 and 12 April 2017 and was to assume responsibility for half of the outstanding personal loans of RMB1,000,000.00 and RMB3,500,000.00, owing by Wang Tian (王天) to Wu Min (吳敏) and Kou Jinshui (寇金水), respectively, and the respective interests thereon and the legal costs. Zhuhai Hoston has filed appeals against these civil rulings.

According to the civil rulings dated 24 October 2017 and 22 January 2018 on appeals respectively, the Zhuhai Intermediate People's Court revised the principal amount of the loan to RMB839,314.00 as owing by Wang Tian (王天) to Wu Min (吳敏) and RMB2,378,174.00 as owing to Kou Jinshui (寇金水). Apart from these alterations, the Zhuhai Intermediate People's Court did not allow the appeal and confirmed the aforementioned civil rulings dated 10 April 2017 and 12 April 2017.

(ii) Upon the respective applications of Kou Jinshui (寇金水) and 珠海河川商貿有限公司 (Zhuhai Hechuan Commercial and Trade Co., Ltd.)* ("**Zhuhai Hechuan**"), three bank accounts of Zhuhai Hostonand 70% equity interest of Zhuhai Hoston in 廣東恒佳建材股份有限公司 (Guangdong Hengjia Building Materials Co., Ltd)* ("**Guangdong Hengjia**") were suspended/impounded by the Xiangzhou People's Court pursuant to an execution order dated 27 December 2016.

Zhuhai Hoston received a civil ruling on 13 April 2017 in relation to disputes over private lending pursuant to a lending contract dated 6 April 2013 entered into between Zhuhai Hoston as the borrower and Zhuhai Hechuan as the lender (the "**Dispute**"), that the said lending has been fully settled by Zhuhai Hoston already and Zhuhai Hoston was not liable to any repayment of the loan and the respective interest thereon to Zhuhai Hechuan.

On 8 September 2017, Zhuhai Hechuan filed an appeal at the Zhuhai Intermedia People's Court. By a civil ruling on 22 January 2018, Zhuhai Intermediate People's Court allowed the appeal, reversed the aforementioned civil ruling dated 13 April 2017 and ordered that the case be remitted back to the Xiangzhou People's Court for a re-trial.

On 7 June 2018, the Xiangzhou People's Court had conducted a re-trial of the Dispute and made a civil ruling as follows: (1) Zhuhai Hoston shall be liable to pay the outstanding loan in the principal amount of RMB2,000,000 to Zhuhai Hechuan; and (2) Zhuhai Hoston shall be liable to pay to the Zhuhai Hechuan the default interest at the rate of 24% per annum on the principal amount of RMB2,000,000 within ten days from the date of the civil ruling (i.e. from 1 January 2015 up to the actual repayment date of the principal amount).

On 16 August 2018, Zhuhai Hoston filed an appeal at the Zhuhai Xiangzhou People's Court for the ruling. Taking into consideration the fact that the amount of the judgment debt involved is not significant, the Company considers that the civil ruling of the Dispute is unlikely to have any material adverse operational and financial impact on the Group.

(d) Reference is made to the announcement of the Company dated 15 December 2017 in relation to the outstanding claims against Zhuhai Hoston:

(i) As of 20 November 2017, Zhuhai Hoston was indebted to Guangdong Hengjia for a total sum of RMB34,772,335.50 (the "**Guangdong Hengjia Debt**").

Zhuhai Hoston received an execution order dated 21 November 2017 made by 陽江市江城區人民法院 (Yangjiang Jiangcheng People's Court)* ("**Yangjiang Jiangcheng People's Court**") on the application of Guangdong Hengjia to seize certain tools and equipment of Zhuhai Hoston (the "**Seized Tools and Equipment**") for a period of 2 years as security for the debt owed by Zhuhai Hoston to Guangdong Hengjia.

Zhuhai Hoston received an auction notice dated 6 February 2018 issued by the Yangjiang Jiangcheng People's Court that the Seized Tools and Equipment would be listed for auction from 9 March 2018 to 10 March 2018. The Company was informed by Zhuhai Hoston that the Seized Tools and Equipment were not sold at the auction.

On 27 March 2018, Yangjiang Jiangcheng People's Court ordered that after Guangdong Hengjia has paid RMB50,000 and the respective valuation and enforcement fees, the Seized Tools and Equipment at the auction reserve price of RMB2,666,544 was applied to settle part of the Guangdong Hengjia Debt of RMB2,570,744 whereas Zhuhai Hoston was still liable for the remaining amount of the Guangdong Hengjia Debt. After applying the Seized Tools and Equipment as partial settlement, Zhuhai Hoston is indebted to Guangdong Hengjia for a total sum of RMB32,201,591.50.

(ii) Upon the applications of 佛山市南海信通物資有限公司 (Foshan Nanhai Xintong Materials Co., Ltd) ("**Foshan Nanhai**"), a bank account of Zhuhai Hoston, certain tools and 70% equity interest of Zhuhai Hoston in Guangdong Hengjia were suspended, seized and impounded by 廣東省佛山市南海區人民法院 (Guangdong Foshan Intermediate People's Court)* (the "**Foshan Intermediate People's Court**") pursuant to an execution order made on 4 August 2015, list of seized properties dated 12 August 2015 and an execution notice dated 17 August 2015 respectively.

By an assignment of loan executed between 陽江市博信商貿有限公司 (Yeungkong Boxin Trading Co., Ltd)* ("**Yeungkong Boxin**") and Foshan Nanhai, Foshan Nanhai assigned a debt of RMB414,698.55 plus interests owed by Zhuhai Hoston to Yeungkong Boxin (the "**Assignment**"). In addition to a loan of RMB1,576,225.80 between Yeungkong Boxin as the lender and Zhuhai Hoston as the borrower Zhuhai Hoston is indebted to Yeungkong Boxin for a total sum of RMB2,182,047.44.

Since Foshan Nanhai has not notified the Foshan Intermediate People's Court of the Assignment, the records of the Foshan Intermediate People's Court are still showing Foshan Nanhai as the creditor of Zhuhai Hoston. In view of the Assignment, the management of Zhuhai Hoston will apply to the court to update the records.

(iii) By a civil mediation agreement dated 16 October 2017 entered into between Zhuhai Hoston and 特潤絲(天津)化學有限公司 (Terunsi (Tianjin) Chemical Co., Ltd)* ("**Terunsi**") and endorsed by the Doumen People's Court, Zhuhai Hoston agreed to pay Terunsi a total sum of RMB71,400.00 as overdue trade payable and RMB793.00 as court fees. On the same date, Doumen People's Court issued a civil ruling against Zhuhai Hoston and ordered that an amount of RMB71,400.00 in a bank account held by Zhuhai Hoston be suspended for one year.

Terusi applied to the Yangjiang Jiangcheng People's Court to request for the Seized Tools and Equipment to settle the overdue trade payable. As disclosed in paragraph (d)(i) above, on 27 March 2018, the Yangjiang Jiangcheng People's Court confirmed the payment of RMB50,000 from Guangdong Hengjia to Terusi as full and final settlement of the claim.

(iv) Pursuant to the civil ruling issued by Xiangzhou People's Court on 25 April 2018, Zhuhai Hoston was ordered to repay an outstanding loan in the amount of RMB2,000,000 owed to Liu Shao Zhuang (劉少妝) and the overdue interests accrued on such outstanding loan. On 14 January 2019, Zhuhai Hoston made an application Xiangzhou People's Court to request for a suspension of the execution of the aforesaid judgment on the ground that the relevant court documents and notice of the legal proceedings were not delivered to Zhuhai Hoston such that Zhuhai Hoston was deprived of the right to defend its interest in the legal proceedings.

The Company/its subsidiary as the plaintiff

(e) By a Generally Indorsed Writ of Summons dated 23 June 2015 and Statement of Claim dated 18 August 2015 issued by the Company and First Billion Global Limited, a wholly-owned subsidiary of the Company (collectively, the "**Plaintiffs**") against Xiao Guang Kevin (蕭光) ("**Mr. Xiao**") and Wang Zhining (王志寧) ("**Mr. Wang**") (collectively, the "**Defendants**"), the vendor and the guarantor, respectively, all of whom are parties to a very substantial acquisition of the Company (the "**VSA**") as announced by the Company in its announcement dated 30 January 2014 and its circular dated 31 March 2014, the Plaintiffs claim that the Defendants have fundamentally breached the terms and conditions of the SPA (the "**SPA Legal Proceedings**"). Accordingly, the Plaintiffs are seeking to rescind the SPA under which, as part of the consideration price, certain convertible notes were issued by the Company to Mr. Xiao.

On 16 March 2017, the Plaintiffs filed an Amended Statement of Claim to the Court of First Instance adding Ms. Liu as a defendant to the SPA Legal Proceedings claiming, amongst other things, that Ms. Liu is a nominee of Mr. Wang and further claim against the Defendants for misrepresentation regarding the undisclosed guarantees given by Zhuhai Hoston in favour of 王天 (Wang Tian) referred to in paragraph (c) above which has led to the Group's involvement in such litigation.

Pursuant to the Order of the Court of First Instance dated 5 December 2017, the Plaintiffs filed and served on the Defendants their Further and Better Particulars of the Amended Statement of Claim on 9 January 2018. Upon counsel's advice, the Plaintiffs are considering to further amend the Amended Statement of Claim in order to, amongst other things, simplify their claims and to make clear their causes of action. For the purpose of saving costs, the Plaintiffs have allowed the Defendants to withhold preparing their Amended Defence pending the Plaintiff's aforesaid application to further amend the Amended Statement of Claim.

As at the date of this annual report, no judgment has been made by the Court.

(f) On 30 July 2015, Zhuhai Hoston filed a report to 珠海市公安局 (Zhuhai Public Security Bureau)* (the "**Bureau**") against Mr. Wang and Wang Tian (王天), the former directors of Zhuhai Hoston (collectively, the "**Former Directors**"), in respect of the possible commercial crimes (the "**Reported Case**") regarding the non recoverable prepayments as disclosed in the announcement of the Company dated 14 October 2015.

On 20 June 2018, the Bureau considered that Mr. Wang did not commit any commercial crimes and therefore decided to withdraw the investigation against Mr. Wang.

(g) On 29 February 2016, Zhuhai Hoston filed a lawsuit in the Xiangzhou People's Court against the Former Directors and 珠海市鑫鋒發展有限公司 (Zhuhai Xinfeng Development Co., Ltd.)*, the controlled company of the Former Directors (the "**Controlled Company**"), regarding the prepayment to a supplier of Zhuhai Hoston of RMB4,840,000 for the purchase of machinery. The sum was subsequently transferred to the Controlled Company based on the instructions of the Former Directors to the supplier. According to civil ruling from the Xiangzhou People's Court dated 30 May 2016, the lawsuit has been suspended pending for the investigation results of the Reported Case as the prepayment to the supplier is part of the subject matter of the Reported Case.

Save as disclosed above, as at the date of this report, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group.

PROSPECT

The construction of the new economic belt in PRC will continue to heat up, and there will still be room for development in the domestic infrastructure market in the next few years, providing more market opportunities for related companies. However, the industry is also facing new challenges and adverse conditions. In recent years, the building materials industry has been affected by unfavorable factors such as rising raw material prices, market situation changes and intensified competition among peers. The future competition of the industry is largely reflected in the all-round business competition. In view of the above, the Group has been committed to diversifying its business and has been expanding its market presence and deepening its business experience in 2016 to expand the business scale of the Group.

(1) Reference is made to the announcement of the Company dated 9 May 2017. Due to the outstanding research achievements of Shenzhen Institutes of Advanced Technology in the field of synthetic biology, on 5 May 2017, the Company entered into the SIAT MOU with Shenzhen Zhongke, a company in which Mr. Liu Chenli, one of the non-executive Directors, is interested in 80% of its registered capital and an associated company of Shenzhen Institutes of Advanced Technology, in relation to the possible cooperation in establishing in the PRC a fund management company and an investment fund investing in synthetic bio-engineering industry.

(2) References are made to the announcements of the Company dated 12 September 2017 and 10 October 2017. On 12 September 2017, Sunway New Energy Industry Group Limited (新威新能源產業集團有限公司) ("**Sunway New Energy**"), a direct wholly-owned subsidiary of the Company, entered in to a memorandum of understanding (the "**Piped Gas MOU**") and on 10 October 2017, a supplemental agreement to the Piped Gas MOU with Divine Lands International Gas Holdings Group Limited (神州國際燃氣控股集團有限公司) ("**Divine Lands**") and Mr. Deng Chao as the guarantor in relation to the possible acquisition of the entire issued share capital of Sino New Energy International Limited (中國超燃能源國際有限公司) ("**Sino New Energy**"), subject to the entering into of a formal agreement (collectively, the "**PG MOU**").

Sino New Energy owned 51% of the equity interest in Shaanxi Ranchao, a Sino-foreign equity joint venture company established in the PRC, and the other 49% of the equity interest in Shaanxi Ranchao is owned by 自貢市翠瑾商貿有限公司, a company incorporated in the PRC. Shaanxi Ranchao is principally engaged in the business of supplying piped gas to residential households, commercial and industrial users in certain districts in the PRC, and certain refueling stations in those districts in the PRC.

The consideration of the possible acquisition will be determined by arm's length negotiation between Sunway New Energy and Divine Lands after the completion of the due diligence process on Sino New Energy and its subsidiaries, including Shaanxi Ranchao. Pursuant to the PG MOU, Sunway New Energy has paid in cash the refundable earnest money in the sum of HK$100,000,000 (the "**Refundable Earnest Money**") to Divine Lands. As security for the repayment of the Refundable Earnest Money, the entire issued share capital of Sino New Energy held by Divine Lands was charged in favour of Sunway New Energy, and the performance of all the obligations of Divine Lands was guaranteed by the sole shareholder of Divine Lands, Mr. Deng Chao. The Refundable Earnest Money shall be applied as part payment of the consideration for the possible acquisition upon signing of the formal agreement.

(3) Reference is made to the announcement of the Company dated 16 October 2017. On 16 October 2017, Golden Elements Limited, a direct wholly-owned subsidiary of the Company, entered in to a memorandum of understanding (the "**Vietnam JV MOU**") with JV Partner in relation to the possible setting up of a joint venture between Golden Elements Limited and the JV Partner for principally engaging in the development of land situated in Ho Chi Minh City and/or Hanoi, Vietnam, subject to the entering into of a formal joint venture agreement. The sum of the total investment of Golden Elements Limited in, and other terms of, the possible joint venture will be determined by arm's length negotiation between Golden Elements Limited and the JV Partner, after the completion of the due diligence process in respect of the possible joint venture.

(4) References are made to the announcements of the Company dated 30 October 2017, 21 November 2017 and 6 February 2018. On 30 October 2017, Ever Vision Enterprises Limited 恆景企業有限公司 ("**Ever Vision**"), a direct wholly-owned subsidiary of the Company, entered in to a memorandum of understanding (the "**Waterloo MOU**") with Zong Family Investment Pty Ltd, Ms. Ren Dandan, Mr. Wang Yun (collectively, the "**W-Parties**") and Sunshine Property Waterloo Pty Ltd (the "**Target Company**") in relation to the possible transactions involving a possible acquisition of the then existing shares in Target Company (representing approximately 39% of the then existing issued share capital of Target Company) by Ever Vision (or its nominees) from the W-Parties (or any of the W-Parties); and a possible joint venture between Ever Vision and the W-Parties (or any of the W-Parties being the then shareholder(s) of Target Company) for the development of the land situated in New South Wales, Australia, subject to the entering into of a formal agreements. The consideration, and other terms, of the possible acquisition will be determined by arm's length negotiations between Ever Vision and the W-Parties (or any of the W-Parties); and the terms of the possible joint venture will be determined by arm's length negotiations between Ever Vision and the W-Parties (or any of the W-Parties being the then shareholder(s) of Target Company), after the completion of the due diligence process on the possible transactions. Up to the date of this report, the Group has paid a deposit in the aggregate sum of approximately HK$6,637,000 pursuant to two conditional acquisition agreements both dated 21 November 2017 with Zong Family Investment Pty Ltd and Ms. Ren Dandan, respectively in relation to the possible acquisition (collectively, the "**Acquisition Agreements**").

* *For identification purposes only*

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Li Chongyang, aged 47, joined the Company in 2015. Mr. Li graduated from Shanghai Maritime University (formerly known as 上海海運學院 (Shanghai Maritime Institute*)) majoring in International Maritime and International Economics Law. Mr. Li has over 20 years of experience in corporate management and logistics management.

Ms. Qi Jiao, aged 28, joined the Company in 2015. Ms. Qi has completed her studies of Hospitality Administration and Business Management in Singapore in 2012. Ms. Qi is experienced in marketing and strategic planning.

Mr. Lam Kai Yeung, aged 50, joined the Company as an independent non-executive director in 2015 and re-designated as an executive director of the Company in 2018. Mr. Lam is a fellow of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Institute of Certified Public Accountants and Certified Deal maker in China. Mr. Lam obtained a bachelor degree of accounting from Xiamen University in July 1990 and a master degree in business administration from Oxford Brookes University in the United Kingdom in July 2010. Mr. Lam is a licensed person for type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO.

