意科控股

eFORCE HOLDINGS LIMITED

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

(STOCK CODE : 943)

Annual Report 2019

This Annual Report is printed on environmentally friendly paper

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CORPORATE INFORMATION

DIRECTORS
Executive Directors
Mr. Leung Chung Shan *(Chairman)*
Mr. Tam Lup Wai, Franky *(Deputy Chairman)*
Mr. Liu Liyang *(CEO)*
Mr. Chan Tat Ming, Thomas

Non-executive Director
Mr. Lim Kim Chai, J.P.
(appointed on 20 December 2019)

Independent Non-executive Directors
Mr. Hau Chi Kit
Mr. Leung Chi Hung
Mr. Li Hon Kuen

AUDIT COMMITTEE
Mr. Li Hon Kuen *(Chairman)*
Mr. Hau Chi Kit
Mr. Leung Chi Hung

REMUNERATION COMMITTEE
Mr. Leung Chi Hung *(Chairman)*
Mr. Hau Chi Kit
Mr. Li Hon Kuen
Mr. Liu Liyang
Mr. Tam Lup Wai, Franky

NOMINATION COMMITTEE
Mr. Leung Chung Shan *(Chairman)*
Mr. Hau Chi Kit
Mr. Leung Chi Hung
Mr. Li Hon Kuen
Mr. Liu Liyang
Mr. Tam Lup Wai, Franky

COMPANY SECRETARY
Mr. Situ Miu
(appointed on 28 June 2019)

AUDITOR
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Unit 701-3 & 8, Citicorp Centre,
18 Whitfield Road,
Causeway Bay,
Hong Kong

PRINCIPAL BANKERS
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DBS Bank (Hong Kong) Limited

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Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
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68 Des Voeux Road Central,
Central,
Hong Kong

STOCK CODE
943

EXECUTIVE DIRECTORS

Mr. Leung Chung Shan ("Mr. Leung")

(Chairman)

Mr. Leung, aged 59, was appointed as an executive Director and the chairman of both the Board and the Nomination Committee of the Company on 18 January 2018. Mr. Leung has extensive experience and business interests in the People's Republic of China (the "PRC") in the areas of infrastructure development, real estate properties and other areas. Mr. Leung commenced his investments in toll road projects in the early 1990s and began investing in property development in the PRC and Singapore in 1996. Mr. Leung was also the former chairman of the Board and an executive Director during the period between 1 February 2000 and 3 November 2008.

Mr. Tam Lup Wai, Franky ("Mr. Tam")

(Deputy Chairman)

Mr. Tam, aged 71, was appointed as executive Director of the Company on 17 December 2001 and the chairman of the Board of the Company on 21 July 2011. He was also appointed as a member of the Remuneration Committee of the Company on 3 July 2007 and the chairman of the Nomination Committee of the Company on 29 March 2012. Mr. Tam was re-designated as the deputy chairman of the Board and ceased to be the chairman of the Nomination Committee with effect from 18 January 2018. Mr. Tam holds a BA in Applied Mathematics from the University of California at Berkeley, USA. He has diversified management experiences in the fields of property, retail and technology. He also specializes in formulating and executing business strategies for companies and has experience in the investment of technology start-up. He was previously an administration director of a conglomerate comprises four listed companies in Hong Kong and directly oversaw the administration of the group and responsible in managing several subsidiaries' operations, including properties acquisition, strategic investments and hotel start-up project. Mr. Tam also served as executive director of a Hong Kong publicly listed fashion retail chain store with over 200 outlets in Hong Kong and China and was instrumental in setting up the franchise operation in the PRC before joining the Company in 2001.

Mr. Liu Liyang ("Mr. Liu")
(CEO)
Mr. Liu, aged 59, was appointed as executive Director, Deputy Chairman of the Board and the Chief Executive Officer ("CEO") and a member of the remuneration committee of the Company on 19 August 2010. He was further appointed as a member of the nomination committee of the Company on 29 March 2012. Mr. Liu has over 17 years of experience in the investment banking industry. Before joining the Company, he was the co-head of the China Investment Banking of Nomura International (HK) Limited. He had also worked in the Merrill Lynch (Asia Pacific) Limited, China International Capital Corporation Limited and Morgan Stanley & Co. Inc. Mr. Liu holds an MBA degree from Columbia University. From 13 October 2015 to 24 October 2018, Mr. Liu was an executive director of Munsun Capital Group Limited (formerly known as China Precious Metal Resources Holdings Co., Limited) (stock code: 1194) which is a company listed on the Main Board of The Stock Exchange of the Hong Kong Limited (the "Stock Exchange"). He was appointed as the chairman of the board, a member of the remuneration committee and the chairman of each of the executive committee, nomination committee and corporate governance committee of Munsun Capital Group Limited at different times during his tenure with them. Mr. Liu currently is an independent non-executive director of Beautiful China Holdings Company Limited (stock code: 706), which is a company listed on the Main Board of the Stock Exchange.