Mr. Lam is an independent non-executive director of Starrise Media Holdings Limited (formerly known as Silverman Holdings Limited) (stock code: 1616), a company listed on the Main Board of the Stock Exchange, since June 2012; an executive director and chief executive officer of Hua Long Jin Kong Company Limited (formerly known as Highlight China IoT International Limited) (stock code: 1682), a company listed on the Main Board of the Stock Exchange, since August 2014; an independent non-executive director of Finsoft Financial Investment Holdings Limited (stock code: 8018), a company listed on the GEM of the Stock Exchange, since June 2015; an independent non-executive director of Holly Futures Co., Ltd. (stock code: 3678), a company listed on the Main Board of the Stock Exchange, since June 2015; an independent non-executive director of Kong Shum Union Property Management (Holding) Limited (stock code: 8181), a company listed on the GEM of the Stock Exchange, since October 2015; an independent non-executive director of Kin Shing Holdings Limited (stock code: 1630), a company listed on the Main Board of the Stock Exchange, since May 2017.

Mr. Leung Chi Fai (executive duties suspended), aged 53, joined the Company in 1999 and suspended his executive duties on 27 July 2018. Mr. Leung is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Non-executive Directors

Mr. Huang Weidong, aged 51, joined the Company in 2015 and is the Chairman of the Board. Mr. Huang graduated from Xiamen University with an Executive Master of Business Administration in 2013 and has extensive experience in corporate management. Mr. Huang is brother-in-law of Ms. Xie Guilin, a substantial shareholder of the Company.

Independent non-executive Directors

Mr. Cong Yongjian, aged 44, received a degree of Master of Laws from the University of International Business and Economics in PRC as well as a degree of Master of Laws from Cornell University in the United States of America ("**USA**") respectively. He is a trained attorney admitted in PRC and New York, the USA. He has over 15 years of legal practice experience representing in-house clients on various investment related issues.

Mr. Cong was a founding member of China Development Bank International Holdings Ltd ("**CDBI**"), where he served on the Investment Committee, also was in charge of fund formation department and legal/risk management department. At CDBI, He led a number of high profile transactions, i.e., US$200 million equity investment to Alibaba Group as well as many privatization transactions.

Prior to joining CDBI, Mr. Cong was with J. P. Morgan and Standard Chartered, where he participated in a large number of merger and acquisitions transactions, private equity investments, real estate investments, mezzanine financings, and other special situations investments. Mr. Cong has substantial experience in investment and risk management.

Biographical Details of Directors and Senior Management

Dr. Lam Huen Sum, aged 38, joined the Company in 2017. He was graduated from Hong Kong Baptist University with a bachelor's degree in Arts, diploma in Education, master degree in Social Sciences and master of philosophy and the University of Hong Kong with a doctor of philosophy.

Dr. Lam has been an Adjunct Professor at 山東濟南大學 (University of Jinan*), a member of the Advisory Board of 澳門城市大學公開學院 (Open Institute, City University of Macau*), a specialist in 香港學術及職業資歷評審局 (Hong Kong Council for Accreditation of Academic and Vocational Qualifications), a Fellow and Executive Board Member/ Accreditor of Medical and Health Board of International Industry and Professional Accreditation Association. Dr. Lam has been appointed by Hong Kong College of Technology, as an external examiner and a consultant since September 2016 and January 2017 respectively. On 9 July 2018, he was appointed as an independent non-executive director of Good Fellow Healthcare Holdings Limited (formerly known as Hua Xia Healthcare Holdings Limited) (Stock Code: 8143), listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

Mr. Ng Yuk Lam, aged 61, joined the Company on 31 July 2018. He graduated from The Chinese University of Hong Kong in December 1982 and obtained Bachelor of Business Administration (majoring in Accounting), in November 1992 he obtained diploma of Computing from Deak in University, in October 1994, he obtained China Law certificate from Renmin University, and in April 2002 obtained Master of Science in Computer Science from Victoria University of Technology. Mr. Ng has over 30 years finance management and audit experience.

SENIOR MANAGEMENT

Mr. Lin Yepan, aged 45, was graduated from the Renmin University of China. He joined Guangdong Hengjia as the general manager and since 2011 has been appointed as the director of Guangdong Hengjia. He is responsible for directing business development and overseeing daily operations of the PHC piles and other businesses. He was an executive director of the Company from 2 May 2014 to 19 May 2015.

Mr. Lin Zhenjun, aged 45, has been the Chairman of Guangdong Hengjia since 2007. Mr. Lin has over 11 years of supervisory experience.

Mr. Tan Jin, aged 50, joined Guangdong Hengjia since 2009 and acted as legal representative and director of Zhuhai Hoston since May 2015. Mr. Tan has substantial management experience and is responsible for Zhuhai Hoston's daily management.

Mr. Xu Dun, aged 54, was graduated from the Open University of China. Mr. Xu held the position of the director Guangdong Hengjia since 2011.

* *For identification purposes only*

Report of the Directors

The Directors present their annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are manufacturing and trading of pre-stressed high strength concrete piles, ready-mixed concrete, autoclaved sand-lime bricks, aerated concrete products and eco-permeable concrete products and provision of financial services.

SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2018 are set out in note 39 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group as at 31 December 2018 are set out under the section headed "Management Discussion and Analysis" of this report on pages 4 to 14.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group include the risks pertaining to the building materials industry and foreign currency risk.

In recent years, the building materials industry has been affected by unfavorable factors such as rising raw material prices, market situation changes and intensified competition among peers. The future competition of the industry is largely reflected in the all-round business competition.

The Group's monetary assets, liabilities and transactions are principally denominated in Renminbi ("**RMB**") and Hong Kong Dollars ("**HKD**"). The Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against RMB. The Group has a net exchange exposure to RMB as the Group's assets are principally located in the PRC. The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

During the Reporting Period, the Group has maintained a good relationship with its 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.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2018 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 37 to 110 of this report.

The Directors do not recommend the payment of final dividend in respect of current financial year to the shareholders.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL, SHARE OPTION SCHEME AND CONVERTIBLE NOTES

Movements in the Company's share capital during the year are set out in note 41 to the consolidated financial statements.

Details of the share option scheme and convertible notes are set out in note 33 and note 31 to the consolidated financial statements, respectively.

DIVIDEND POLICY

The objective of the Company's dividend policy (the "**Dividend Policy**") is to allow shareholders of the Company (the "**Shareholders**") to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Articles and all applicable laws and regulations and the factors set out below.

Factors to be considered

(i) The Board shall consider the following factors of the Group before declaring or recommending dividends:

- the Group's results of operations and cash flows;
- the Group's future prospects;
- general business conditions;
- the Group's capital requirements and surplus;
- contractual restrictions on the payment of dividends by the Company to its Shareholders or by subsidiaries to the Company;
- taxation considerations;
- possible effects on the Company's creditworthiness;
- statutory and regulatory restrictions; and
- any other factors the Board may deem relevant.

(ii) Depending on the financial conditions of the Group and the conditions and factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period:

- interim dividend;
- final dividend;
- special dividend; and
- any distribution of net profits that the Board may deem appropriate.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity and note 32 to the consolidated financial statements.

Distributable reserves of the Company as at 31 December 2018 amounted to HK$378,755,000 (2017: HK$437,054,000).

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period of the Group are set out in note 42 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

As at 31 December 2018, save as disclosed in the paragraph headed "Capital Structure – On Market Share Repurchase" in this report, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

The Board considered that the trading price of the Shares at that time did not reflect their intrinsic value and believed that the Share Repurchases and subsequent cancellation of the repurchased Shares were in the interests of the Company and the Shareholders as a whole.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years/period, as extracted from the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

RESULTS	2018 HK$'000	Year ended 31 December 2017 HK$'000	2016 HK$'000	2015 HK$'000	Period from 1 October 2013 to 31 December 2014 HK$'000
CONTINUING OPERATIONS					
LOSS BEFORE TAX	**(37,466)**	(3,827)	(179,071)	(74,061)	(61,003)
Income tax expense	**(6,160)**	(539)	(1,541)	(9,325)	(7,640)
LOSS FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS	**(43,626)**	(4,366)	(180,612)	(83,386)	(68,643)
DISCONTINUED OPERATIONS					
Profit/(loss) for the year/period from discontinued operations	**–**	–	–	484,073	(310,372)
(LOSS)/PROFIT FOR THE YEAR/PERIOD	**(43,626)**	(4,366)	(180,612)	400,687	(379,015)
Attributable to:					
Owners of the Company	**(50,501)**	(7,784)	(183,049)	390,554	(384,104)
Non-controlling interests	**6,875**	3,418	2,437	10,133	5,089
	(43,626)	(4,366)	(180,612)	400,687	(379,015)

ASSETS AND LIABILITIES	2018 HK$'000	As at 31 December 2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Non-current assets	**165,764**	178,394	171,191	268,491	345,701
Current assets	**517,797**	543,601	379,436	285,485	1,323,343
TOTAL ASSETS	**683,561**	721,995	550,627	553,976	1,669,044
Current liabilities	**123,683**	109,303	123,727	118,072	1,227,773
Non-current liabilities	**26,114**	25,513	22,322	25,154	243,077
TOTAL LIABILITIES	**149,797**	134,816	146,049	143,226	1,470,850
NET ASSETS	**533,764**	587,179	404,578	410,750	198,194
NON-CONTROLLING INTERESTS	**79,995**	73,254	62,221	60,552	53,486

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for 52% of the Group's total purchases for the year and purchases from the Group's largest supplier accounted for 21% of the Group's total purchases for the year.

None of the Directors or any of their associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")), or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

EMOLUMENT POLICY

As at 31 December 2018, the Group had approximately 400 full time management, administrative, technical and production staff (including the directors of the Group) in the PRC and Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group's Directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme. Other staff benefit includes share options granted or to be granted under the share option scheme.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in the PRC and Hong Kong while the Shares are listed on the Stock Exchange. Hence, our establishment and operations shall comply with relevant laws and regulations in the PRC, Hong Kong and the respective place of incorporation of the Company and its subsidiaries. In addition, the Company is required to comply with the Listing Rules.

During the year ended 31 December 2018 and up to the date of this annual report, the Group has been involved in certain legal proceedings as set in the note 40 to the consolidated financial statements. Save as disclosed in other part of this report, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The fundamental task of senior management of the Group is always leading the management to concern environmental protection, perform social responsibility as an enterprise citizen, strengthen corporate governance, promote healthy and orderly development of the Group, and create more economic value and social utility for stakeholders such as consumers, upstream suppliers, downstream distributors, Shareholders, potential investors, management, employees, communities and even the environment.

DIRECTORS

The Directors during the year ended 31 December 2018 and up to the date of this report were:

Executive Directors:

Mr. Li Chongyang *(Managing Director)*
Ms. Qi Jiao
Mr. Lam Kai Yeung (re-designated on 31 July 2018)
Mr. Leung Chi Fai (executive duties suspended on 27 July 2018)

Non-executive Directors:

Mr. Huang Weidong *(Chairman)*
Mr. Liu Chenli (resigned on 3 August 2018)

Independent non-executive Directors:

Mr. Cong Yongjian
Dr. Lam Huen Sum
Mr. Ng Yuk Lam (appointed on 31 July 2018)

Mr. Lam Kai Yeung was re-designated from an Independent non-executive Director to an Executive Director with effect from 31 July 2018. Mr. Lam was appointed as the Company Secretary and Authorised Representatives at the same time.

The Company has received written confirmation of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent in accordance with the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Group are set out on pages 15 to 16 of this report.

DIRECTORS' SERVICE CONTRACTS

Mr. Li Chongyang, Ms. Qi Jiao, Mr. Lam Kai Yeung and Mr. Leung Chi Fai had entered into service contracts with the Company for an initial term of three years commencing from 23 October 2015, 23 October 2015, 31 July 2018 and 1 August 1999 (supplemented in January 2016), respectively, which had continued after their expiration until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Cong Yongjian, Mr. Huang Weidong, Dr. Lam Huen Sum and Ng Yuk had entered into letter of appointments with the Company on 14 August 2015, 6 June 2017, 12 June 2017 and 31 July 2018, respectively, and were not appointed for a specific length or proposed length of service. Each of their appointments is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the memorandum of association and the bye-laws of the Company.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

None of the Directors or their respective associates has any business or interest that competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as the related party transactions set out in note 36 to the consolidated financial statements, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

UPDATES ON DIRECTOR'S INFORMATION

Upon specific enquiry by the Company and following confirmations from the Directors, save as set out below, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Dr. Lam Huen Sum was appointed as an independent non-executive Director by Good Fellow Healthcare Holdings Limited (formerly known as Hua Xia Healthcare Holdings Limited) (Stock Code: 8143) on 9 July 2018, listed on the GEM of the Stock Exchange of Hong Kong Limited.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2018, the interests of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**"), were as follows:

Long positions in ordinary shares of the Company:

Name of Director	Capacity	Number of shares or underlying shares held	Approximate percentage of interest held
Mr. Huang Weidong *(Note 1)*	Beneficial owner	11,564,000	1.85%
Mr. Leung Chi Fai *(Note 2)*	Beneficial owner	1,424,000	0.23%
Mr. Li Chongyang *(Note 3)*	Beneficial owner	5,610,000	0.90%
Ms. Qi Jiao *(Note 4)*	Beneficial owner	4,360,000	0.70%
Mr. Cong Yongjian *(Note 5)*	Beneficial owner	1,075,000	0.17%
Mr. Lam Kai Yeung *(Note 6)*	Beneficial owner	1,000,000	0.16%

Notes:

1. These 11,564,000 Shares included the (i) 7,204,000 Shares owned by Mr. Huang Weidong as beneficial owner and (ii) 4,360,000 underlying Shares which may be allotted and issued to Mr. Huang Weidong upon full exercise of the share options granted to him under the share option scheme of the Company.

2. These 1,424,000 Shares included the (i) 424,000 Shares owned by Mr. Leung Chi Fai as beneficial owner and (ii) 1,000,000 underlying Shares which may be allotted and issued to Mr. Leung Chi Fai upon full exercise of the share options granted to him under the share option scheme of the Company.

3. These 5,610,000 Shares included the (i) 4,610,000 Shares owned by Mr. Li Chongyang as beneficial owner and (ii) 1,000,000 underlying Shares which may be allotted and issued to Mr. Li Chongyang upon full exercise of the share options granted to him under the share option scheme of the Company.

4. These 4,360,000 Shares represented the underlying Shares which may be allotted and issued to Ms. Qi Jiao upon full exercise of the share options granted to her under the share option scheme of the Company.

5. These 1,075,000 Shares included the (i) 75,000 Shares owned by Mr. Cong Yongjian as beneficial owner and (ii) 1,000,000 underlying Shares which may be allotted and issued to Mr. Cong Yongjian upon full exercise of the share options granted to him under the share option scheme of the Company.

6. These 1,000,000 Shares represented the underlying Shares which may be allotted and issued to Mr. Lam Kai Yeung upon full exercise of the share options granted to him under the share option scheme of the Company.

Save as disclosed above, none of the Directors or the chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares and underlying shares" above and in the share option scheme disclosures in note 33 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors, chief executive or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and chief executive to acquire such rights in any other body corporate.

CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

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

At 31 December 2018, so far as is known to the Directors, the interests or short positions of the persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register maintained by the Company required to be kept under Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company:

Name	Capacity	Number of shares or underlying shares held	Approximate percentage of interest held
Business Century Investments Limited *(Note 1)*	Beneficial owner	124,432,833	19.93%
Xie Guilin *(Note 1 and 2)*	Beneficial owner	124,432,833	19.93%
Everun Oil Co., Limited *(Note 3)*	Beneficial owner	89,481,000	14.34%
Chen Jingan *(Note 3 and 4)*	Beneficial owner	89,481,000	14.34%

Notes:

1. These 124,432,833 Shares represented (1) the 121,532,833 Shares beneficially owned by Business Century; (2) the 2,900,000 underlying Shares which may be allotted and issued to Business Century upon full exercise of the share options granted to it under the share option scheme of the Company;

2. These 124,432,833 Shares are held by Business Century. Please refer to note 1 above for details. The issued capital of Business Century is held by Xie Guilin. Under the SFO, Xie Guilin is deemed to be interested in all the Shares held by Business Century.

3. These 89,481,000 Shares represented (1) the 86,581,000 Shares beneficially owned by Everun Oil; and (2) the 2,900,000 underlying Shares which may be allotted and issued to Everun Oil upon full exercise of the share options granted to it under the share option scheme of the Company.

4. These 89,481,000 Shares are held by Everun Oil. Please refer to Note 3 above for details. The issue capital of Everun Oil is held by Chen Jingan under SFO. Chen Jingan deemed to be interested in all the Shares held by Everun Oil.

Save as disclosed above, as at 31 December 2018, the Company had not been notified of any persons (other than the Directors and chief executive of the Company) having any interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

Save as disclosed in note 36 to the consolidated financial statements, the Group has not entered into any other connected transaction or continuing connected transaction for the year which should be disclosed pursuant to the requirements of Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 25 to 32 of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Further discussion on the Group's environmental policy and our relationship with various stakeholders are covered by a separate Environmental, Social and Governance Report which will be available at the Group's website and the website of the Stock Exchange not later than 3 months after the publication of this annual report.

PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISION

The Company had arranged for appropriate liability insurance for the Directors and officers of the Group for indemnifying their liabilities arising from corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) when this report prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the financial reporting, risk management and internal controls of the Group. Members of the Audit Committee at the date of this report comprised all three Independent Non-executive Directors, namely, Mr. Ng Yuk Lam, Mr. Cong Yongjian, and Dr. Lam Huen Sum. Mr. Liu Chenli was resigned on 3 August 2018.

The Group's financial statements for the year ended 31 December 2018 have been reviewed by the Audit Committee, who are of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

AUDITORS

ZHONGHUI ANDA CPA Limited retires and a resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Li Chongyang
Executive Director

Hong Kong
26 March 2019

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices and procedures. The Company endeavors to ensure that its businesses are conducted in accordance with the rules and regulations and applicable codes and standards.

The Board reviews and improves the corporate governance practices from time to time to ensure that the interests of its shareholders are properly protected and promoted.

During the year under review, the Company has complied with all the applicable code provisions (individually, a "**Code Provision**") of the Corporate Governance Code (the "**Code**") and Corporate Governance Report contained in Appendix 14 to the Listing Rules, except for the deviations as disclosed in this report.

BOARD OF DIRECTORS

(1) Responsibilities

The Board is responsible for the management and strategic directions of the Company. The Board is also accountable to shareholders for the performance and activities of the Company. The day-to-day management, operation and administration of the Company are delegated to the management, while certain key matters such as making recommendation of final dividend or other distributions are reserved for the approval by the Board. Other major corporate matters that are delegated by the Board to management include execution of business strategies, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

The Directors are responsible for the preparation of consolidated financial statements which give a true and fair view of the Company for each financial period. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted and accounting standards issued by the Hong Kong Institute of Certified Public Accountants have been complied with. Appropriate accounting policies have been selected and applied consistently. The accounts are prepared on a going concern basis with supporting assumptions or qualifications as necessary. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Group.

The Directors 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.

The Company had arranged for appropriate liability insurance for the Directors and officers of the Group for indemnifying their liabilities arising from corporate activities.

BOARD OF DIRECTORS *(Continued)*

(1) Responsibilities *(Continued)*

Details of Directors' attendance at the Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting and general meetings held for the year ended 31 December 2018 are set out in the table below:

	No. of meetings attended/entitled to attend				
Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors					
Mr. Li Chongyang	16/16	N/A	N/A	N/A	2/2
Ms. Qi Jiao	11/16	N/A	N/A	N/A	0/2
Mr. Lam Kai Yeung	6/6	N/A	N/A	N/A	N/A
Mr. Leung Chi Fai	9/10	N/A	N/A	1/1	2/2
Non-executive Directors					
Mr. Huang Weidong	15/16	N/A	1/2	1/2	0/2
Mr. Liu Chenli	8/11	1/2	1/2	1/2	0/2
Independent non-executive Directors					
Mr. Cong Yongjian	6/16	1/2	1/2	1/2	0/2
Mr. Lam Kai Yeung	9/10	1/1	1/2	1/1	2/2
Dr. Lam Huen Sum	6/16	1/2	1/2	1/2	0/2
Mr. Ng Yuk Lam	5/6	1/1	N/A	N/A	N/A

(2) Board Composition

The Board currently comprises four executive Directors, one non-executive Directors and three independent non-executive Directors. The Board members during the year ended 31 December 2018 were:

Executive Directors
Mr. Li Chongyang *(Managing Director)*
Ms. Qi Jiao
Mr. Lam Kai Yeung (re-designated on 31 July 2018)
Mr. Leung Chi Fai (suspended his duties on 27 July 2018)

Non-executive Directors:
Mr. Huang Weidong *(Chairman)*

Independent non-executive Directors:
Mr. Cong Yongjian
Dr. Lam Huen Sum
Ng Yuk Lam (appointed on 31 July 2018)

Mr. Cong Yongjian, Mr. Huang Weidong, Dr. Lam Huen Sum and Ng Yuk had entered into letter of appointments with the Company on 14 August 2015, 6 June 2017, 12 June 2017 and 31 July 2018, respectively, and were not appointed for a specific length or proposed length of service. Each of their appointments is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the memorandum of association and the bye-laws of the Company.

The biographies of the Directors are set out on pages 15 to 16 of this annual report.

BOARD OF DIRECTORS *(Continued)*

(2) Board Composition *(Continued)*

There is no relationship (including financial, business, family or other material or relevant relationship) among the members of the Board.

During the year ended 31 December 2018, the Company has received a written confirmation of independence from the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the independent non-executive Directors are independent in accordance with the Listing Rules. All the independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise.

Under the Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. The non-executive Directors and the independent non-executive Directors are not appointed for specific terms. According to the Company's Bye- Law 108(A), one third of the Directors shall retire from the office by rotation at each annual general meeting and their appointments will be reviewed when they are due for re-election. In the opinion of the Board, this meets the same objectives and is no less exacting than those in the Code.

Under the Code Provision E.1.2, the Chairman of the Board should attend the annual general meeting. Mr. Huang Weidong, the chairman of the Board was unable to attend the annual general meeting held on 1 June 2018. Mr. Leung Chi Fai and Mr. Li Chongyang, the executive Director, attended the said annual general meeting to respond to queries from shareholders.

Under the Code Provision A.6.7, independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. The independent non-executive Directors, namely Mr. Cong Yongjian and Dr. Lam Huen Sum, were not able to attend the general meetings of the Company due to their other commitments.

(3) Directors' Training

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company also provides relevant reading materials to Directors to help ensure they are apprised of the roles, functions and duties of being a director of a listed company and the development of their knowledge on the regulatory updates whenever necessary or appropriate.

During the year under review, the Company provided training materials to all Directors, namely Mr. Huang Weidong, Mr. Li Chongyang, Ms. Qi Jiao, Mr. Lam Kai Yeung, Mr. Leung Chi Fai, Mr. Cong Yongjian, Dr. Lam Huen Sum and Ng Yuk Lam to keep them abreast of the latest development of legal, regulatory and corporate governance. The Company has received the records of training from all Directors.

COMPANY SECRETARY

The Company Secretary of the Company is Mr. Lam Kai Yeung, a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. During the year, Mr. Lam has taken not less than 15 hours of relevant professional training.

AUDIT COMMITTEE

The Audit Committee is comprised of three independent non-executive Directors, namely Mr. Ng Yuk Lam (chairman of the Audit Committee), Mr. Cong Yongjian and Dr. Lam Huen Sum. They together have substantial experience in the fields of accounting, business, corporate governance and regulatory affairs. The Committee is responsible for reviewing the Company's financial information, financial and accounting policies and practices adopted by the Group, compliance of Listing Rules and statutory requirements, risk management, internal control and financial reporting matters of the Group. The Committee also monitors the appointment, remuneration and function of the Group's external auditor.

The Audit Committee had reviewed the annual report for the year ended 31 December 2018 and the interim report for the six months ended 30 June 2018 which was opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. The Audit Committee also monitored the Company's progress in implementing the Code as required under the Listing Rules.

AUDITOR'S REMUNERATION

The statement of the Group's external auditor, ZHONGHUI ANDA CPA Limited (2017: ZHONGHUI ANDA CPA Limited), about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 33 to 36.

During the year under review, the total fees paid/payable in respect of audit services and non-audit services provided by the external auditor are set out below:

	2018 **HK$'000**	2017 HK$'000
Audit services	**1,080**	1,080
Tax services	**–**	20
Non-audit services[(1)]	**649**	360
Total	**1,729**	1,460

Note:

(1) Fees for non-audit services consisted of fee incurred to ZHONGHUI ANDA CPA Limited in connection with preliminary work on acceptance of the engagement in relation to the Group's acquisition of Sino New Energy and the issuance of audited financial statements of the Group's two subsidiaries.

REMUNERATION COMMITTEE

The Remuneration Committee comprises one of the executive Directors, namely Mr. Lam Kai Yeung, the non-executive Directors, namely, Mr. Huang Weidong, and three independent non-executive Directors, namely, Mr. Cong Yongjian, Mr. Ng Yuk Lam (chairman of the Remuneration Committee) and Dr. Lam Huen Sum, is responsible for determining, reviewing and evaluating the remuneration packages of the executive Directors and making recommendations to the Board from time to time.

During the year under review, the Remuneration Committee reviewed the existing remuneration policies and the remuneration package of the Directors.

Details of remuneration paid to each of the Directors during the year are set out in note 11 to the consolidated financial statements. Under the Code Provision B.1.5, the remuneration paid/payable to each of the 4 individuals of the senior management during the year was within the remuneration band from nil to HK$1,000,000.

NOMINATION COMMITTEE

The Nomination Committee, comprises one of the executive Directors, namely, Mr. Lam Kai Yeung, non-executive Directors, Mr. Huang Weidong (chairman of the Nomination Committee), and the three independent non-executive Directors namely, Mr. Cong Yongjian, Mr. Ng Yuk Lam and Dr. Lam Huen Sum. It is responsible for the appointment of new Directors. To maintain the quality of the Board with a balance of skills and experience, the Committee will identify individuals suitably qualified to become Directors when necessary. In evaluating whether an appointee is suitable to act as a Director, the Committee will consider the experience, qualification and other relevant factors.

During the year under review, the Nomination Committee reviewed the structure, size and composition of the Board and made recommendations to the Board on appointment, retirement and re-appointment arrangement of the Directors.

As regards the nomination procedures and the process, please refer to the Terms of Reference of the Nomination Committee which are available on the Company's website at www.hk0058.com.

DIVERSITY OF THE BOARD

The Board adopted a board diversity policy. The Company recognizes and embraces the benefits of having a diverse Board and perceives increasing diversity at Board level as an essential element in contributing to the attainment of the Company's strategic objectives and sustainable development. The Company seeks to promote Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

The Nomination Committee is responsible for the review of the Board's diversity policy 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.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining sound and effective risk management and internal control systems for the Group, as well as reviewing the effectiveness of these systems. These systems are designated to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. These systems also safeguard the Group's assets, ensure proper maintenance of accounting records and reliability of financial reporting and compliance with operating procedures as well as relevant legislation and regulations.

During the year under review, the Group does not have an internal audit function and has engaged external professional consultant (the "**internal control auditors**") to conduct review of the internal control system of the Group. The internal control auditors were responsible for the analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Group. At the same time, they also assessed the risks inherent to the business and operation, and conducted reviews or audits to provide reasonable, and not absolute, assurance that adequate governance and controls are in place to address such risks.

The Board has conducted annual review of the effectiveness of the risk management and internal control systems of the Group including financial control, operational control, compliance control, information systems security, effectiveness of financial reporting and considered such systems are effective and adequate.

Main Features of the Risk Management and Internal Control Systems

The Directors have the overall responsibility for internal control, including risk management, and set appropriate policies having regard to the objectives of the Group. The Group's policies and procedures, including parameters for delegated authorization, provide a framework for identification and management of risks. The Board takes responsibility to oversee all major matters of the Group, including the formulation and approval of all policies, overall strategies, risk management and internal control systems after taking into consideration of the recommendations made by the relevant committees, as well as monitoring the performance of the senior management and approving the detailed operational and financial report, budget and business plan submitted by the management. Meanwhile, the Managing Director conducts regular reviews with the management team of each core business on their authorized functions and work.

INTERNAL CONTROL AND RISK MANAGEMENT *(Continued)*

Main Features of the Risk Management and Internal Control Systems *(Continued)*

The management designs, implements and monitors the risk management and internal control systems, and ensures the effective performance of these systems; monitors risks and takes measures to mitigate risks in daily operations; provides timely responses and follow-up actions to findings on internal control matters raised by internal control audits or by external auditors; and provides confirmation to the Board on the effectiveness of these systems.

The Audit Committee is responsible for the ongoing review of the Group's risk management and internal control functions. On behalf of the Board, the Audit Committee regularly reviews the Group's risk management and internal control systems; ensures that the management has performed its duty for effective systems; considers major investigation findings on risk management and internal control matters and management's responses to these findings.

Internal Audit

The internal control auditors perform internal audit annually on financial and operational systems and to assess the internal control system for any weakness and identify risk and problem areas. They also review the effectiveness of risk management and internal control systems. The audit results are communicated to the audited business unit. The internal control auditors report on the internal control weaknesses, make recommendations for improvement and suggest remedial actions. The internal audit reports comprise of the findings of material internal control defects, which are graded by high level, middle level and low level risks, the recommendations and management's responses. The specific measures for remedial actions, the responsible persons and the expected completion period for those actions are also set out in the report.

The Directors have meetings with the internal control auditors regularly. During the meetings, the internal control auditors report their findings and follow up actions on their audits to the Directors. The internal control auditors also meet with the Board and Audit Committee, annually or biannually, with presentation of their audit reports. They communicate with the Board about major findings on risk management and internal control matters, the recommendations for improvement and the suggested remedial actions. The internal control auditors also make follow up reviews on the implementation of corrective measures for the correction of the internal control defects.

For the year under review, the Audit Committee considered that the Group's risk management and internal control systems were adequate and effective.

Inside Information

In respect of the compliance with the requirements of the SFO and the Listing Rules to identify, handle and disseminate inside information (having the meaning under the SFO), the Group has adopted appropriate policy to ensure that inside information of the Group is to be disseminated in the public in equal and timely manner and in accordance with the applicable legislation and regulations. It is the obligation of the Board to ensure the Company's compliance with its disclosure responsibilities. The Company must disclose inside information to the public as soon as reasonably practicable, unless the "safe harbours"provisions under the SFO apply. The Board shall take reasonable precautions for preserving the confidentiality of inside information and the relevant announcement (if applicable) before publication. The Board is also responsible to guard against mishandling of inside information. The Directors and relevant employees are notified of the regular blackout period and securities dealing restrictions. No persons other than those authorized by the Board shall disclose or clarify any inside information, or attempt to do so, in particular to the media, analysts or investors. Any disclosure of inside information must be made through the electronic publication system operated by the Stock Exchange and the Company's Website at www.hk0058.com.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in the Code. The corporate governance duties performed by the Board for the year ended 31 December 2018 are summarized below:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct applicable to employees and directors; and

(e) to review the issuer's compliance with the code and disclosure in the Corporate Governance Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirms that all Directors have complied with the required standard set out in the Model Code throughout the year.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to ensure that the Group complies with disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information issued by the Company, to enable the shareholders and the potential investors to make an informed decision on their investments in the shares and other securities of the Company, and to actively participate in the activities organised by the Company for them. The Company communicates with the shareholders and the potential investors through various channels, including annual and interim reports, annual general meetings and special general meetings, announcements and circulars.

The Company welcomes the attendance of shareholders at general meetings to express their views. All the Directors are encouraged to attend the general meetings to have personal communication with shareholders. The external auditor is also required to be present to assist the Directors in addressing any relevant queries by shareholders.

Information published by the Company pursuant to the Listing Rules will be made available on each of the websites of the Stock Exchange and the Company at www.hk0058.com to enable the shareholders and the potential investors to have better understanding of the Company and its latest development. All key information such as announcements, annual and interim reports can be downloaded from either of these websites.

SHAREHOLDERS' RIGHTS

(1) Procedures for shareholders to convene special general meeting ("SGM")

Pursuant to No. 65 of the Bye-laws of the Company, the Board shall, on the requisition in writing of the shareholders of not less than one-tenth of the paid-up capital of the Company proceed to convene a SGM; and such SGM shall be held within two months after the deposit of such requisition.

If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionists may themselves convene a SGM in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (as amended).

(2) Procedures for putting forward proposals at shareholders' meeting

Pursuant to sections 79 and 80 of the Companies Act 1981 of Bermuda (as amended), Shareholders can submit a written requisition to move a resolution at shareholders' meeting. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the shareholders' meeting, or who are no less than one hundred shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the shareholders' meeting. It must also be signed by all of the shareholders concerned and be deposited at the Company's office in Hong Kong at Unit 1902, Cheung Kong Center, 2 Queen's Road Central, Central, for the attention of the Company Secretary not less than six weeks before the shareholders' meeting in case of a requisition requiring notice of a resolution.

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

(3) Procedures for shareholders to propose a person for election as a director

As regards the procedures for proposing a person for election as a director, please refer to the procedures made available under the Corporate Governance section of the Company's website at www.hk0058.com.

(4) Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar. Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publically available. Shareholders and the investment community may make enquiries to the Board by addressing them to the Company Secretary by post to the head office of the Company at Unit 1902, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong.

CONSTITUTIONAL DOCUMENTS

The Company adopted an amended bye-laws of the Company by a special resolution passed on 2 June 2016. There were no other charges in the Company's constitutional documents during the year.

Independent Auditor's Report

ZHONGHUI

TO THE SHAREHOLDERS OF SUNWAY INTERNATIONAL HOLDINGS LIMITED
新威國際控股有限公司
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Sunway International Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 37 to 110, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

PROPERTY, PLANT AND EQUIPMENT, PREPAID LAND LEASE PAYMENTS AND GOODWILL

Refer to notes 15, 17 and 18 to the consolidated financial statements

The Group tested the amounts of property, plant and equipment, prepaid land lease payments and goodwill for impairment. This impairment test is significant to our audit because the balances of property, plant and equipment, prepaid land lease payments and goodwill of approximately HK$96,380,000, HK$38,533,000 and HK$19,941,000, respectively, as at 31 December 2018 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

– Assessing the identification of the related cash generating units;

– Comparing the actual cash flows with the cash flow projections;

– Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates);

– Checking input data to supporting evidence;

– Obtaining the external valuation reports and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model;

– Checking arithmetical accuracy of the valuation model; and

– Assessing the disclosure of the fair value measurement in the consolidated financial statements.

We consider that the Group's impairment test for property, plant and equipment, prepaid land lease payments and goodwill is supported by the available evidence.

TRADE AND BILL RECEIVABLES AND PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Refer to notes 21 and 22 to the consolidated financial statements

The Group tested the amounts of trade and bill receivables and prepayments, deposits and other receivables for impairment. This impairment test is significant to our audit because the balances of trade and bill receivables and prepayments, deposits and other receivables of approximately HK$184,584,000 and HK$283,391,000, respectively, as at 31 December 2018 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

– Assessing the Group's procedures on granting credit limits and credit periods to the customers and debtors;

– Assessing the Group's relationship and transaction history with the customers and debtors;

– Evaluating the Group's impairment assessment;

– Assessing ageing of the debts;

– Assessing creditworthiness of the customers and debtors;

– Checking subsequent settlements from the customers and debtors;

– Assessing the value of the collateral for the debts; and

– Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade and bill receivables and prepayments, deposits and other receivables is supported by the available evidence.