Mr. Chan Tat Ming, Thomas ("Mr. Chan")
Mr. Chan, aged 54, was appointed as executive Director of the Company on 7 March 2014. Mr. Chan was graduated from York University, Toronto, Canada, with a Business Administration Studies degree. Mr. Chan has over 20 years of experience in administration and operational management in international trade business and also on production process facility in the PRC.

NON-EXECUTIVE DIRECTOR

Mr. Lim Kim Chai, J.P. ("Mr. Lim")
Mr. Lim, aged 52, was appointed as Non-executive Director of the Company on 20 December 2019. He has over 14 years of experience in investment and property development business. He is the founder and the chairman of Yuk Tung Group, which focuses on the property development in Malaysia. Since the founding of the Yuk Tung Group in 2005, Mr. Lim has been the director of each of Yuk Tung Properties Sdn. Bhd., Yuk Tung Development Sdn. Bhd., Yuk Tung Land Sdn. Bhd., Yuk Tung Construction Sdn. Bhd., Home Marketing Sdn. Bhd. and Pacific Memory Sdn. Bhd., ("Pacific Memory") respectively, primarily responsible for the overall management and strategic development of the Yuk Tung Group. Mr. Lim was also appointed as Justice of the Peace (JP) in Malaysia in 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hau Chi Kit ("Mr. Hau")

Mr. Hau, aged 48, was appointed as an independent non-executive Director and a member of each of the audit committee, the remuneration committee and the nomination committee of the Company on 7 March 2014. Mr Hau was an independent non-executive director of Code Agriculture (Holdings) Limited (stock code: 8153), a company listed on the Growth Enterprise Market of the Stock Exchange, from November 2016 to July 2019. Currently, he is an independent non-executive director of Xinyang Maojian Group Limited (formerly known as China Zenith Chemical Group Limited) (stock code: 362) and hmvod Limited (formerly known as Trillion Grand Corporate Company Limited) (stock code: 8103), both of which are companies listed on the Stock Exchange. Mr. Hau was a barrister-at-law in private practice in Hong Kong from 2001 to 2008. Prior to becoming a barrister, Mr. Hau worked at the Securities and Futures Commission. Mr Hau is a solicitor in private practice.

Mr. Leung Chi Hung ("Mr. Leung Chi Hung")

Mr. Leung Chi Hung, aged 64, was appointed as an independent non-executive Director of the Company and a member of each of the audit committee, the remuneration committee and the nomination committee of the Company on 13 December 2013. Mr. Leung Chi Hung was further appointed as the chairman of the remuneration committee on 4 June 2018. Mr. Leung Chi Hung commenced his accountancy professional training since 1976 and is a fellow of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Leung Chi Hung is also a fellow of The Taxation Institute of Hong Kong and a Certified Tax Adviser and a member of the Society of Registered Financial Planners in Hong Kong. Mr. Leung Chi Hung is a Certified Public Accountant (Practising) in Hong Kong and a director of Philip Leung & Co. Limited (CPA). Mr. Leung Chi Hung currently is also an independent non-executive Director of Daido Group Limited (stock code: 544), Finet Group Limited (stock code: 8317), REF Holdings Limited (stock code: 1631) and WT Group Holdings Limited (stock code: 8422), all of which are companies listed on the Stock Exchange.

Mr. Li Hon Kuen ("Mr. Li")

Mr. Li, aged 53, was appointed as an independent non-executive Director, the chairman of the audit committee and a member of each of the remuneration committee and nomination committee of the Company on 19 July 2013. Mr. Li is a Certified Public Accountant (Practising) in Hong Kong with general assurance experience in clients operating in a variety of industries, including textile, construction, property development, freight forwarding, golf club, jewelry manufacturing and trading, application software development and installation, website design and development, manufacturing and ATM operation business. Moreover, Mr. Li has extensive experience in public listings and due diligence in Hong Kong. Mr. Li had worked in Deloitte and as senior audit manager in RSM Nelson Wheeler before setting up Alfred H.K. Li & Co., CPA, in 2013.

SENIOR MANAGEMENT

Mr. Sugahara Toshio ("Mr. Sugahara")

Mr. Sugahara, aged 56, joined the Group in 2007. Mr. Sugahara is the General Manager of Fairform Manufacturing Limited, a wholly-owned subsidiary of the Group, and is responsible for the overall production management and quality control of the Group's manufacturing of health and household products. Mr. Sugahara has obtained a Bachelor Degree in Mechanical Engineering from the University of Brighton (UK) and a Master Degree of Business Administration from the University of South Australia. He is a member of the Institution of Engineering and Technology (UK) and has extensive working experience in project engineering, product research and development and production management.

Mr. Wong Sze Yat, Robert ("Mr. Wong")

Mr. Wong, aged 56, joined the Group in 1998. Mr. Wong is the Marketing Director of Fair form Manufacturing Limited and is responsible for sales and marketing function of the Group's manufacturing and sales of health and household products. Mr. Wong has a Diploma in Business Studies from the Salford Technology College (UK). Mr. Wong has over 20 years of working experience in marketing small household electrical appliances and household products.

Mr. Situ Min ("Mr. Situ")

Mr. Situ, aged 50, is currently the Company Secretary and Chief Financial Officer of the Company. Before he joined the Company in June 2019, Mr. Situ served respectively as director of investment and chief financial officer of China Traditional Chinese Medicine Holdings Co. Limited (Stock Code: 570) from October 2013 to December 2018. From September 2001 to February 2013, he served as the executive director and chief financial officer for the same company with former name of Wing Shan International Limited and Winteam Pharmaceutical Group Limited. Mr. Situ is a fellow member of the Association of Chartered Certified Accountants and is also a member of Chinese Institute of Certified Public Accountants. He has extensive experience in financial management, corporate finance and corporate governance.

On behalf of the Board of Directors (the "Board") of eForce Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the financial year ended 31 December 2019.

REVIEW AND PROSPECT

Overall revenue of the Group for the financial year ended 31 December 2019 was decreased by HK$93.3 million mainly due to the decrease of revenue of the Group's manufacturing business by HK$57.2 million and the disposal of the organic agricultural and fertilizers during the year. The consolidated loss of the Group for the financial year ended 31 December 2019 was HK$71.9 million as compared to profit of HK$54.9 million in 2018 mainly due to the recognition of an impairment loss on exploration and evaluation assets of approximately HK$86.7 million, which represents the coal mine project in Central Kalimantan Province in the Republic of Indonesia. Finance costs increased by HK$27.5 million with the loss on early settlement of shareholders loans of HK$20.9 million and the increase in share of loss of associates by HK$26.0 million with the acquisition of primary land development projects. More details our financial performance for financial year ended 31 December 2019 can be found within the Management Discussion and Analysis and Financial Statement sections in this annual report.

2019 is an important year for the strategic development of the Group, apart from the completion of acquisition of a company principally engaged in primary land development projects in the People's Republic of China (the "PRC") during January 2019, we have also entered into an agreement in July 2019 to acquire a company principally engaged in property development projects in the PRC, which was completed on 19 March 2020.

The acquisition includes two property development projects: the Dongguan Project and Nanjing Project. The Dongguan Project will include the development of two 23-storey composite buildings comprising two 19-storey residential towers built over a 4-storey commercial podium with gross floor area of approximately 29,427 sq. m. and a 2-storey car park basement providing 147 car parking spaces with gross floor area of approximately 7,336 sq. m.. The Dongguan Project Company expects to commence the selling of the residential units in July 2020 and the commercial units and the car park will be sold in 2021. The Nanjing Project will include the development of low-rise comprehensive residential units with a total gross floor area of approximately 235,123 sq. m.. The Nanjing Project will also include commercial developments such as commercial buildings, hotel and other ancillary facilities. The commercial area and the residential area will be launched for sale.

We have been trying to identify suitable investment opportunities to diversify and enhance long-term corporate value. The coronavirus pneumonia epidemic that has continued since the end of 2019 has severely tested the global economy, but the impact of the epidemic on the Chinese economy will be short-lived. With the launch of a series of steady growth fiscal and monetary policies by the central government, the basic trend of stable economic growth and long-term economic growth will not change.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to take this opportunity to express our utmost appreciation of the continuing supports of our Shareholders, business partners and parties from various fields, and also of the contribution and dedication of our management and dedicated staffs in previous year.

Leung Chung Shan
Chairman and Executive Director
20 March 2020

BUSINESS REVIEW AND OUTLOOK

Results for the year

Revenue from the continuing operations of the Group for the year ended 31 December 2019 amounted to HK$198.8 million, which represented a decrease of approximately 23.5% as compared to HK$259.7 million in 2018.

The consolidated loss of the Group for the year ended 31 December 2019 amounted to HK$71.9 million as compared to the profit of HK$54.9 million in 2018.

Following is the review of the principal activities of the Group in 2019 and outlook of the Group's business in 2020.

Land and property development projects

Primary land development

The Company entered into an acquisition agreement with Shenzhen Qianhai CITIC Securities City Development Management Co., Ltd ("Qianhai CITIC"). in September 2018 to acquire Hong Kong Zhongzheng City Investment Limited ("Zhongzheng City Investment"), which is principally engaged in primary land development projects in the People's Republic of China (the "PRC"). The Company completed the acquisition on 21 January 2019, details of which is set out in the announcements of the Company dated 16 September 2018, 19 December 2018, 2 January 2019, 15 January 2019 and 21 January 2019 and the circular of the Company dated 21 December 2018.