OTHER INFORMATION

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

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

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

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors 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.

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.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Audit Engagement Director
Practising Certificate Number P03614
Hong Kong, 26 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Interest revenue		**11,374**	10,440
Other revenue		**403,343**	305,075
Total revenue	6	**414,717**	315,515
Cost of sales		**(295,358)**	(231,229)
Gross profit		**119,359**	84,286
Other income	7	**7,079**	661
Other (losses)/gains, net	8	**(33,819)**	3,377
Selling and distribution expenses		**(75,215)**	(32,200)
Administrative expenses		**(48,248)**	(53,613)
Other expenses		**(3,449)**	(3,360)
Finance costs	9	**(3,173)**	(2,978)
Loss before tax	10	**(37,466)**	(3,827)
Income tax expense	12	**(6,160)**	(539)
Loss for the year		**(43,626)**	(4,366)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(50,501)**	(7,784)
Non-controlling interests		**6,875**	3,418
		(43,626)	(4,366)
Loss per share	14		(Restated)
Basic and diluted (HK cents per share)		**(8.07)**	(1.48)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Loss for the year	**(43,626)**	(4,366)
Other comprehensive (loss)/income:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(7,740)**	6,442
Items that will not be reclassified to profit or loss:		
Revaluation of items of property, plant and equipment	**10,618**	9,956
Tax effect of revaluation of items of property, plant and equipment	**(2,654)**	(2,489)
Other comprehensive income for the year, net of tax	**224**	13,909
Total comprehensive (loss)/income for the year	**(43,402)**	9,543
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	**(50,143)**	(1,490)
Non-controlling interests	**6,741**	11,033
	(43,402)	9,543

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	15	**96,380**	107,588
Intangible assets	16	**–**	11,786
Prepaid land lease payments	17	**37,738**	23,982
Goodwill	18	**19,941**	20,982
Deferred tax assets	28	**11,705**	14,056
		165,764	178,394
Current assets			
Investments at fair value through profit or loss	19	**–**	9,397
Inventories	20	**25,822**	11,579
Trade and bill receivables	21	**184,584**	229,923
Prepayments, deposits and other receivables	22	**284,186**	215,490
Restricted bank deposits	23	**49**	66
Cash and cash equivalents	23	**23,156**	77,146
		517,797	543,601
Current liabilities			
Trade payables	24	**61,890**	25,567
Contract liabilities		**3,422**	7,848
Accruals and other payables	25	**41,189**	40,015
Amount due to a non-controlling shareholder	26	**494**	521
Interest-bearing borrowings	27	**10,530**	26,722
Tax payable		**6,158**	8,630
		123,683	109,303
Net current assets		**394,114**	434,298
Total assets less current liabilities		**559,878**	612,692

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Deferred tax liabilities	28	**8,639**	8,078
Provision for long service payment	29	**17**	20
Interest-bearing borrowings	27	**17,458**	17,415
		26,114	25,513
NET ASSETS		**533,764**	587,179
Capital and reserves			
Share capital	30	**62,414**	64,271
Convertible notes	31	**12,600**	12,600
Reserves	32	**378,755**	437,054
Equity attributable to owners of the Company		**453,769**	513,925
Non-controlling interests		**79,995**	73,254
TOTAL EQUITY		**533,764**	587,179

Approved by:

Li Chongyang
Director

Lam Kai Yeung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium account HK$'000	Convertible notes HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC statutory reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2017	44,842	453,298	12,600	157,118	509	28,488	7,630	(3,787)	7,187	(365,528)	342,357	62,221	404,578
(Loss)/profit for the year	–	–	–	–	–	–	–	–	–	(7,784)	(7,784)	3,418	(4,366)
Other comprehensive income:													
Surplus on revaluation of items of property, plant and equipment, net of tax	–	–	–	–	–	–	4,195	–	–	–	4,195	3,272	7,467
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	2,099	–	–	2,099	4,343	6,442
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	4,195	2,099	–	(7,784)	(1,490)	11,033	9,543
Share options lapsed	–	–	–	–	–	(4,329)	–	–	–	4,329	–	–	–
Placing of new shares under general mandate (note 30(a))	19,429	153,920	–	–	–	–	–	–	–	–	173,349	–	173,349
Transaction cost attributable to placing	–	(291)	–	–	–	–	–	–	–	–	(291)	–	(291)
Transfer to PRC statutory reserve	–	–	–	–	–	–	–	–	1,095	(1,095)	–	–	–
Disposal of assets classified as held-for-sale	–	–	–	–	–	–	(646)	–	–	646	–	–	–
At 31 December 2017	64,271	606,927	12,600	157,118	509	24,159	11,179	(1,688)	8,282	(369,432)	513,925	73,254	587,179

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium account HK$'000	Convertible notes HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC statutory reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018	64,271	606,927	12,600	157,118	509	24,159	11,179	(1,688)	8,282	(369,432)	513,925	73,254	587,179
(Loss)/profit for the year	–	–	–	–	–	–	–	–	–	(50,501)	(50,501)	6,875	(43,626)
Other comprehensive income:													
Surplus on revaluation of items of property, plant and equipment, net of tax	–	–	–	–	–	–	4,439	–	–	–	4,439	3,525	7,964
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(4,081)	–	–	(4,081)	(3,659)	(7,740)
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	4,439	(4,081)	–	(50,501)	(50,143)	6,741	(43,402)
Share options lapsed	–	–	–	–	–	(2,635)	–	–	–	2,635	–	–	–
Repurchase of shares (note 30(b))	(1,857)	(8,156)	–	–	–	–	–	–	–	–	(10,013)	–	(10,013)
Disposal of property, plant and equipment	–	–	–	–	–	–	606	–	–	(606)	–	–	–
Transfer to PRC statutory reserve	–	–	–	–	–	–	–	–	1,364	(1,364)	–	–	–
At 31 December 2018	62,414	598,771	12,600	157,118	509	21,524	16,224	(5,769)	9,646	(419,268)	453,769	79,995	533,764

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Loss before tax		**(37,466)**	(3,827)
Adjustments for:			
Amortisation of prepaid land lease payments		**704**	550
Bank interest income		**(58)**	(24)
Depreciation		**19,692**	17,654
Dividend income		**(3)**	(111)
Gain on disposal of property, plant and equipment		**(439)**	(43)
Gain on disposal of assets classified as held-for-sale		**–**	(21,520)
Net loss arising on investments at fair value through profit or loss		**457**	5,823
Finance costs		**3,173**	2,978
Provision for impairment loss of intangible assets		**11,786**	–
Provision for impairment loss of goodwill		**1,041**	–
Provision for impairment loss of trade receivables, net		**12,479**	19,335
(Reversal of provision)/provision for impairment loss of prepayments, deposits and other receivables, net		**(64)**	2,950
Provision/(reversal of provision) of compensation and cost for legal cases		**1,638**	(4,386)
Reversal of provision for long service payment		**(3)**	(13)
Write-off of trade receivables		**289**	3,192
Write-off of prepayments, deposits and other receivables		**132**	–
Operating cash flows before working capital changes		**13,358**	22,558
Change in inventories		**(14,243)**	2,055
Change in trade and bill receivables		**32,571**	(40,054)
Change in prepayments, deposits and other receivables		**(68,764)**	(22,016)
Change in restricted bank deposits		**17**	(5)
Change in trade payables		**36,323**	(13,479)
Change in contract liabilities		**(4,426)**	1,012
Change in accruals and other payables		**(464)**	17,168
Cash used in operations		**(5,628)**	(32,761)
Bank interest received		**58**	24
Income tax paid		**(8,677)**	(3,791)
Net cash used in operating activities		**(14,247)**	(36,528)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(1,581)**	(3,103)
Payment for prepaid land lease		**(16,507)**	–
Deposits paid in relation to acquisition of subsidiaries		**–**	(106,637)
Acquisition of investments at fair value through profit or loss		**(9,184)**	(41,209)
Dividend income		**3**	111
Proceeds from disposal of assets classified as held-for-sale		**–**	18,211
Proceeds from disposal of property, plant and equipment		**475**	721
Proceeds from disposal of investments at fair value through profit or loss		**18,124**	25,989
Net cash used in investing activities		**(8,670)**	(105,917)
Cash flows from financing activities			
Proceeds from new borrowings	34(b)	**13,979**	27,384
Repayment of borrowings	34(b)	**(28,545)**	(13,548)
Proceeds from placing shares		**–**	173,058
Repurchase of shares		**(10,013)**	–
Change in amount due to a non-controlling shareholder	34(b)	**–**	(11,530)
Interest paid		**(3,173)**	(2,978)
Net cash (used in)/generated from financing activities		**(27,752)**	172,386
Net (decrease)/increase in cash and cash equivalents		**(50,669)**	29,941
Effect of foreign exchange rate changes		**(3,321)**	1,098
Cash and cash equivalents at beginning of year		**77,146**	46,107
Cash and cash equivalents at end of year		**23,156**	77,146
Analysis of cash and cash equivalents			
Bank and cash balances		**23,156**	77,146

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda and the issued shares of which are listed on Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is situated at Unit 1902, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong.

The Company's principal activity is investment holding. The Group is principally engaged in manufacturing and trading of pre-stressed high strength concrete pile, ready-mixed concrete, sand-lime bricks, aerated concrete products and eco-concrete products and provision of financial services.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), accounting principles generally accepted in the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**" or "**HK**") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain property, plant and equipment and investments at fair value through profit or loss ("**FVTPL**") which are carried at their fair values. These consolidated financial statements are presented in Hong Kong Dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the management of the Group to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 3.

(a) Adoption of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years except as stated below.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 has been applied retrospectively and resulted in changes in the consolidated amounts reported in the consolidated financial statements as follows:

	As at 31 December 2017 HK$'000	As at 1 January 2017 HK$'000
Decrease in deposits received	(7,848)	(6,836)
Increase in contract liabilities	7,848	6,836

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new and revised HKFRSs that have been published are relevant to the Group's operations but have not been early adopted.

New/revised HKFRSs		Effective date
HKFRS 16	Leases	Accounting periods ("**AP**") beginning on or after 1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	AP beginning on or after 1 January 2019

HKFRS 16 Leases

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. As at the reporting date, the Group has non-cancellable operating lease commitments of approximately HK$12,352,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be required to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

The Group is in the process of assessing the potential impact of the above new and revised HKFRSs upon initial application but is not yet in a position to state whether the above new/revised HKFRSs will have a significant impact on the Group's financial performance and position.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it 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. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

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

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated exchange fluctuation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling interests and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Foreign currency transaction

(a) Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency transaction *(Continued)*

(b) Transactions and balances in financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the group entities that have a functional currency different from the Group's presentation currency are translated into the Group's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the exchange fluctuation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange fluctuation reserve. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Buildings comprise mainly factories and offices. Buildings, plant, machinery and office equipment and motor vehicles are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Revaluation increases of buildings, plant, machinery and office equipment and motor vehicles are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the asset revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the asset revaluation reserve are charged against the asset revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation increases remaining in the asset revaluation reserve is transferred directly to accumulated losses.

Leasehold land under finance lease commences amortisation from the time when the land interest becomes available for its intended use. Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land under finance lease	Over the lease terms
Buildings	2% to 5%
Plant, machinery and office equipment	10% – 33%
Motor vehicles	20%
Furniture and fixtures	10% – 33%

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

Construction in progress represents buildings under construction and plant and machinery pending for installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Leases

Operating leases

The Group as lessee

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

The Group as lessor

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at FVTPL. Transaction costs directly attributable to the acquisition of investments at FVTPL are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

– Financial assets at amortised cost

– Investments at FVTPL

(i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

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

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

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

(ii) Investments at FVTPL

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at FVTPL are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("**lifetime expected credit losses**") for trade receivables or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost 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 period.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Trade and other payables

Trade and other payables are stated initially at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

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

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

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

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

(a) Rental income is recognised on a straight-line basis over the lease term.

(b) Interest income is recognised on a time-proportion basis using the effective interest method.

(c) Dividend income is recognised when the shareholders' rights to receive payment are established.

Employee benefits

(a) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("**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 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK$30,000 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 Group also participates in a defined contribution retirement scheme organised by the government in the People's Republic of China (the "**PRC**"). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Employee long service payment

The provision for long service is provided based on the employees' basic salaries and their respective length of service in accordance with the applicable rules and regulations in their respective countries of employment.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

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

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

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Related parties

A related party is a person or entity that is related to the Group.

(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 the key management personnel of the Company or of a parent of the Company.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the entities comprising the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

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

(iii) Both entities are joint ventures of the same third party.

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also 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 a parent of the Company.

Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except deferred tax assets and investments at FVTPL, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets *(Continued)*

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

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 is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non–occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. CRITICAL JUDGEMENTS AND KEY ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Key sources of estimation uncertainty

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

(a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This required an estimation of the recoverable amount (determined based on either fair value less costs of disposal or value in use) of the cash-generating units ("**CGU**") to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The estimated fair value less costs of disposal is assumed to have no significant difference on the price determined in an arm's length transaction. The carrying amount of goodwill at 31 December 2018 was HK$19,941,000 (2017: HK$20,982,000). Further details are set out in note 18.

(b) Useful lives of property, plant and equipment and prepaid land lease payments

The Group determines the estimated useful lives and related depreciation charges and amortisation of its property, plant and equipment and prepaid land lease payments. These estimated useful lives and/or residual values are based on the historical experience of the actual useful lives of property, plant and equipment and prepaid land lease payments of similar assets and taking into account anticipated technological changes. The Group will increase the depreciation charge and amortisation where useful lives are less than previously estimated lives, and will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisable lives and thereafter depreciation charge and amortisation in the future period. Further details are disclosed in notes 15 and 17.

3. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

Key sources of estimation uncertainty *(Continued)*

(c) Impairment of property, plant and equipment and prepaid land lease payments

Property, plant and equipment and prepaid land lease payments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

(d) Impairment of receivables

The Group makes impairment loss on trade receivables, prepayments, deposits and other receivables based on assessments of the recoverability of the receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgements and estimates.

(e) Current and deferred income tax

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provision in the period in which such determination is made.

4. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

4. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Disclosures of level in fair value hierarchy:

	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2018 HK$'000
Recurring fair value measurements:				
Property, plant and equipment				
Buildings	**–**	**–**	**35,973**	**35,973**
Plant, machinery and office equipment	**–**	**–**	**57,237**	**57,237**
Motor vehicles	**–**	**–**	**2,181**	**2,181**
	–	**–**	**95,391**	**95,391**

	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2017 HK$'000
Recurring fair value measurements:				
Property, plant and equipment				
Buildings	–	–	40,810	40,810
Plant, machinery and office equipment	–	–	63,330	63,330
Motor vehicles	–	–	2,376	2,376
	–	–	106,516	106,516
Investments at FVTPL, listed equity securities	9,397	–	–	9,397
	9,397	–	106,516	115,913

4. FAIR VALUE MEASUREMENTS *(Continued)*

(b) Reconciliation of assets measured at fair value based on level 3:

The following table analyses the fair value measurement of buildings, plant, machinery and office equipment and motor vehicles using significant unobservable inputs (level 3):

	Buildings HK$'000	**Plant, machinery and office equipment HK$'000**	**Motor vehicles HK$'000**	**Total HK$'000**
As at 1 January 2018	**40,810**	**63,330**	**2,376**	**106,516**
Additions	**–**	**909**	**593**	**1,502**
Disposals	**–**	**(62)**	**–**	**(62)**
(Deficit)/surplus on revaluation	**(610)**	**11,592**	**(364)**	**10,618**
Depreciation provided during the year	**(1,738)**	**(17,398)**	**(394)**	**(19,530)**
Exchange realignment	**(2,489)**	**(1,134)**	**(30)**	**(3,653)**
As at 31 December 2018	**35,973**	**57,237**	**2,181**	**95,391**

	Buildings HK$'000	Plant, machinery and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 1 January 2017	39,151	64,476	2,676	106,303
Additions	–	1,672	911	2,583
Disposals	–	–	(665)	(665)
(Deficit)/surplus on revaluation	(154)	10,337	(227)	9,956
Depreciation provided during the year	(1,693)	(15,514)	(345)	(17,552)
Exchange realignment	3,506	2,359	26	5,891
As at 31 December 2017	40,810	63,330	2,376	106,516

The revaluation surplus or deficit of buildings, plant, machinery and office equipment and motor vehicles are recognised in "revaluation of items of property, plant and equipment, net of tax" in the consolidated statement of comprehensive income.

The Group has determined that the highest and best use of the buildings, plant, machinery and office equipment and motor vehicles at the measurement date is held for own use purpose, which does not differ from their actual use.

4. FAIR VALUE MEASUREMENTS *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2018:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

The following table gives information about how the fair values of the Group's buildings, plant, machinery and office equipment and motor vehicles carried at fair value are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements are unobservable.