There are several projects under Zhongzheng City Investment. The major project is located at Luanping County, Chengde, Hebei Province, the PRC (the "Luanping Project"). Chengde CITIC Securities Jinyu Urban and Rural Development Co., Ltd.* (承德中證金域城鄉開發有限公司) is the project company of the Luanping Project. It is a 90%-owned subsidiary of Chengde CITIC Securities Jinyu Investment Development Co., Ltd.* ("CITIC Jinyu", 承德中證金域投資開發有限公司), which is owned as to 42.5% by the Group. The loss of CITIC Jinyu amounted to approximately HK$69.9 million for the year ended 31 December 2019, which mainly represented the operating expenses and finance costs incurred for the Luanping Project.

During the year ended 31 December 2019, the operations of all the property development projects for Luanping County, including the Luanping Project, were suspended by the local government due to ecological environment issues. As a result, the budget of the aggregate area of developed land to be sold is revised downward for 2019. Based on communication with the local government, the Luanping Project has been resumed for work during the end of 2019 and first land auction was held in January 2020.

Property development

In July 2019, the Company entered into an acquisition agreement with Qianhai CITIC to acquire Shenzhen Qianhai Huateng Industrial Co., Ltd. ("Qianhai Huateng"). The acquisition includes two property development projects: Nancheng District, Dongguan City, Guangdong Province (the "Dongguan Project"), and Liuhe District, Nanjing City, Jiangsu Province (the "Nanjing Project"). The Company completed the acquisition on 19 March 2020.

For details of the acquisition, please refer to the announcements of the Company dated 7 July 2019, 9 September 2019, 16 September 2019, 30 December 2019, 19 February 2020, 6 March 2020 and 19 March 2020, and the circular of the Company dated 18 September 2019.

Update on the proposed commercial development at Port Dickson, Malaysia

The development plan of the first phase of proposed commercial development at Port Dickson, Malaysia has already been submitted to the relevant government agencies for approval and the part of the plan that related to the building of berths has already been approved. The local management of Pacific Memory are awaiting for other part of the development plan to be approved before they decide how to proceed with it. Based on the latest development plan, the first phase of the proposed development is estimated to be completed in around 2021 while the second phase of the proposed development is estimated to be completed in 2023. During September 2019, Pacific Memory has signed a letter of intent with Hard Rock Hotel. A hotel of approximately 300 guests rooms with 10% suites and approximately 4,000 square meters of meeting space is planned to be developed and managed by Hard Rock Hotel for a term of 20 years. During December 2019, the temporary building layout plan for the first phase was available. According to the plan, first phase includes open parking, sales gallery, hotel (as mentioned), show unit, retails, event space, glamping site and outdoor garden.

Money lending business

The segmental revenue being interest income from the Group's money lending business in 2019 was HK$12.5 million (2018: HK$16.1 million). Depending on the nature and terms and conditions of each loan that was made, interest rate ranged from 7% per annum to 24% per annum during the year under review. Total loans receivables as at 31 December 2019 were HK$41 million (31 December 2018: HK$121 million) after reviewing the risk of default of individual borrowers and making an impairment allowances of HK$3 million (2018: HK$3 million).

Coal mining business

In 2019 the Group did not have any production at the coal mine project in Central Kalimantan Province in the Republic of Indonesia ("PT Bara Mine") and therefore no revenue was recognized for the coal mining business in 2019.

As disclosed in the Company's announcement dated 6 July 2018, PT Bara Utama Persada Raya, a non-wholly owned subsidiary of the Company which holds license of a coal mine in the Central Kalimantan Province in the Republic of Indonesia ("PT Bara Mine"), signed an co-operation agreement with PT Sinarjaya Mulia Kun ("PT SMK"), a party independent of the Company and its connected persons, to conduct mining activities at the PT Bara Mine. The pre-mining construction works were commenced in early July 2018 and completed in November 2018. After the completion of the pre-mining construction works, PT SMK has been experiencing delay in the negotiation process with the local landlord on the use of its access road and jetty (where coal is unloaded for shipment to the customers). The negotiation, which couple with the drop of coal prices in recent months, has further held back the coal production. The co-operation agreement expired on 31 December 2019. As at the date of this report, there was still no coal production in the PT Bara Mine. We are closely monitoring the situation and will inform shareholders of the Company of any further development of the PT Bara Mine as and when appropriate.

According to the co-operation agreement with PT SMK, all contracts for arrangement of infrastructure building and equipment purchasing and hiring will be entered or committed by PT SMK, therefore no capital expenditure was incurred by the Company's coal mining business in 2019.

Operating expenses related to the Group's mining business charged to statement of profit or loss and other comprehensive income were mainly administrative expenses and amounted approximately HK$2.1 million in 2019 as compared to HK$0.9 million in 2018.

The coal resource estimates as at 31 December 2019 were as follows:

	Coal Resource Estimate *(in thousand tonnes)*			
	As at 31 December 2019	As at 31 December 2018	**Change in %**	**Reason of change**
JORC Category				
Measured	**8,705**	8,705	Nil	N/A
Indicated	**11,537**	11,537	Nil	N/A
Inferred	**6,097**	6,097	Nil	N/A
Total	**26,339**	26,339		

The above coal resources estimate of the PT Bara Mine as at 31 December 2019 were the same as they were previously disclosed in the report dated 2 June 2011 (the "2011 Report") prepared by Roma Oil and Mining Associates Limited ("Roma") under the JORC Code and there was no material change to the status of the project since then except for, as mentioned above, some pre-mining construction works that were completed in November 2018.

Review of fair value of exploration and evaluation assets

The Company had engaged Fairdex Valuation Advisory Limited ("Fairdex") to assist the management to determine the fair value (the "2019 Valuation") and the impairment, if any, of the PT Bara Mine for the year ended 31 December 2019. Fairdex, after considering the different approaches of valuation of asset, had selected to use the Comparable Transaction Method under the market approach in the 2019 Valuation. The same methodology and method were selected and used in the valuation of the PT Bara Mine since 2013.

An underlying assumption when using the Comparable Transaction Method is that the terms negotiated and agreed are linked to the coal price at the time of the transaction. Therefore, to compare any project transaction to the Mineral Asset as at the valuation date, it is necessary to establish what the likely transaction value would have been if it had occurred at that date. Fairdex has done this by adjusting the actual transaction parameters at the date of the transaction to the change in coal prices by multiplying the acquisition parameters by the following 'normalising' factor:

US$66.30/tonne as at 31 December 2019 (US$77.23 /tonne as at 31 December 2018) divided by the US$ coal price/tonne at the date of the transaction of the comparable project.

The selected comparable transactions of coal projects in Indonesia in the last 5 years are set forth in the table below:

Table 1 – Details of comparable transactions

Transaction Date	Acquirer Name	Target Name	Percentage *(%)*	M&I Resources *(million tonne)*	Consideration *(USD million)*
23 September 2019	Geo Energy Resources Ltd	PT Bara Anugrah Sejahtera PT Banjarsari Pribumi	51%	89	25
11 January 2019	PT PLN Coal Investment	PT Banyan Koalindo Lestari	51%	55	30
16 August 2018	Banpu Plc Thailand	PT Nusa Persada Resources	100%	77	30
11 November 2017	Banpu Plc Thailand	PT Tepian Indah Sukses	70%	10	10
18 July 2016	Geo Energy Resources Ltd	PT Tanah Bumbu Resources	99%	55	90
26 December 2015	Geo Energy Resources Ltd	Borneo International Pte Ltd	34%	53	25
30 November 2015	Agritrade Resources	PT Merge Mining Holding Ltd	51%	144	50

The relevant coal prices used for the comparable transactions are shown in table below:

Table 2 – Coal Prices utilised in the comparable valuations

Transaction Date	Event	Coal Price at Transaction Date *(USD/tonne)*	Coal Price per tonne *(USD)*
31 December 2019	**Fairdex Effective Valuation Date for the Mineral Asset**	**66.30**	
23 September 2019	Geo Energy Resources Ltd acquired PT Bara Anugrah Sejahtera and PT Banjarsari Pribumi	65.79	0.55
11 January 2019	PT PLN Coal Investment acquired PT Banyan Koalindo Lestari	92.41	0.76
16 August 2018	Banpu Plc Thailand acquired PT Nusa Persada Resources	107.83	0.24
11 November 2017	Banpu Plc Thailand acquired PT Tepian Indah Sukses	94.80	0.98
18 July 2016	Geo Energy Resources Ltd acquired PT Tanah Bumbu Resources	53.00	2.07
26 December 2015	Geo Energy Resources Ltd acquired Borneo International Pte Ltd	53.51	1.75
30 November 2015	Agritrade Resources acquired PT Merge Mining Holding Ltd	54.43	0.83

To utilize the comparable transactions above in valuing the Mineral Asset, the in-ground coal endowment of the PT Bara Mine is established as follows:

Table 3 – Attributable Coal Resources of Mineral Asset

Resources Category	Coal Resources Tonnes *(Million Tonne)*	GCA Factor	Factorised Tonnes *(Million Tonne)*
Measured	8.71	100%	8.71
Indicated	11.54	80%	9.23
Inferred	6.10	0%	–
Total	26.35		17.94

In accordance with the VALMIN Code (2015), Fairdex is required to precisely study the procedure on how resource estimation was done. Based on the Technical Report and Resource Statement of the Project prepared by SRK dated September 2010, there is no mention of whether outcrops of each seams have been adjusted in the process of resource estimation and the depth of each seam used for resource estimation remains unknown. Given the uncertainties, an estimated 20% discount on the Indicated Resources has been applied.