As at 31 December 2018 and 2017

Property, plant and equipment	Location	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Buildings in the PRC	Yangjiang	Depreciation replacement cost method	Average construction cost	RMB1,850 (2017: RMB1,210 to RMB2,020) per square meter	The higher the average construction cost, the higher the fair value
			Replacement cost rates	70% to 75% (2017: 41% to 73%)	The higher the replacement cost rates, the higher the fair value
Plant, machinery and office equipment	Yangjiang	Depreciation replacement cost method	Replacement cost rates	1% to 99% (2017: 1% to 99%)	The higher the replacement cost rates, the higher the fair value
Office equipment	Hong Kong	Depreciation replacement cost method	Replacement cost rates	1% to 98% (2017: 17% to 96%)	The higher the replacement cost rates, the higher the fair value
Motor vehicles	Yangjiang and Hong Kong	Comparison method	Second hand market price (2017: Discount on age, condition and functional obsolescence)	HK$250,000 to HK$588,000 (2017: 2% to 99%)	The higher the second hand market price, the higher the fair value (2017: The higher the discount, the lower the fair value)

5. OPERATING SEGMENT INFORMATION

The Group has three reportable segments as follows:

– Sales and manufacturing of pre-stressed steel bar (the "**PC steel bar**");

– Sales and manufacturing of high-strength concrete piles, ready-mixed concrete, autoclaved sand-lime bricks, aerated concrete products and eco-permeable concrete products and related processing income (the "**PHC piles and others**"); and

– Money lending, provision of assets management services, advising on securities services and securities brokerage services (the "**Financial services**").

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reporting segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that head office and corporate expenses, bank interest income, other gains and losses, net and finance costs are excluded from such measurement. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Segment assets exclude goodwill, deferred tax assets, investments at FVTPL, restricted bank deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

Segment liabilities exclude interest-bearing borrowings, tax payable, deferred tax liabilities and unallocated head office and corporate liabilities, as these liabilities are managed on a group basis. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

5. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Segment results, segment assets and liabilities

	PC steel bar HK$'000	PHC piles and others HK$'000	Financial services HK$'000	Total HK$'000
For the year ended 31 December 2018				
Segment revenue				
Revenue from external customers	–	403,342	11,375	414,717
Segment results	(299)	27,061	4,531	31,293
Reconciliation:				
Bank interest income				58
Other losses, net				(33,819)
Finance costs				(3,173)
Unallocated head office and corporate expenses				(31,825)
Loss before tax				(37,466)
Income tax expense				(6,160)
Loss for the year				(43,626)
As at 31 December 2018				
Segment assets	1,716	387,546	128,751	518,013
Unallocated assets				165,548
				683,561
Segment liabilities	(21,163)	(77,631)	(1,084)	(99,878)
Unallocated liabilities				(49,919)
				(149,797)

5. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Segment results, segment assets and liabilities *(Continued)*

	PC steel bar HK$'000	PHC piles and others HK$'000	Financial services HK$'000	Total HK$'000
For the year ended 31 December 2017				
Segment revenue				
Revenue from external customers	–	305,074	10,441	315,515
Segment results	(810)	7,481	(15,092)	(8,421)
Reconciliation:				
Bank interest income				24
Other gains, net				3,377
Finance costs				(2,978)
Unallocated head office and corporate expenses				4,171
Loss before tax				(3,827)
Income tax expense				(539)
Loss for the year				(4,366)
As at 31 December 2017				
Segment assets	1,694	337,900	148,827	488,421
Unallocated assets				233,574
				721,995
Segment liabilities	(21,057)	(46,826)	(92)	(67,975)
Unallocated liabilities				(66,841)
				(134,816)

5. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Other segment information

	PC steel bar HK$'000	PHC piles and others HK$'000	Financial services HK$'000	Corporate/ unallocated HK$'000	Total HK$'000
For the year ended 31 December 2018					
Other segment information:					
Capital expenditure	**–**	**18,000**	**88**	**–**	**18,088**
Depreciation	**–**	**(18,508)**	**(606)**	**(578)**	**(19,692)**
Amortisation of prepaid land lease payments	**–**	**(704)**	**–**	**–**	**(704)**
Reversal of provision/(provision) for impairment loss of trade receivables, net	**–**	**483**	**(12,962)**	**–**	**(12,479)**
Write-off of trade receivables	**–**	**(289)**	**–**	**–**	**(289)**
Write-off of prepayments, deposits and other receivables	**–**	**(132)**	**–**	**–**	**(132)**
Reversal of provision for impairment loss of prepayments, deposits and other receivables, net	**–**	**64**	**–**	**–**	**64**

	PC steel bar HK$'000	PHC piles and others HK$'000	Financial services HK$'000	Corporate/ unallocated HK$'000	Total HK$'000
For the year ended 31 December 2017					
Other segment information:					
Capital expenditure	–	1,151	720	1,232	3,103
Depreciation	–	(16,717)	(519)	(418)	(17,654)
Amortisation of prepaid land lease payments	–	(550)	–	–	(550)
Provision for impairment loss of trade receivables, net	–	(16,706)	–	–	(16,706)
Write-off of trade receivables	–	(3,192)	–	–	(3,192)
Provision for impairment loss of prepayments, deposits and other receivables, net	–	(2,950)	–	–	(2,950)

5. OPERATING SEGMENT INFORMATION *(Continued)*

(c) Geographical information

The geographical location of revenue information is based on the locations of customers at which the goods and services delivered. The Group's revenue analysed by geographical location and information about its non-current assets by geographical location are detailed below:

	Non-current assets As at 31 December		Revenue Year ended 31 December	
	2018	2017	**2018**	2017
Hong Kong	**22,659**	36,582	**11,375**	10,441
The PRC (excluding Hong Kong for the purposes of this report)	**131,400**	127,756	**403,342**	305,074
	154,059	164,338	**414,717**	315,515

(d) Information about major customer

The Group had no transactions with customer which contributed over 10% of its total revenue for the year ended 31 December 2018 (2017: Nil).

6. REVENUE

	2018 HK$'000	2017 HK$'000
Sales of PHC piles and others	**403,342**	305,074
Brokerage income	**1**	1
Revenue from contracts with customers	**403,343**	305,075
Loan interest income	**11,374**	10,440
Total revenue	**414,717**	315,515

6. REVENUE *(Continued)*

Disaggregation of revenue from contracts with customers:

	Sales of PHC piles and others HK$'000	Brokerage income HK$'000	Total HK$'000
			2018
Geographical markets			
The PRC	**403,342**	**–**	**403,342**
Hong Kong	**–**	**1**	**1**
	403,342	**1**	**403,343**

All revenue from contracts with customers are recognised at a point in time.

	Sales of PHC piles and others HK$'000	Brokerage income HK$'000	Total HK$'000
			2017
Geographical markets			
The PRC	305,074	–	305,074
Hong Kong	–	1	1
	305,074	1	305,075

All revenue from contracts with customers are recognised at a point in time.

Sales of PHC piles and others

The Group manufactures and sells PHC pipes and others to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

The products sold to customers are returnable to the Group within a reasonable period from receipt date, normally two days upon discovery of faulty products. Revenue from the sales is recognised based on the prices specified in the contracts, without netting of the estimated sales return due to extremely low return rate from past records.

Sales to customers are normally made with credit terms of 1 to 3 months. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

7. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Bank interest income	**58**	24
Dividend income	**3**	111
Rental income	**–**	526
Government subsidy	**5,945**	–
Sundry income	**1,073**	–
	7,079	661

8. OTHER (LOSSES)/GAINS, NET

	2018 HK$'000	2017 HK$'000
Exchange difference, net	**(6,500)**	8,728
Net loss arising on investments at FVTPL	**(457)**	(5,823)
Provision for impairment loss of goodwill	**(1,041)**	–
Provision for impairment loss of trade receivables, net	**(12,479)**	(19,335)
Reversal of provision/(provision) for impairment loss of prepayments, deposits and other receivables, net	**64**	(2,950)
Gain on disposal of property, plant and equipment	**439**	43
Write-off of trade receivables	**(289)**	(3,192)
Write-off of prepayments, deposits and other receivables	**(132)**	–
(Provision)/reversal of provision of compensation and cost for legal cases	**(1,638)**	4,386
Gain on disposal of assets classified as held-for-sale	**–**	21,520
Provision for impairment loss of intangible assets	**(11,786)**	–
	(33,819)	3,377

9. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on interest-bearing borrowings	**3,173**	2,978

10. LOSS BEFORE TAX

The Group's loss for the year is stated after charging/(crediting) the following:

	2018 HK$'000	2017 HK$'000
Cost of inventories sold	**214,532**	171,969
Depreciation	**19,692**	17,654
Amortisation of prepaid land lease payments	**704**	550
Auditor's remuneration	**1,080**	1,080
Operating lease payments in respect of land and buildings	**4,635**	5,494
Provision/(reversal of provision) of compensation and cost for legal cases	**1,638**	(4,386)
Staff costs (including directors' remuneration):		
– salaries, bonuses and allowances	**33,974**	33,817
– reversal of provision for long service payment	**(3)**	(13)
– retirement benefits scheme contributions	**1,898**	1,841
	35,869	35,645

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' remuneration for the year, equivalent to key management compensation, is as follows:

	2018 HK$'000	2017 HK$'000
Fees	**711**	853
Other emoluments:		
Salaries, allowances and benefits in kind	**4,565**	5,220
Pension scheme contributions	**80**	72
	4,645	5,292
	5,356	6,145

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

Analysis of directors' remuneration on named basis is as follows:

	2018			
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors				
Mr. Li Chongyang	–	1,212	18	1,230
Ms. Qi Jiao	–	576	18	594
Mr. Lam Kai Yeung (re-designated to executive director on 31 July 2018)	–	443	8	451
Mr. Leung Chi Fai (executive duties were suspended on 27 July 2018)	–	1,090	18	1,108
	–	3,321	62	3,383
Non-executive directors				
Mr. Huang Weidong	–	1,244	18	1,262
Mr. Liu Chenli (resigned on 3 August 2018)	141	–	–	141
	141	1,244	18	1,403
Independent non-executive directors				
Mr. Cong Yongjian	190	–	–	190
Dr. Lam Huen Sum	190	–	–	190
Mr. Lam Kai Yeung (re-designated to executive director on 31 July 2018)	140	–	–	140
Mr. Ng Yuk Lam (appointed on 31 July 2018)	50	–	–	50
	570	–	–	570
	711	4,565	80	5,356

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

	2017			
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors				
Mr. Leung Chi Fai (executive duties were suspended on 27 July 2018)	–	1,896	18	1,914
Mr. Li Chongyang	–	1,496	18	1,514
Ms. Qi Jiao	–	624	18	642
	–	4,016	54	4,070
Non-executive directors				
Mr. Huang Weidong	–	1,204	18	1,222
Mr. Liu Chenli (resigned on 3 August 2018)	240	–	–	240
	240	1,204	18	1,462
Independent non-executive directors				
Mr. Cong Yongjian	240	–	–	240
Mr. Lam Kai Yeung (re-designated to executive director on 31 July 2018)	240	–	–	240
Dr. Lam Huen Sum (appointed on 12 June 2017)	133	–	–	133
	613	–	–	613
	853	5,220	72	6,145

There was no arrangement under which a director waived or agreed to waive any remuneration in respect of the years ended 31 December 2018 and 2017.

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

Five highest paid individuals

The five highest paid employees in the Group during the year included three (2017: four) directors, details of whose remuneration are set out above. Details of remuneration of the remaining two (2017: one) highest paid employees who are not a director of the Company are as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries, allowances and benefits in kind	**1,382**	975
Pension scheme contributions	**30**	18
	1,412	993

The remuneration of the employees fell within the band of below HK$1,000,000 (2017: HK$1,000,000).

No emoluments had been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

12. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 December 2018. No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2017 as the Group did not generate any assessable profits arising in Hong Kong during that year. Subsidiaries established in the PRC are subject to the PRC Enterprise Income Tax at the standard rate of 25% (2017: 25%). No provision for overseas taxation is required since the Group has no assessable profit arisen from its operations outside Hong Kong and the PRC during the year (2017: Nil).

	2018 **HK$'000**	2017 HK$'000
Current tax – PRC Enterprise Income Tax		
– Provision for the year	**6,591**	7,443
– Over-provision in prior years	**(992)**	(402)
	5,599	7,041
Current tax – Hong Kong Profits Tax		
– Provision for the year	**930**	–
Deferred tax (note 28)	**(369)**	(6,502)
	6,160	539

12. INCOME TAX EXPENSE *(Continued)*

A reconciliation of income tax expense and loss before tax is as follows:

	2018 HK$'000	2017 HK$'000
Loss before tax	**(37,466)**	(3,827)
Notional tax on loss before tax, calculated at the applicable tax rates in respective jurisdictions	**(4,401)**	1,835
Tax effect of expenses not deductible for tax purpose	**8,437**	3,951
Tax effect of income not taxable for tax purpose	**(783)**	(6,672)
Tax effect of tax losses and other temporary differences not recognised	**4,072**	1,827
Tax effect of utilisation of tax losses not previously recognised	**(8)**	–
Tax reduction	**(165)**	–
Over-provision in prior years	**(992)**	(402)
Income tax expense	**6,160**	539

13. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the years ended 31 December 2018 and 2017.

14. LOSS PER SHARE

Loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue throughout the year.

	2018 HK$'000	2017 HK$'000
Loss:		
Loss for the year attributable to owners of the Company used in the basic loss per share calculation	**(50,501)**	(7,784)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basis loss per share	**625,487,645**	526,636,631

Comparative figure of number of shares for the purpose of loss per share was adjusted on the assumption that the share consolidation had been effective in the prior year.

Diluted loss per share

No diluted loss per share for the years ended 31 December 2018 and 2017 is presented as the effects of all convertible notes and options are anti-dilutive for the years.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant, machinery and office equipment HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
As at 1 January 2018						
Cost or valuation	47,794	121,921	3,672	1,289	298	174,974
Accumulated depreciation and impairment loss	(6,984)	(58,591)	(1,296)	(217)	(298)	(67,386)
Carrying amount	40,810	63,330	2,376	1,072	–	107,588
Opening net carrying amount	40,810	63,330	2,376	1,072	–	107,588
Additions	–	909	593	79	–	1,581
Disposals	–	(62)	–	–	–	(62)
Surplus on revaluation	(610)	11,592	(364)	–	–	10,618
Depreciation provided during the year	(1,738)	(17,398)	(394)	(162)	–	(19,692)
Exchange realignment	(2,489)	(1,134)	(30)	–	–	(3,653)
As at 31 December 2018, net of accumulated depreciation and impairment loss	35,973	57,237	2,181	989	–	96,380
As at 31 December 2018						
Cost or valuation	44,216	131,428	3,829	1,368	298	181,139
Accumulated depreciation and impairment loss	(8,243)	(74,191)	(1,648)	(379)	(298)	(84,759)
Carrying amount	35,973	57,237	2,181	989	–	96,380

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

	Buildings HK$'000	Plant, machinery and office equipment HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
As at 1 January 2017						
Cost or valuation	43,965	104,993	4,153	769	298	154,178
Accumulated depreciation and impairment loss	(4,814)	(40,517)	(1,477)	(115)	(298)	(47,221)
Carrying amount	39,151	64,476	2,676	654	–	106,957
Opening net carrying amount	39,151	64,476	2,676	654	–	106,957
Additions	–	1,672	911	520	–	3,103
Disposals	–	–	(665)	–	–	(665)
Surplus on revaluation	(154)	10,337	(227)	–	–	9,956
Depreciation provided during the year	(1,693)	(15,514)	(345)	(102)	–	(17,654)
Exchange realignment	3,506	2,359	26	–	–	5,891
As at 31 December 2017, net of accumulated depreciation and impairment loss	40,810	63,330	2,376	1,072	–	107,588
As at 31 December 2017						
Cost or valuation	47,794	121,921	3,672	1,289	298	174,974
Accumulated depreciation and impairment loss	(6,984)	(58,591)	(1,296)	(217)	(298)	(67,386)
Carrying amount	40,810	63,330	2,376	1,072	–	107,588

As at 31 December 2018 and 2017, the Group's buildings, plant, machinery and office equipment and motor vehicles were valued by an independent professionally qualified valuer, Roma Appraisals Limited ("**Roma**") (2017: Peak Vision Appraisals Limited), which has appropriate qualifications and recent experience in the valuation of similar assets.

As at 31 December 2018, certain buildings and plant and machinery of the Group with carrying amounts of HK$35,973,000 (2017: HK$40,810,000) and HK$Nil (2017: HK$7,801,000), respectively, were pledged to secure banking facilities granted to the Group (note 27).

16. INTANGIBLE ASSETS

	Financial services licences (note) HK$'000	Computer software HK$'000	Total HK$'000
Cost			
As at 1 January 2017	11,786	98	11,884
Exchange realignment	–	8	8
As at 31 December 2017, 1 January 2018 and 31 December 2018	11,786	106	11,892
Accumulated amortisation and impairment losses			
As at 1 January 2017	–	(98)	(98)
Exchange realignment	–	(8)	(8)
As at 31 December 2017	–	(106)	(106)
Impairment loss recognised for the year	(11,786)	–	(11,786)
As at 31 December 2018	(11,786)	(106)	(11,892)
Net carrying amount			
As at 31 December 2018	**–**	**–**	**–**
As at 31 December 2017	11,786	–	11,786

Note:

The licences were used in the Group's financial services segment. Full impairment loss has been recognised in the current year as the Group has decided to revoke the licences under Securities and Futures Ordinance and cease the brokerage business pursuant to the directors' resolutions of Big Bay Asset Management (HK) Limited and Big Bay Securities (HK) Limited dated 31 December 2018.

17. PREPAID LAND LEASE PAYMENTS

	2018 **HK$'000**	2017 HK$'000
Carrying amount at beginning of year	**24,486**	23,533
Additions	**16,507**	–
Amortisation during the year	**(704)**	(550)
Exchange realignment	**(1,756)**	1,503
Carrying amount at end of year	**38,533**	24,486
Current portion included in prepayments, deposits and other receivables	**(795)**	(504)
	37,738	23,982

As at 31 December 2018, prepaid land lease payments of the Group with a carrying amount of HK$22,833,000 (2017: HK$24,486,000) were pledged to secure banking facilities granted to the Group (note 27).