The following table summarized the effect of changes in assumptions/parameters and reconciled the fair value change in 2019:

Table 4 – Reconciliation of fair value change

Item	2019	2018	Effect on Fair Value	Fair Value *(HK$ million)*
As at 31 December 2018				228.69
Change in prevailing coal price (US$/tonne)	**66.30**	77.23	Decrease	(23.00)
Market transaction update	**1.03**	1.64	Decrease	(61.00)
Change in exchange rate (US$: HK$)	**7.7900**	7.8319	Decrease	(2.69)
Valuation adjustment on the Indicated Resources	**20%**	20%	Unchange	–
As at 31 December 2019				142.00

As shown in the above tables, the assumptions changes in 2019 Valuation were: (1) prevailing coal price; (2) market transaction reference; and (3) exchange rate. The primary change in valuation assumption would be the decrease in prevailing coal price (which is the dominant factor for the decrease in valuation) and this resulted the fair value decreased in 2019. The decrease in prevailing coal price and the change in exchange rate were mainly affected by the global economy and market environment. For the market transaction applied, there were no recent comparable transactions with available information in the market and applied in the valuation.

Based on the Valuation 2019, the recoverable amount of the exploration and evaluation assets was less than the carrying amount as at 31 December 2019. Accordingly, an impairment loss of HK$86.7 million was recognized for the year ended 31 December 2019 (2018: reversal of impairment loss of HK$29.4 million).

Manufacture and sale of healthcare and household products

As mentioned in our Interim Report 2019, the revenue of the Group's manufacturing business has decreased by 15.9% in the first half of 2019 when compared to the corresponding period in 2018 and such trend has continued in the second half of 2019. Full year revenue for 2019 was decreased by HK$57.3 million or by approximately 23.5% to HK$186.3 million as compared to HK$243.6 million in 2018. The decrease in revenue is mainly attributable to the decrease in sales to the PRC. Sales to the PRC decreased by approximately HK$35.0 million mainly due to stiff competition in the electric toothbrushes market and the phase-out of certain projects. Sales to the United States of America (the "USA") was increased by approximately HK$3.9 million. In addition to the organic growth, the growth was attributed to the introduction of new products. Sales to Hong Kong and other countries decreased by approximately HK$20.6 million manly due to a customer had shifted the production of one of its existing product lines to us temporarily during 2018 and there was no such event during 2019. Sales to Europe also decrease with the decrease in sales in France of HK$8.2 million despite there was an increase in sales in Germany of HK$0.5 million.

Gross profit margin increased from approximately 27.6% in 2018 to approximately 33.8% in 2019 mainly due to increase sales for products with high gross profit margin and improvement in process and enhancement in automation. Gross profit decreased slightly by HK$4.2 million to HK$63.0 million in 2019 as compared to HK$67.2 million in 2018. The decrease in gross profit was attributable to the abovementioned decrease in revenue. Overall, the Group's manufacturing business recorded a segmental profit of HK$20.9 million in 2019 as compared to profit of HK$20.4 million in 2018.

Since sales of the manufacturing business has decreased noticeably in 2019, the Company remains cautious about the outlook of the global consumer market in 2020 with trade tensions between the USA and the PRC continue. On the other hand, with rising labour cost and profit margins under constant pressure, the Company will continue focusing to improve productivity and efficiency.

Discontinued operations

Revenue of the organic agricultural and fertilizers business decreased by approximately HK$32.4 million, or 82.2%, from approximately HK$39.4 million for the year ended 31 December 2018 to approximately HK$7.0 million for the year ended 31 December 2019. The decrease was mainly due to the loss of its market share and disposal of business as mentioned below. Gross profit margin decreased from 58.8% in 2018 to 56.1%, which was mainly attributable to the increase in raw material cost. As a result of the foregoing, the gross profit decreased by approximately HK$19.2 million, or 83.2%, from approximately HK$23.1 million for the year ended 31 December 2018 to approximately HK$3.9 million for the year ended 31 December 2019. The segment recorded a loss of approximately HK$7.2 million for the period under review as compared to a loss of approximately HK$58.9 million for the year ended 31 December 2018.

As disclosed in the Company's announcement dated 31 May 2019, Access Sino Investments Limited, a direct wholly-owned subsidiary of the Company (the "Vendor"), Joyful Treasure Enterprises Limited (the "Purchaser") and Mr. Wong Ching Ka (the "Guarantor") entered into an agreement, pursuant to which, among other things, the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the entire issued share capital of Ample One Limited ("Ample One"), a then indirect wholly-owned subsidiary of the Company, at the consideration of HK$166,400,000 (the "Agreement"). The Guarantor has agreed to guarantee the performance of the obligations of the Purchaser subject to and upon the terms and conditions of the Agreement. Both the Purchaser and the Guarantor are third parties independent of the Company and its connected persons.

Ample One is an investment holding company and its subsidiaries are principally engaged in the production and sale of organic agricultural and fertilizers products in the PRC. Upon the completion of the disposal in accordance with the terms and conditions of the Agreement, Ample One will cease to be a subsidiary of the Company and the financial results of Ample One together with its subsidiaries will no longer be consolidated into the financial statements of the Group. The Group will no longer be engaged in the organic agricultural and fertilizers business.

The Group recorded a loss of approximately HK$7.4 million from the above disposal.

Other gains and losses

The Group recorded a loss of approximately HK$71.9 million as compared to a profit of approximately HK$54.9 million for the year ended 31 December 2018 which was mainly due to the combined effects of the following reasons:

(i) the abovementioned reasons for increase or decrease in profit or loss of different reportable segments;

(ii) other income decreased by approximately HK$2.5 million mainly due to the disposal of the business for the production and sales of organic agricultural and fertilizer products. For the year ended 31 December 2018, the amount of other income contributed by such segment was approximately HK$2.3 million, including government and other miscellaneous income;

(iii) administrative expenses decreased by approximately HK$24.2 million mainly due to the decrease in legal and professional fees of HK$7.8 million mainly due to less corporate exercises took place in 2019;

(iv) net loss of HK$13.6 million (2018: net loss of HK$15.6 million) on fair value changes on financial assets at fair value through profit or loss was mainly due to a fair value loss of HK$13.2 million (2018: a fair value loss of HK$15.6 million) on convertible bonds held by the Company;

(v) the Group recognized a gain on bargain purchase of approximately HK$102.5 million in the acquisition of Zhongzheng City Investment. The gain on bargain purchase was mainly attributable to the decrease in the market price of the shares of the Company upon business combination. The gain on the bargain purchase was an one-off non-cash adjustment which has no impact on the Group's operating cash flow;

(vi) the Company has carried out review of the recoverable amount of certain property, plant and equipment and other assets. Accordingly, during the year ended 31 December 2019, the reviews led to the recognition of an impairment loss on exploration and evaluation assets of approximately HK$86.7 million (2018: reversal of impairment loss of approximately HK$29.4 million). For the year ended 31 December 2018, the reviews led to the recognition of impairment loss on unpatented technology, property, plant and equipment and goodwill of approximately HK$30.7 million, HK$9.6 million and HK$10.0 million respectively. There was no such impairment during the year ended 31 December 2019;

(vii) share of loss of associates increased by approximately HK$26.0 million from approximately HK$1.1 million for the year ended 31 December 2018 to approximately HK$27.1 million for the year ended 31 December 2019. In addition to the 35% of interest held by the Group in Pacific Memory, the increase was due to the 42.5% interest in Chengde CITIC Securities Jinyu Investment Development Co., Ltd., which was part of the acquisition of the company principally engaged in primary land development project in the PRC during the year; and

(viii) finance costs increased by HK$27.5 million to HK$29.4 million (2018: HK$1.9 million) mainly due to loss on early settlement of shareholders loans of HK$20.9 million (2018: Nil).

Prospect

The Group has been identifying suitable investment opportunities to drive sustainable growth for the Group and to enhance long-term corporate value. To this end, the Company has completed the acquisition of Zhongzheng City Investment, which is principally engaged in primary land developments projects in the PRC, on 21 January 2019.

To further enhance Shareholders' value, the Company has identified another acquisition target, Qianhai Huateng, with potential growth and entered into an acquisition agreement with Qianhai CITIC in July 2019 to acquire Qianhai Huateng which is principally engaged in property development projects in the PRC. The Company completed the acquisition on 19 March 2020. For details and prospect of the acquisition, please refer to the paragraph headed "Land and property development projects" above.

With the outbreak of coronavirus and trade tensions between the USA and China, the Group remains cautious about the export and sale of healthcare and household products. In addition to improvement in productivity and efficiency, the Group will strive to increase the market share in areas other than the USA.

The progress of Luanping, Dongguan and Nanjing Projects have been delayed due to the outbreak of coronavirus. However, the impact is not material with the improvement in the situation of the coronavirus in the PRC. Favorable fiscal and monetary policies are expected from the Central Government to stimulate the economy of PRC. Moreover, the new urbanization policy will undoubtedly boost the demand of residential properties in urban areas. As a result, the Group remains cautiously optimistic about the property market in the PRC.

The Company believes that with these acquisitions, the Group has positioned itself for continuous growth and success.

THE GROUP'S LIQUIDITY AND FINANCIAL RESOURCES

Cash position

As at 31 December 2019, the Group had cash and bank deposits of HK$166.9 million (2018: HK$18.3 million) including a foreign currency deposits denominated in Renminbi ("RMB") amounted to HK$5.8 million (2018: HK$9.8 million).

Current ratio

As at 31 December 2019, the Group had net current assets of HK$108.2 million (2018: HK$198.5 million) and current ratio (being current assets over current liabilities) of 1.32 (2018: 2.30).

Debts and borrowings

As at 31 December 2019, the Group had total debts and borrowings of HK$320.3 million (2018: HK$17.7 million) which included unsecured loan from a financial institute, secured bank loan, unsecured other loans and secured factoring loans in total of HK$320.3 million (2018: HK$16.7 million).