18. GOODWILL

For the purpose of impairment testing, goodwill has been allocated to two CGUs, comprising a subsidiary in financial services and a subsidiary in PHC piles and others businesses. The carrying amount of goodwill as at 31 December 2018 and 2017 allocated to these units are as follows:

	Financial services HK$'000	**PHC piles and others** HK$'000	**Total** HK$'000
Cost			
As at 1 January 2017, 31 December 2017 and 31 December 2018	1,041	84,421	85,462
Accumulated impairment losses			
As at 1 January 2017, 31 December 2017 and 1 January 2018	–	(64,480)	(64,480)
Recognised for the year	(1,041)	–	(1,041)
As at 31 December 2018	(1,041)	(64,480)	(65,521)
Net carrying amount			
As at 31 December 2018	**–**	**19,941**	**19,941**
As at 31 December 2017	1,041	19,941	20,982

18. GOODWILL *(Continued)*

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Financial services

During the year ended 31 December 2017, the recoverable amount of the CGU has been determined from value-in-use calculation. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next three years with the residual period using the growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets. The pre-tax rate used to discount the forecast cash flows is 15%.

The licence were used in the Group's financial services segment. Full impairment loss has been recognised in the current year as the Group has decided to revoke the licence under Securities and Futures Ordinance and cease the brokerage business pursuant to the director's resolution of Big Bay Securities (HK) Limited dated 31 December 2018.

PHC piles and others

The recoverable amount of this CGU has been determined, including working capital, based on a value-in-use calculation determined by income approach using discounted cash flow projections with reference to valuation performed by an independent professional valuer, Roma. The calculation covered a period estimated by the Group to be indefinite as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a three-year period. Cash flow beyond the projection period is extrapolated using an estimated growth rate of 3% (2017: 3%). The pre-tax rate used to discount the forecast cash flows is 17.93% (2017: 19.28%).

The key basis and assumption used to determine the value assigned to the growth in revenue and the budgeted gross margins is the management's expectation of market development and future performance of the CGU and the discount rate used reflects specific risks relating to industries in relation to the CGU.

19. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 **HK$'000**	2017 HK$'000
Listed securities – held for trading		
– Equity securities – Hong Kong	–	8,986
– Equity securities – United States	–	411
Market value of listed securities	–	9,397

Changes in fair values of investments at FVTPL are recorded in "other (losses)/gains, net" in the consolidated statement of profit or loss.

20. INVENTORIES

	2018 **HK$'000**	2017 HK$'000
Raw materials	**16,518**	10,039
Finished goods	**9,304**	1,540
	25,822	11,579

21. TRADE AND BILL RECEIVABLES

	2018 **HK$'000**	2017 HK$'000
Loan and trade receivables, gross	**241,980**	280,371
Less: provision for impairment loss	**(57,396)**	(53,868)
Loan and trade receivables, net	**184,584**	226,503
Bill receivables	**–**	3,420
	184,584	229,923

The Group's trading terms with its customers are mainly on credit except for new customers, where payment in advance is normally required. For trade receivables resulted from sales of goods and services, the credit period is generally one to three (2017: one to three) months from the date of billing, except for certain well-established customers, where the term is extended to six months. For loan receivables, the loan period is generally three to eighteen (2017: three to twelve) months from the date of inception or renewal. The Group seeks to maintain strict control over its receivables to minimise credit risk.

As at 31 December 2018, except for the loan receivables of HK$127,737,000 (2017: HK$135,270,000) which bore fixed interest rates ranging from 8% to 10% (2017: 8% to 10%) per annum and, of which HK$93,800,000 (2017: HK$110,000,000) were secured with charges over the assets owned by the borrowers and/or personal guarantees, trade receivables are non-interest bearing and unsecured.

(a) Ageing analysis

The ageing analysis of loan receivables, based on the date of inception or renewal for loans and net of provision, is as follows:

	2018 **HK$'000**	2017 HK$'000
Within 3 months	**28,791**	29,222
4 to 6 months	**45,433**	65,178
7 to 12 months	**53,513**	30,870
Over 12 months	**–**	10,000
	127,737	135,270

21. TRADE AND BILL RECEIVABLES *(Continued)*

(a) Ageing analysis *(Continued)*

The ageing analysis of trade receivables, based on the invoice date and net of provision, is as follows:

	2018 **HK$'000**	2017 HK$'000
Within 3 months	**44,182**	68,607
4 to 6 months	**1,339**	9,584
7 to 12 months	**3,267**	7,503
Over 12 months	**8,059**	5,539
	56,847	91,233

(b) Impairment of trade receivables

The movement in provision for impairment of loan and trade receivables is as follows:

	2018 **HK$'000**	2017 HK$'000
Balance at beginning of year	**53,868**	33,917
Impairment loss recognised	**17,131**	19,763
Impairment loss reversed	**(4,652)**	(428)
Amounts written off	**(6,426)**	(2,629)
Exchange realignment	**(2,525)**	3,245
Balance at end of year	**57,396**	53,868

Included in the above provision for impairment loss was a full provision for individually impaired loan and trade receivables of HK$17,131,000 (2017: HK$19,763,000) that are considered irrecoverable by management after consideration of the credit quality of those individual customers, their ongoing relationship with the Group and the ageing of those receivables. The Group does not hold any collateral over these balances.

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all loan and trade receivables. To measure the expected credit losses, loan and trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

21. TRADE AND BILL RECEIVABLES *(Continued)*

(b) Impairment of trade receivables *(Continued)*

	Current HK$'000	Within 3 months past due HK$'000	Over 3 months past due HK$'000	Over 6 months past due HK$'000	Over 12 months past due HK$'000	Total HK$'000
At 31 December 2018						
Loan receivables						
Weighted average expected loss rate	**0%**	**31%**	**32%**	**47%**	**100%**	
Receivable amount	**126,057**	**651**	**635**	**1,506**	**11,851**	**140,700**
Loss allowance	**–**	**(202)**	**(202)**	**(708)**	**(11,851)**	**(12,963)**
Trade receivables						
Weighted average expected loss rate	**0%**	**0%**	**0%**	**0%**	**85%**	
Receivable amount	**37,207**	**3,941**	**2,649**	**4,991**	**52,492**	**101,280**
Loss allowance	**–**	**–**	**–**	**–**	**(44,433)**	**(44,433)**
At 31 December 2017						
Loan receivables						
Weighted average expected loss rate	0%	0%	0%	0%	0%	
Receivable amount	122,730	1,491	10,252	797	–	135,270
Loss allowance	–	–	–	–	–	–
Trade receivables						
Weighted average expected loss rate	0%	0%	0%	0%	91%	
Receivable amount	58,793	14,876	7,502	4,854	59,076	145,101
Loss allowance	–	–	–	–	(53,868)	(53,868)

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Prepayments (note (a))	**177,501**	106,401
Refundable deposits paid for acquisition of subsidiaries (note (b))	**106,637**	106,637
Other receivables	**76,919**	83,479
Deposits paid	**3,560**	3,891
	364,617	300,408
Less: provision for impairment loss of prepayment and deposits paid (note (c))	**(3,827)**	(7,253)
Less: provision for impairment loss of other receivables (note (c))	**(76,604)**	(77,665)
	284,186	215,490

Prepayments, deposits and other receivables, net of allowance of doubtful debts, are expected to be recovered or recognised as expense within one year.

Notes:

(a) The Group paid in advance to certain suppliers for the PHC piles and others business.

(b) References are made to the Company's announcements dated 12 September 2017 and 21 November 2017. During 2017, the Group paid refundable earnest money of HK$100,000,000 and deposit of HK$6,637,000 to acquire certain equity interests of a target group and a target company, respectively. As security for the repayment of the refundable earnest money of HK$100,000,000, the entire issued share capital of the holding company of the target group held by the vendor was charged in favour of the Group, and the performance of all the obligations of the vendor was guaranteed by the shareholder of the vendor.

(c) Provision for impairment loss is recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against other receivables directly.

The movement in provision for impairment loss of prepayments, deposits, and other receivables is as follows:

	2018 HK$'000	2017 HK$'000
Balance at beginning of year	**84,918**	76,121
Impairment loss recognised	**66**	3,071
Impairment loss reversed	**(130)**	(121)
Exchange realignment	**(4,423)**	5,847
Balance at end of year	**80,431**	84,918

As at 31 December 2018, the Group's other receivables with a carrying amount before provision of HK$66,000 (2017: HK$3,071,000) were individually determined to be fully impaired. The individually impaired receivables related to debtors that were in financial difficulties and overdue for more than one year and management assessed that the recovery of these receivables is in doubt.

During the year ended 31 December 2015, the Group appointed an independent professional advisor to perform an investigation on certain prepayments, deposits and other receivables of a subsidiary of the Group. Based on the findings of the investigation, certain prepayments may involve the possible commercial crime committed by two former directors of a subsidiary of the Group. The management assessed and considered the recoverability of these receivables is in doubt. Further details are set out in note 40. As at 31 December 2018 and 2017, certain prepayments, deposits and other receivables with a carrying amount before provision of HK$57,138,000 were individually determined to be fully impaired.

23. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

	2018 HK$'000	2017 HK$'000
Bank and cash balances	**23,156**	77,146

As at 31 December 2018, bank and cash balances of HK$3,665,000 (2017: HK$29,770,000) are denominated in Renminbi ("**RMB**"). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earn interests at floating rates based on daily bank deposits rates.

(b) Restricted bank deposits

As at 31 December 2018, bank balance of HK$49,000 (2017: HK$66,000) is frozen in relation to the legal proceedings as disclosed in note 40.

24. TRADE PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	**61,889**	25,567

The ageing analysis of trade payables, based on invoice date, at the reporting date is as follows:

	2018 HK$'000	2017 HK$'000
Within 3 months	**47,131**	17,045
4 to 6 months	**10,010**	556
7 to 12 months	**14**	2,060
Over 1 year	**4,735**	5,906
	61,890	25,567

Trade payables are non-interest bearing and the average credit terms received from suppliers of the Group is 30 (2017: 30) days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

25. ACCRUALS AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Accruals and other payables	**27,416**	27,236
Provision of compensation and cost for legal cases	**13,773**	12,779
	41,189	40,015

26. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER

The balance is unsecured, interest-free and repayable on demand.

27. INTEREST-BEARING BORROWINGS

	2018		2017	
	Maturity	**HK$'000**	Maturity	HK$'000
Bank borrowings, secured	**2018 – 2020**	**24,988**	2017 – 2018	44,137
Bond, unsecured	**2025**	**3,000**	–	–
		27,988		44,137

The current and non-current bank borrowings were scheduled to repay as follows:

	2018 HK$'000	2017 HK$'000
Analysed into:		
On demand or within one year	**10,530**	26,722
Between one and two years	**14,458**	–
More than two years, but not exceeding three years	**–**	17,415
More than three years	**3,000**	–
	27,988	44,137

27. INTEREST-BEARING BORROWINGS *(Continued)*

As at 31 December 2018 and 2017, the Group's bank borrowings carried variable interest rates set by The People's Bank of China plus certain basis points and thus were subject to cash flow interest risk.

A bond of HK$3,000,000 issued to a third party is unsecured, carried at 7.5% per annum and repayable in 2025.

The range of interest rates per annum at the end of the reporting period on the interest-bearing borrowings of the Group was as follows:

	2018 **%**	2017 %
Variable-rate bank borrowings	**5.00 – 8.12**	4.79 – 8.12

The amounts due are based on the scheduled repayment dates set out in the borrowing agreements with no repayment on demand clause contained.

The borrowings were secured by land and building held by a related company of a subsidiary of the Group; personal guarantee executed by the directors of a subsidiary of the Group; guarantee executed by non-controlling shareholder of a subsidiary of the Group. In addition, certain assets are pledged to secure the banking facilities and bank borrowings. The carrying amounts of these pledged assets at the end of the reporting period are as follows:

	Notes	**2018** **HK$'000**	2017 HK$'000
Buildings	15	**35,973**	40,810
Plant and machinery	15	**–**	7,801
Prepaid land lease payments	17	**22,833**	24,486

28. DEFERRED TAX

The movement in deferred tax assets and liabilities during the year is as follows:

Deferred tax assets	Provision for impairment loss of trade receivables HK$'000	Provision for impairment loss of inventories HK$'000	Provision for impairment loss of other receivables HK$'000	Provision for impairment loss of property, plant and equipment HK$'000	Total HK$'000
As at 1 January 2017	3,425	163	3,418	1,396	8,402
Credited to profit or loss	4,176	–	737	–	4,913
Exchange realignment	432	12	288	9	741
As at 31 December 2017 and 1 January 2018	**8,033**	**175**	**4,443**	**1,405**	**14,056**
Charged to profit or loss	**(1,727)**	**–**	**(30)**	**–**	**(1,757)**
Exchange realignment	**(348)**	**(9)**	**(230)**	**(7)**	**(594)**
As at 31 December 2018	**5,958**	**166**	**4,183**	**1,398**	**11,705**

Deferred tax liabilities	Revaluation of property, plant and equipment HK$'000
As at 1 January 2017	7,209
Credited to profit or loss	(1,589)
Charged to other comprehensive income	2,489
Exchange realignment	(31)
As at 31 December 2017 and 1 January 2018	**8,078**
Credited to profit or loss	**(2,126)**
Charged to other comprehensive income	**2,654**
Exchange realignment	**33**
As at 31 December 2018	**8,639**

As at 31 December 2018, the Group has unused tax losses of HK$57,873,000 (2017: HK$51,498,000) that are available indefinitely for offsetting against future taxable profits of the group entities in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

28. DEFERRED TAX *(Continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applied to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The applicable rate for the Group is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in PRC in respect of earnings generated from 1 January 2008.

As at 31 December 2018, there was no significant unrecognised deferred tax liabilities (2017: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group controls the dividend policy of these subsidiaries and it has been determined that no dividend will be distributed by these subsidiaries in the foreseeable future.

29. PROVISION FOR LONG SERVICE PAYMENT

	2018 **HK$'000**	2017 HK$'000
Balance at beginning of year	**20**	33
Reversal of provision for the year	**(3)**	(13)
Balance at end of year	**17**	20

30. SHARE CAPITAL

	Number of ordinary shares	**Share capital** HK$'000
Authorised:		
As at 1 January 2017, 31 December 2017 and 1 January 2018, ordinary shares of HK$0.01 each	100,000,000,000	1,000,000
Share consolidation (note (c))	(90,000,000,000)	–
At 31 December 2018, ordinary shares of HK$0.1 each	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2017, ordinary shares of HK$0.01 each	4,484,203,246	44,842
Placing of shares (note (a))	1,942,880,000	19,429
At 31 December 2017 and 1 January 2018, ordinary shares of HK$0.01 each	6,427,083,246	64,271
Repurchase of shares (note (b))	(185,720,000)	(1,857)
Share consolidation (note (c))	(5,617,226,922)	–
At 31 December 2018, ordinary shares of HK$0.1 each	624,136,324	62,414

30. SHARE CAPITAL *(Continued)*

Notes:

(a) Placing of shares

On 26 April 2017, the Company entered into a placing agreement with a placing agent in respect of the placement of 872,880,000 ordinary shares of HK$0.01 each to independent investors at a price of HK$0.086 per share. The placement was completed on 17 May 2017 and the premium on the issue of shares amounting to approximately HK$64,381,000, after net of share issue expenses of approximately HK$81,000, was credited to the Company's share premium account.

On 18 September 2017, the Company entered into a placing agreement with a placing agent in respect of the placement of 1,070,000,000 ordinary shares of HK$0.01 each to independent investors at a price of HK$0.097 per share. The placement was completed on 13 October 2017 and the premium on the issue of shares amounting to approximately HK$89,248,000, after net of share issue expenses of approximately HK$210,000, was credited to the Company's share premium account.

(b) Repurchase of shares

During the year ended 31 December 2018, the Company repurchased and cancelled 185,720,000 of its own shares through purchases on the Stock Exchange. The total amount paid to acquire the shares was approximately HK$10,013,000 and was deducted from the Company's share capital and share premium account.

(c) Share consolidation

Pursuant to a shareholder resolution passed on 1 June 2018, every 10 ordinary shares of HK$0.01 each in the issued and unissued share capital of the Company were consolidated into one consolidated ordinary share of HK$0.1 each in the issued and unissued share capital of the Company effective on 4 June 2018.

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets. Details of the Company's share option scheme and the share options issued under the scheme are disclosed in note 33.

31. CONVERTIBLE NOTES

On 2 May 2014, the Company issued convertible notes with an aggregate amount of HK$300,000,000 in connection with the acquisition of Joint Expert Global Limited and its subsidiaries. The convertible notes are denominated in HK$, carry zero interest rate and were matured on 28 April 2017.

The convertible note holders are entitled to convert the convertible notes into ordinary shares of the Company at an conversion price of HK$0.18 (adjusted) per conversion share (subject to the normal adjustments pursuant to the terms and conditions of the convertible notes) at any time during the period commencing from the date of issuance of the convertible notes to the maturity date. Unless conversion notice shall have been previously given by the note holder to the Company, the Company may, by giving the note holder not less than 7 days prior written notice at any time after the date of issuance of the convertible notes, redeem the notes at a value equal to the principal amount of the notes to be redeemed. On maturity date, any convertible notes not being redeemed or converted shall be converted into conversion shares at the conversion price subject to compliance with the Listing Rules. If any conversion will trigger breach of the Listing Rules, then the Company may convert such sum of the convertible notes into shares as it considers appropriate and the remaining balance will be cancelled immediately.

Under the convertible notes, there is no contracted obligation to repay its principal nor to pay any distributions, they do not meet the definition of financial liabilities under Hong Kong Accounting Standard 32 "Financial Instruments: Presentation". As a result, the whole instrument was classified as equity.

31. CONVERTIBLE NOTES *(Continued)*

During the year ended 31 December 2016, the Company redeemed convertible notes with an aggregate principal amount of HK$100,000,000 at its fair value of approximately HK$89,155,000 to settle the profit guarantee compensation receivables. No redemption was made during the years ended 31 December 2018 and 2017. As at 31 December 2018 and 2017, the unconverted convertible notes were under dispute with a third party and litigation is in progress as disclosed in note 40(b).

As at 31 December 2018, the convertible notes of the Company with an aggregate principal amount of HK$30,000,000 (2017: HK$30,000,000) were still outstanding.

Reference is made to the Company's announcement dated 1 June 2018. Based on the opinions obtained from the legal advisers of the Company, in view of the ongoing legal proceedings, the Company maintains the position that all remaining convertible notes of the Company are void and are not capable of converting into shares of the Company. Hence, there is no adjustment upon the share consolidation becoming effective.

32. RESERVES

(a) Share premium account and capital redemption reserve

The application of share premium account and capital redemption reserve is governed by Section 40 of the Companies Act 1981 of Bermuda (as amended) ("**Companies Act**").

(b) Contributed surplus

Contributed surplus represents the difference between the aggregate of the nominal values of the shares of the subsidiaries acquired at the date of acquisition, over the nominal value of the shares of the Company issued in exchange thereof and issued on incorporation.

In addition to the retained earnings, under the Companies Act (as amended), contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

– the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

– the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(c) Share option reserve

Share option reserve comprises the fair value of the actual or estimated number of shares issuable under unexercised share options granted to participants recognised in accordance with accounting policy set out in note 2.

32. RESERVES *(Continued)*

(d) Asset revaluation reserve

Asset revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for property, plant and equipment set out in note 2.

(e) Exchange fluctuation reserve

Exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2.

(f) PRC statutory reserve

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the subsidiaries established in the PRC, it is required to appropriate 10% of the profit arrived at in accordance with the PRC accounting standards for each year to a statutory reserve. The profit arrived at must be used initially to set off against any accumulated losses. The appropriations to statutory reserve, after offsetting against any accumulated losses, must be made before the distribution of dividends to shareholders. The appropriation is required until the statutory reserve reaches 50% of the registered capital of the respective entity. This statutory reserve is not distributable in the form of cash dividends, but may be used to set off losses or be converted into paid-in-capital.

33. SHARE OPTION SCHEME

Share Option Scheme adopted on 17 June 2016 (the "Option Scheme")

The Option Scheme was adopted on 17 June 2016. The purpose of the Option Scheme is to recognise and acknowledge the contributions or potential contributions made or to be made by the eligible participants to the Group and the entity in which the Group holds any equity interest (the "**Invested Entity(ies)**"), to motivate the eligible participants to optimise their performance and efficiency for the benefit of the Group and the Invested Entities, and to maintain or attract business relationship with the eligible participants whose contributions are or may be beneficial to the growth of the Group and the Invested Entities.

Eligible participants of the Option Scheme include employee (whether full-time or part-time including any executive director), officer (including any non-executive director and independent non-executive director), substantial shareholder, consultant, agent, adviser, customer, business partner, joint venture partner, strategic partner, landlord or tenant of, or any supplier or provider of goods or services to, the Company or any subsidiary or any Invested Entity, or any trustee(s) of a discretionary trust of which one or more beneficiaries belong to any of the abovementioned category(ies) of persons, or any company beneficially owned by any of the abovementioned category(ies) of persons, or any other person who satisfies the criteria set out in the Option Scheme.

The Option Scheme, unless otherwise terminated or amended, will remain in force for a period of 10 years from the date of the offer for grant of the option. The maximum numbers of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be granted under the Option Scheme and other share option schemes adopted by the Company must not in aggregate exceed 30% of the shares in issue from time to time. The total number of shares which may be allotted and issued upon exercise of all options to be granted under the Option Scheme and any other share option schemes of the Group must not in aggregate exceed 10% of the shares of the Group in issue as at the date of adopting the Option Scheme, but the Company may seek approval of its shareholders in general meeting to refresh the 10% limit under the Option Scheme.

33. SHARE OPTION SCHEME *(Continued)*

Share Option Scheme adopted on 17 June 2016 (the "Option Scheme") *(Continued)*

The total number of shares issued and to be issued upon exercise of the share options granted under the Option Scheme and other share option schemes of the Group (including both exercised and outstanding options) to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting of the Company. Share options granted under the Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval of the independent non-executive directors of the Company (excluding any independent non-executive director who is also a grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK$5 million, within any 12-month period up to and including the date of such grant, are subject to shareholders' approval in general meeting of the Company.

A share option may be accepted by a participant within 21 days from the date of the offer of the option. The exercise period of the share options granted is determinable by the directors in accordance with the terms of the Option Scheme, and commences from the date of acceptance of the offer of the share options and ends on a date which is not later than 10 years from the date of grant of the share options.

The subscription price shall be determined by the board of directors and notified to a participant at the time the grant of the option(s) (subject to any adjustments made pursuant to Clause 9 in the Option Scheme) is made to (and subject to acceptance by) the participant and shall be at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the grant date, which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the grant date; and (c) the nominal value of the shares.

A nominal consideration of HK$1 is payable on acceptance of the offer of an option. Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting. Each option gives the holder the right to subscribe for one ordinary share in the Company.

On 22 June 2016, the Company granted options to certain directors, employees, substantial shareholders and consultants of the Group to subscribe for a total of 436,200,000 ordinary shares of HK$0.01 each at subscription price of HK$0.1682 per share on or before 21 June 2026, representing 9.99% of the shares of the Company in issue at that date. The options are vested at the date of grant.

33. SHARE OPTION SCHEME *(Continued)*

Share Option Scheme adopted on 17 June 2016 (the "Option Scheme") *(Continued)*

The following table discloses movement of the Company's share options under the Option Scheme during the year:

	Date of grant	Exercise period	Exercise price HK$ (note)
Executive directors	22 June 2016	22 June 2016 – 21 June 2026	1.6820
Non-executive directors	22 June 2016	22 June 2016 – 21 June 2026	1.6820
Substantial shareholders	22 June 2016	22 June 2016 – 21 June 2026	1.6820
Employees	22 June 2016	22 June 2016 – 21 June 2026	1.6820
Consultants	22 June 2016	22 June 2016 – 21 June 2026	1.6820

	Outstanding as at 1 January 2018	Adjustment for share consolidation (note)	Lapsed during the year	Outstanding as at 31 December 2018
Executive directors				
Li Chongyang	**10,000,000**	**(9,000,000)**	**–**	**1,000,000**
Qi Jiao	**43,600,000**	**(39,240,000)**	**–**	**4,360,000**
Lam Kai Yeung (re-designated to executive director on 31 July 2018)	**10,000,000**	**(9,000,000)**	**–**	**1,000,000**
Leung Chi Fai (executive duties suspended on 27 July 2018)	**10,000,000**	**(9,000,000)**	**–**	**1,000,000**
Non-executive directors				
Huang Weidong	**43,600,000**	**(39,240,000)**	**–**	**4,360,000**
Liu Chenli (resigned on 3 August 2018)	**29,000,000**	**(26,100,000)**	**(2,900,000)**	**–**
Independence non-executive directors				
Cong Yongjian	**10,000,000**	**(9,000,000)**	**–**	**1,000,000**
Substantial shareholders				
Business Century Investments Limited	**29,000,000**	**(26,100,000)**	**–**	**2,900,000**
Everun Oil Co., Limited	**29,000,000**	**(26,100,000)**	**–**	**2,900,000**
Employees				
in aggregate	**10,000,000**	**(9,000,000)**	**–**	**1,000,000**
Consultants				
in aggregate	**43,600,000**	**(39,240,000)**	**–**	**4,360,000**
	267,800,000	**(241,020,000)**	**(2,900,000)**	**23,880,000**

Note:

Reference is made to the Company's announcement dated 1 June 2018. On 4 June 2018, the exercise price and number of share options have been adjusted from HK$0.1682 to HK$1.682, and from 267,800,000 shares to 26,780,000 shares, respectively, as a result of the share consolidation. Details are set out in note 30(c).

33. SHARE OPTION SCHEME *(Continued)*

Share Option Scheme adopted on 17 June 2016 (the "Option Scheme") *(Continued)*

	Outstanding as at 1 January 2017	Lapsed during the year	Outstanding as at 31 December 2017
Executive directors			
Leung Chi Fai (executive duties were suspended on 27 July 2018)	10,000,000	–	10,000,000
Li Chongyang	10,000,000	–	10,000,000
Qi Jiao	43,600,000	–	43,600,000
Non-executive directors			
Huang Weidong	43,600,000	–	43,600,000
Liu Chenli (resigned on 3 August 2018)	29,000,000	–	29,000,000
Independence non-executive directors			
Cong Yongjian	10,000,000	–	10,000,000
Lam Kai Yeung (re-designated to executive director on 31 July 2018)	10,000,000	–	10,000,000
Substantial shareholders			
Business Century Investments Limited	29,000,000	–	29,000,000
Everun Oil Co., Limited	29,000,000	–	29,000,000
Employees			
in aggregate	15,000,000	(5,000,000)	10,000,000
Consultants			
in aggregate	87,200,000	(43,600,000)	43,600,000
	316,400,000	(48,600,000)	267,800,000

As at the date of this report, there are 23,880,000 (2017: 26,780,000) ordinary shares available for issue under the Option Scheme, representing approximately 3.83% (2017: 4.29%) of the issued share capital of the Company.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Interest-bearing borrowings HK$'000	Amount due to a non-controlling shareholder HK$'000	Total liabilities from financing activities HK$'000
At 1 January 2017	27,646	11,655	39,301
Changes in cash flows	10,858	(11,530)	(672)
Non-cash changes			
– interest charged	2,978	–	2,978
– exchange differences	2,655	396	3,051
At 31 December 2017 and 1 January 2018	**44,137**	**521**	**44,658**
Changes in cash flows	**(17,739)**	**–**	**(17,739)**
Non-cash changes			
– interest charged	**3,173**	**–**	**3,173**
– exchange differences	**(1,583)**	**(27)**	**(1,610)**
At 31 December 2018	**27,988**	**494**	**28,482**

35. COMMITMENTS

Lease commitments

The Group leases certain of its office premises under operating lease arrangements. Leases for the office premises are negotiated for two to three (2017: one to three) years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK$'000	2017 HK$'000
– Within one year	**5,034**	2,108
– In the second to fifth years inclusive	**7,318**	155
	12,352	2,263

36. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, during the year, the Group has no other related party transactions (2017: Nil).

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the current and prior years.

The capital structure of the Group consists of debts (which include trade payables, accruals, other payables, contract liabilities, amount due to a non-controlling shareholder, borrowings and tax payable) and equity attributable to owners of the Company, comprising issued share capital, convertible notes and reserves. The Group monitors capital using a gearing ratio. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2018 and 2017 are as follows:

	2018 **HK$'000**	2017 HK$'000
Debt	**141,141**	126,718
Equity	**533,764**	587,179
Debt to equity ratio	**26%**	22%

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments:

	2018 **HK$'000**	2017 HK$'000
Financial assets		
Investments at FVTPL	**–**	9,397
Financial assets at amortised cost (including cash and cash equivalents)		
Trade and bill receivables	**184,584**	229,923
Deposits and other receivables	**106,685**	109,089
Restricted bank deposits	**49**	66
Cash and cash equivalents	**23,156**	77,146
	314,474	425,621
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade payables	**61,890**	25,567
Accruals and other payables	**41,189**	40,015
Amount due to a non-controlling shareholder	**494**	521
Interest-bearing borrowings	**27,988**	44,137
	131,561	110,240

The Group is exposed to a variety of financial risks including foreign exchange risk, interest rate risk, credit risk and liquidity risk, which result from both its operating and financing activities.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(a) Market risk

Foreign exchange risk

The Group's businesses are principally conducted in Hong Kong and the PRC. The majority of assets and liabilities are denominated in HK$ and RMB. The Group has minimal exposure to foreign exchange risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the respective group entities. The Group manages its foreign exchange risk by closely monitoring the movement of the foreign currency rates and also by way of forward contracts when necessary.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to its bank deposits, bank borrowings and bond. However, the directors of the Company are of the opinion that the Group does not have significant interest rate risk as the fluctuation in interest rates is not expected to be material. The Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measure in future as may be necessary.

(b) Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has to determine the credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. Concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2018, 14% (2017: 14%) of the total trade receivables was due from the Group's largest customer.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk *(Continued)*

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 21.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– internal credit rating;

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

– actual or expected significant changes in the operating results of the borrower;

– significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 365 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 365 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk *(Continued)*

The Group uses two categories for non-trade loan receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

As at 31 December	Other receivables	
	2018	2017
	HK$'000	HK$'000
Balance at beginning of year	**76,919**	83,479
Provision for loss allowance	**(76,604)**	(77,665)
Balance at end of year	**315**	5,814

All of these loans are considered to have low risk and under the 'Performing' category because they have a low risk of default and have strong ability to meet their obligations.

Expected credit loss rate	
2018	100%
2017	93%

	HK$'000
Loss allowance at 1 January 2017	75,338
Increase in provision in 2017	2,327
Loss allowance at 31 December 2017 and 1 January 2018	**77,665**
Decrease in provision in 2018	**(1,061)**
Loss allowance at 31 December 2018	**76,604**

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and available banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

At 31 December 2018	**On demand or within 1 year HK$'000**	**1-2 years HK$'000**	**Over 2 years HK$'000**	**Total HK$'000**
Trade payables	**61,890**	**–**	**–**	**61,890**
Accruals and other payables	**41,189**	**–**	**–**	**41,189**
Amount due to a non-controlling shareholder	**494**	**–**	**–**	**494**
Interest-bearing borrowings	**12,324**	**14,781**	**3,957**	**31,062**
	115,897	**14,781**	**3,957**	**134,635**

At 31 December 2017	On demand or within 1 year HK$'000	1-2 years HK$'000	Over 2 years HK$'000	Total HK$'000
Trade payables	25,567	–	–	25,567
Accruals and other payables	40,015	–	–	40,015
Amount due to a non-controlling shareholder	521	–	–	521
Interest-bearing borrowings	29,852	1,414	17,532	48,798
	95,955	1,414	17,532	114,901

39. SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2018 are as follows:

Name	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Company 2018	2017	Principal activities
Direct subsidiaries:					
First Billion Global Limited	The British Virgin Islands ("**BVI**")	US$1	**100%**	100%	Investment holding
Palestine Global Limited	BVI	US$1	**100%**	100%	Investment holding
Grand Insight Global Limited	BVI	US$50,000	**100%**	100%	Investment holding
Sunway International Group Limited	BVI	US$50,000	**100%**	100%	Investment holding
Top Margin Group Limited	BVI	US$1	**100%**	100%	Investment holding
Sunway New Energy Industry Group Limited	BVI	US$50,000	**100%**	100%	Investment holding
Lucky Digit Holdings Limited	BVI	US$1	**100%**	100%	Investment holding
Insight City Investments Limited	BVI	US$50,000	**100%**	100%	Investment holding
Golden Elements Limited	BVI	US$50,000	**100%**	100%	Real estate development
Baicui Investments Limited	BVI	US$50,000	**100%**	100%	Dormant
Ever Vision Enterprises Limited	Hong Kong	HK$1	**100%**	100%	Property development
Kirin Lane Limited	BVI	US$50,000	**100%**	100%	Dormant
Nordic Lane Limited	BVI	US$50,000	**100%**	–	Investment holding
Australia Real Estate Fund Parent	Cayman Islands	US$1	**100%**	–	Investment holding
Big Bay SLP Limited	Cayman Islands	US$1	**100%**	–	Dormant

39. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Company 2018	2017	Principal activities
Indirect subsidiaries:					
Joint Expert Global Limited	BVI	US$1	**100%**	100%	Investment holding
Royal Asia International Limited	Hong Kong	HK$1,000,000	**100%**	100%	Investment holding
Zhuhai Hoston Special Materials Co., Ltd. ("**Zhuhai Hoston**")*	PRC	RMB56,000,000	**95%**	95%	Manufacturing and sales of PC steel bars
Guangdong Hengjia Building Materials Co., Ltd. ("**Guangdong Hengjia**")#	PRC	RMB50,000,000	**66.5%**	66.5%	Manufacturing and trading of PHC plies, bricks, aerated concrete products and eco-permeable concrete products
Topping Gain International Limited	Hong Kong	HK$1	**100%**	100%	Dormant
Sunway Financial Management Limited	Hong Kong	HK$2,000,000	**100%**	100%	Money lending
Sunway International Management Limited	Hong Kong	HK$2,000,000	**100%**	100%	Providing management services
Sunway New Energy Industry Investment Limited	Hong Kong	HK$10,000,000	**100%**	100%	Dormant
Big Bay Asset Management (HK) Limited	Hong Kong	HK$500,000	**100%**	100%	Providing assets management services
Big Bay Securities (HK) Limited	Hong Kong	HK$30,000,000	**100%**	100%	Providing securities brokerage services

39. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Company 2018	2017	Principal activities
中國大灣投資(香港)有限公司	Hong Kong	HK$10,000	**100%**	100%	Investment holding
深圳市大灣投資諮詢有限公司	PRC	Nil	**100%**	100%	Dormant
Big Bay Balanced Fund	Cayman Islands	US$1	**100%**	100%	Dormant
深圳大灣股權投資基金管理有限公司	PRC	Nil	**100%**	100%	Assets management
Sunway Management Company Limited	Cayman Islands	US$100	**100%**	–	Dormant
United Education Fund Parent	Cayman Islands	US$1	**100%**	–	Investment holding
United Education Fund General Partner	Cayman Islands	US$1	**100%**	–	Dormant
Big Bay Investment Fund SPC	Cayman Islands	US$1	**100%**	–	Dormant
Australia Real Estate Fund GP	Cayman Islands	US$100	**70%**	–	Dormant

* The company is registered as a wholly-foreign owned enterprise under the PRC law.

\# The Group's equity interest of Guangdong Hengjia was frozen in relation to the litigation proceedings as mentioned in note 40(a).

The following table shows information of a subsidiary that has non-controlling interests ("**NCI**") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Guangdong Hengjia	
Principal place of business/country of incorporation	PRC	PRC
% of ownership interests/voting rights held by NCI	33.5%/33.5%	33.5%/33.5%

39. SUBSIDIARIES *(Continued)*

	2018 **HK$'000**	2017 HK$'000
At 31 December:		
Non-current assets	**142,835**	141,574
Current assets	**297,481**	282,143
Current liabilities	**(187,535)**	(181,501)
Non-current liabilities	**(23,096)**	(23,723)
Net assets	**229,685**	218,493
Accumulated NCI	**76,944**	73,195
Year ended 31 December:		
Revenue	**403,342**	305,074
Profit for the year	**20,147**	8,613
Total comprehensive income	**16,683**	29,601
Profit allocated to NCI	**6,821**	2,163
Dividends paid to NCI	**–**	–
Net cash generated from operating activities	**9,030**	7,358
Net cash (used in)/generated from investing activities	**(17,525)**	17,060
Net cash (used in)/generated from financing activities	**(17,566)**	2,306
Net (decrease)/increase in cash and cash equivalents	**(26,061)**	26,724

40. LEGAL PROCEEDINGS

As at the date of this report, the Group was involved in the following legal proceedings:

The Company/its subsidiary as the defendant

(a) Pursuant to a civil ruling dated 13 July 2016 issued by 廣東省珠海市香洲區人民法院 (Guangdong Zhuhai Xiangzhou People's Court)* ("**Xiangzhou People's Court**"), 70% equity interest of Zhuhai Hoston in Guangdong Hengjia was charged to 珠海市中小企業融資擔保有限公司 (Zhuhai Small & Medium Enterprises Financing Guarantee Co., Ltd) ("**Zhuhai Small & Medium Enterprises**") as security for the debt owned to Zhuhai Small & Medium Enterprises. In view of the full and final settlement of the claim by Zhuhai Small & Medium Enterprises, the management of Zhuhai Hoston will apply to the court to release the said charge.

40. LEGAL PROCEEDINGS *(Continued)*

(b) References are made to the Company's announcements dated 5 February 2016, 14 March 2017 and 4 September 2017 in relation to an action commenced by Liu Qian (劉倩) ("**Ms. Liu**") as the plaintiff against the Company as the defendant in the Court of First Instance of the High Court of Hong Kong (the "**Court of First Instance**") on 3 February 2016 (the "**Action**"). On 13 March 2017, upon the application of Ms. Liu and after the substantive hearing of the application on 27 February 2017, the Court of First Instance entered summary judgement against the Company with damages to be assessed (the "**Summary Judgement**"). The Company filed an appeal against the Summary Judgement on 7 April 2017 (the "**Appeal**") and the substantive hearing of the Appeal was heard in the Court of Appeal of the High Court of Hong Kong (the "**Court of Appeal**") on 22 August 2017 with judgement reserved. On 1 September 2017, the Court of Appeal allowed the Appeal, set aside the Summary Judgement and granted the Company unconditional leave to defend the Action with the costs to the Company.

On 21 December 2018, the Company entered into a consent summons with Ms. Liu for full and final settlement of the costs in favour of the Company in the Appeal, which was made an order on 31 December 2018.

The court further gave directions on 31 December 2018 for the parties to consider fixing a case management summons but no case management summons has been fixed yet as of the date of this report.

(c) References are made to the announcements of the Company dated 11 November 2016, 15 December 2017 and the Annual Report 2017 in relation to the civil complaints involving Zhuhai Hoston.

(i) Zhuhai Hoston received civil rulings on 10 April 2017 and 12 April 2017 and was to assume responsibility for half of the outstanding personal loans of RMB1,000,000 and RMB3,500,000, owing by Wang Tian (王天), a former directors of Zhuhai Hoston, to Wu Min (吳敏) and Kou Jinshui (寇金水), respectively, and the respective interests thereon and the legal costs. Zhuhai Hoston has filed appeals against these civil rulings.

According to the civil rulings dated 24 October 2017 and 22 January 2018 on appeals respectively, the Zhuhai Intermediate People's Court revised the principal amounts of the loans to RMB839,314.00 as owing by Wang Tian (王天) to Wu Min (吳敏) and to RMB2,378,174.00 as owing by Wang Tian (王天) to Kou Jinshui (寇金水). Apart from these alterations, the Zhuhai Intermediate People's Court did not allow the appeal and confirmed the aforementioned civil rulings dated 10 April 2017 and 12 April 2017.

(ii) Upon the respective applications of Kou Jinshui (寇金水) and 珠海河川商貿有限公司 (Zhuhai Hechuan Commercial and Trade Co., Ltd.)* ("**Zhuhai Hechuan**"), three bank accounts of Zhuhai Hoston and 70% equity interest of Zhuhai Hoston in 廣東恒佳建材股份有限公司 (Guangdong Hengjia Building Materials Co., Ltd)* ("**Guangdong Hengjia**") were suspended/impounded by the Xiangzhou People's Court pursuant to an execution order dated 27 December 2016.

Zhuhai Hoston received a civil ruling on 13 April 2017 in relation to disputes over private lending pursuant to a lending contract dated 6 April 2013 entered into between Zhuhai Hoston as the borrower and Zhuhai Hechuan as the lender (the "**Dispute**"), that the said lending has been fully settled by Zhuhai Hoston already and Zhuhai Hoston was not liable to any repayment of the loan and the respective interest thereon to Zhuhai Hechuan.

40. LEGAL PROCEEDINGS *(Continued)*

(c) (Continued)

(ii) (Continued)

On 8 September 2017, Zhuhai Hechuan filed an appeal at the Zhuhai Intermedia People's Court. By a civil ruling on 22 January 2018, Zhuhai Intermediate People's Court allowed the appeal, reversed the aforementioned civil ruling dated 13 April 2017 and ordered that the case be remitted back to the Xiangzhou People's Court for a re-trial.

On 7 June 2018, the Xiangzhou People's Court had conducted a re-trial of the Dispute and made a civil ruling as follows: (1) Zhuhai Hoston shall be liable to pay the outstanding loan in the principal amount of RMB2,000,000 to Zhuhai Hechuan; and (2) Zhuhai Hoston shall be liable to pay to Zhuhai Hechuan the default interest at the rate of 24% per annum on the principal amount of RMB2,000,000 within ten days from the date of the civil ruling (i.e. from 1 January 2015 up to the actual repayment date of the principal amount).

On 16 August 2018, Zhuhai Hoston filed an appeal at the Zhuhai Xiangzhou People's Court for the ruling.

(d) Reference is made to the announcement of the Company dated 15 December 2017 in relation to the outstanding claims against Zhuhai Hoston:

(i) As of 20 November 2017, Zhuhai Hoston was indebted to Guangdong Hengjia for a total sum of RMB34,772,335.50 (the "**Guangdong Hengjia Debt**").

Zhuhai Hoston received an execution order dated 21 November 2017 made by 陽江市江城區人民法院 (Yangjiang Jiangcheng People's Court)* ("**Yangjiang Jiangcheng People's Court**") on the application of Guangdong Hengjia to seize certain tools and equipment of Zhuhai Hoston (the "**Seized Tools and Equipment**") for a period of 2 years as security for the debt owed by Zhuhai Hoston to Guangdong Hengjia.

Zhuhai Hoston received an auction notice dated 6 February 2018 issued by Yangjiang Jiangcheng People's Court that the Seized Tools and Equipment would be listed for auction from 9 March 2018 to 10 March 2018. The Company was informed by Zhuhai Hoston that the Seized Tools and Equipment were not sold at the auction.

On 27 March 2018, Yangjiang Jiangcheng People's Court ordered that after Guangdong Hengjia has paid RMB50,000 and the respective valuation and enforcement fees, the Seized Tools and Equipment at the auction reserve price of RMB2,666,544 was applied to settle part of the Guangdong Hengjia Debt of RMB2,570,744 whereas Zhuhai Hoston was still liable for the remaining amount of the Guangdong Hengjia Debt. After applying the Seized Tools and Equipment as partial settlement, Zhuhai Hoston is indebted to Guangdong Hengjia for a total sum of RMB32,201,591.50.

40. LEGAL PROCEEDINGS *(Continued)*

(d) (Continued)

(ii) Upon the applications of 佛山市南海信通物資有限公司 (Foshan Nanhai Xintong Materials Co., Ltd) ("**Foshan Nanhai**"), a bank account of Zhuhai Hoston, certain tools and 70% equity interest of Zhuhai Hoston in Guangdong Hengjia were suspended, seized and impounded by 廣東省佛山市南海區人民法院 (Guangdong Foshan Intermediate People's Court)* (the "**Foshan Intermediate People's Court**") pursuant to an execution order made on 4 August 2015, list of seized properties dated 12 August 2015 and an execution notice dated 17 August 2015, respectively.

By an assignment of loan executed between 陽江市博信商貿有限公司 (Yeungkong Boxin Trading Co., Ltd)* ("**Yeungkong Boxin**") and Foshan Nanhai, Foshan Nanhai assigned a debt of RMB414,698.55 plus interests owed by Zhuhai Hoston to Yeungkong Boxin (the "**Assignment**"). In addition to a loan of RMB1,576,225.80 between Yeungkong Boxin as the lender and Zhuhai Hoston as the borrower, Zhuhai Hoston is indebted to Yeungkong Boxin for a total sum of RMB2,182,047.44.

Since Foshan Nanhai has not notified Foshan Intermediate People's Court for the Assignment, the records of Foshan Intermediate People's Court are still showing Foshan Nanhai as the creditor of Zhuhai Hoston. In view of the Assignment, the management of Zhuhai Hoston will apply to the court to update the records.

(iii) By a civil mediation agreement dated 16 October 2017 entered into between Zhuhai Hoston and 特潤絲(天津) 化學有限公司 (Terunsi (Tianjin) Chemical Co., Ltd)* ("**Terunsi**") and endorsed by Doumen People's Court, Zhuhai Hoston agreed to pay Terunsi a total sum of RMB71,400 as overdue trade payable and RMB793 as court fees. On the same date, Doumen People's Court issued a civil ruling against Zhuhai Hoston and ordered that an amount of RMB71,400 in a bank account held by Zhuhai Hoston be suspended for one year.

Terusi applied to Yangjiang Jiangcheng People's Court to request for the Seized Tools and Equipment to settle the overdue trade payable. As disclosed in paragraph (d)(i) above, on 27 March 2018, Yangjiang Jiangcheng People's Court confirmed the payment of RMB50,000 from Guangdong Hengjia to Terusi as full and final settlement of the claim.

(iv) Pursuant to the civil ruling issued by Xiangzhou People's Court on 25 April 2018, Zhuhai Hoston was ordered to repay an outstanding loan of RMB2,000,000 owed to Liu Shao Zhuang (劉少妝) and the overdue interests accrued on such outstanding loan. On 14 January 2019, Zhuhai Hoston made an application to Xiangzhou People's Court to request for a suspension of the execution of the aforesaid judgement on the ground that the relevant court documents and notice of the legal proceedings were not delivered to Zhuhai Hoston such that Zhuhai Hoston was deprived of the right to defend its interest in the legal proceedings.

The directors of the Company are of the opinion that the trade and other payables and provision for late penalty charges and corresponding legal fees are sufficiently made in the consolidated financial statements as at 31 December 2018.

40. LEGAL PROCEEDINGS *(Continued)*

The Company/its subsidiary as the plaintiff

(e) By a Generally Indorsed Writ of Summons dated 23 June 2015 and Statement of Claim dated 18 August 2015 issued by the Company and First Billion Global Limited, a wholly-owned subsidiary of the Company (collectively, the "**Plaintiffs**") against Xiao Guang Kevin (蕭光) ("**Mr. Xiao**") and Wang Zhining (王志寧) ("**Mr. Wang**") (collectively, the "**Defendants**"), the vendor and the guarantor, respectively, all of whom are parties to a very substantial acquisition of the Company (the "**VSA**") as announced by the Company in its announcement dated 30 January 2014 and its circular dated 31 March 2014, the Plaintiffs claim that the Defendants have fundamentally breached the terms and conditions of the SPA (the "**SPA Legal Proceedings**"). Accordingly, the Plaintiffs are seeking to rescind the SPA under which, as part of the consideration price, certain convertible notes were issued by the Company to Mr. Xiao.

On 16 March 2017, the Plaintiffs filed an Amended Statement of Claim to the Court of First Instance adding Ms. Liu as a defendant to the SPA Legal Proceedings claiming, amongst other things, that Ms. Liu is a nominee of Mr. Wang and further claim against the Defendants for misrepresentation regarding the undisclosed guarantees given by Zhuhai Hoston in favour of Wang Tian (王天) referred to in paragraph (c) above which has led to the Group's involvement in such litigation.

Pursuant to the order of the Court of First Instance dated 5 December 2017, the Plaintiffs filed and served on the Defendants their Further and Better Particulars of the Amended Statement of Claim on 9 January 2018. Upon counsel's advice, the Plaintiffs are considering to further amend the Amended Statement of Claim in order to, amongst other things, simplify their claims and to make clear their causes of action. For the purpose of saving costs, the Plaintiffs have allowed the Defendants to withhold preparing their Amended Defence pending the Plaintiff's aforesaid application to further amend the Amended Statement of Claim.

As at the date of this report, no judgement has been made by the Court.

(f) On 30 July 2015, Zhuhai Hoston filed a report to 珠海市公安局 (Zhuhai Public Security Bureau)* (the "**Bureau**") against Mr. Wang and Wang Tian (王天), the former directors of Zhuhai Hoston (collectively, the "**Former Directors**"), in respect of the possible commercial crimes (the "**Reported Case**") regarding the non-recoverable prepayments as disclosed in the announcement of the Company dated 14 October 2015.

On 20 June 2018, the Bureau considered that Mr. Wang did not commit any commercial crimes and therefore decided to withdraw the investigation against Mr. Wang.

(g) On 29 February 2016, Zhuhai Hoston filed a lawsuit in Xiangzhou People's Court against the Former Directors and 珠海市鑫鋒發展有限公司 (Zhuhai Xinfeng Development Co., Ltd.)*, the controlled company of the Former Directors (the "**Controlled Company**"), regarding the prepayment to a supplier of Zhuhai Hoston of RMB4,840,000 for the purchase of machinery. The sum was subsequently transferred to the Controlled Company based on the instructions of the Former Directors to the supplier. According to civil ruling from the Xiangzhou People's Court dated 30 May 2016, the lawsuit has been suspended pending for the investigation results of the Reported Case as the prepayment to the supplier is part of the subject matter of the Reported Case.

Other than as disclosed above, no other significant development and material financial implication arising from the above legal proceedings/investigation.

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	2018 HK$'000	2017 HK$'000
Non-current assets		
Investments in subsidiaries	**3,120**	2,730
Current assets		
Amounts due from subsidiaries	**413,135**	435,062
Prepayments and other receivables	**1,752**	2,257
Cash and cash equivalents	**2,698**	9,729
	417,585	447,048
Current liabilities		
Accruals and other payables	**5,224**	3,801
Amounts due to subsidiaries	**5,150**	2,146
	10,374	5,947
Net current assets	**407,211**	441,101
Total assets less current liabilities	**410,331**	443,831
Non-current liabilities		
Provision for long service payment	**17**	20
Interest-bearing borrowing	**3,000**	–
	3,017	20
NET ASSETS	**407,314**	443,811
Capital and reserves		
Share capital	**62,414**	64,271
Convertible notes	**12,600**	12,600
Reserves	**332,300**	366,940
TOTAL EQUITY	**407,314**	443,811

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

(b) Reserves of the Company

Details of movements in the Company's reserves are as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2017	453,298	157,118	509	28,488	(404,991)	234,422
Loss for the year	–	–	–	–	(21,111)	(21,111)
Total comprehensive loss for the year	–	–	–	–	(21,111)	(21,111)
Lapsed of share options	–	–	–	(4,329)	4,329	–
Placing of new shares under general mandate	153,920	–	–	–	–	153,920
Transaction cost attributable to placing	(291)	–	–	–	–	(291)
At 31 December 2017	606,927	157,118	509	24,159	(421,773)	366,940
At 1 January 2018	**606,927**	**157,118**	**509**	**24,159**	**(421,773)**	**366,940**
Loss for the year	**–**	**–**	**–**	**–**	**(26,484)**	**(26,484)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(26,484)**	**(26,484)**
Lapsed of share options	**–**	**–**	**–**	**(2,635)**	**2,635**	**–**
Repurchase of shares	**(8,156)**	**–**	**–**	**–**	**–**	**(8,156)**
At 31 December 2018	**598,771**	**157,118**	**509**	**21,524**	**(445,622)**	**332,300**

42. EVENTS AFTER THE REPORTING PERIOD

The Group has no significant event subsequent to the year ended 31 December 2018.

43. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2019.