Gearing ratio

The Group's gearing ratio being total debt over total equity is 23.1% (2018: 1.4%).

Exposure to Fluctuation in Exchange Rates, Interest Rates and Related Hedges

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The management will monitor the Group's foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise and appropriate instrument be available.

The interest rates profiles of the Group's borrowings are mainly at fixed rates. The Group has minimal exposure to interest rate risk, the Group's operating cash flows are substantially independent of changes in market interest rates. The Group does not hedge against interest rates risk as the management does not foresee the impact of any fluctuation in interest rates to be material to the Group.

Fund Raising Activities

The Company has not conducted any fund raising activities in 2019.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

The Company completed the acquisition of Zhongzheng City Investment on 21 January 2019. Zhongzheng City Investment has become a subsidiary of the Company and its financial results was consolidated in the results of the Group for the year ended 31 December 2019. For details of the acquisition, please refer to the paragraph headed "Land development projects" above.

In July 2019, the Company entered into an acquisition agreement with Qianhai CITIC to acquire Qianhai Huateng, which is principally engaged in property development projects in the PRC. The acquisition was completed on 19 March 2020.

Saved as disclosed above the Group had neither any material acquisition nor disposal in 2019.

MATERIAL CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2019.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had 25 employees (2018: 31) in Hong Kong, 753 employees (2018: 953) in PRC and 1 employee (2018: 2) in Indonesia. Employees' remuneration are given and reviewed based on market norms, individual performance and experience. Awards and bonuses are considered based on the Group's business results and employees' individual merit.

The Company has an option scheme which was approved in a shareholders' special general meeting on 31 August 2015 ("Share Option Scheme 2015"). Under Share Option Scheme 2015, the Company may offer to any persons who the Board considered, in its sole discretion, have contributed or will contribute to the Group. Details of Share Option Scheme 2015 were set out in the Company's circular on 14 August 2015. No share options were granted or exercised during both 2019 and 2018 under Share Option Scheme 2015.

INTRODUCTION

The board of directors of the Company (the "Board") commits to maintain and ensure high standards of corporate governance and has adopted the provisions contained in the Code on Governance Practices ("Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2019 except for the deviations as disclosed in this report. This report also outlines the main corporate governance processes and practices adopted by the Company with specific reference to the provisions of the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code during the year ended 31 December 2019.

BOARD OF DIRECTORS

The Company is led and controlled through the Board. Apart from its statutory responsibilities, the Board sets the Group's overall business and financial strategies as well as setting policies on various matters including major investments, key operational targets and financial control.

Following is the list of Directors during the year under review:

Executive Directors
Mr. Leung Chung Shan *(Chairman)*
Mr. Tam Lup Wai, Franky *(Deputy Chairman)*
Mr. Liu Liyang *(CEO)*
Mr. Au Yeung Yiu Chung *(resigned on 30 April 2019)*
Mr. Chan Tat Ming, Thomas

Non-executive Director
Mr. Lim Kim Chai, J.P. *(appointed on 20 December 2019)*

Independent Non-executive Directors ("INEDs")
Mr. Hau Chi Kit
Mr. Leung Chi Hung
Mr. Li Hon Kuen

The profiles of the Directors' qualifications and experience are set out on pages 3 to 5 of this annual report and at least one of the INEDs possesses recognized professional qualification in accounting. The Board is of the view that its current composition provides the necessary skill and experience for the requirements of the Group's business.

All INEDs have confirmed in writing to the Company that they meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules.

During the year ended 31 December 2019, the Company has complied with all provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules except for the Provision A.4.1 stipulates that independent non-executive Directors ("INEDs") should be appointed for a specific term and subject to re-election. During the year under review, all INEDs of the Company were not appointed for a specific term but were subject to retirement by rotation at the annual general meeting in accordance with the Bye-laws of the Company. As all director's appointment is subject to review when they are due for re-election, the Company is of the view that this meets the same objectives of the said code provision.

DIRECTORS' TRAINING

Newly appointed Directors will be provided with necessary induction and information to ensure they have a proper understanding of the Group's operations and businesses as well as their responsibilities under the Listing Rules and the other applicable regulatory requirements. The Company appointed Mr. Lim Kim Chai, J.P. as a non-executive Director of the Company on 20 December 2019.

The Company had arranged and funded suitable training for the Directors to attend during the year under review. In 2019, all Directors had participated in continuous professional development to refresh their knowledge and skills and had provided the records of the training they received to the Company. The following table summarises the continuous professional development of each director had in 2019:

	Type of continuous professional development	
	Attending seminars/trainings on relevant industrial development, regulatory updates or directors' duties	**Reading regulatory updates or information relevant to directors' duties**
Executive Directors		
Mr. Leung Chung Shan	✓	✓
Mr. Tam Lup Wai, Franky	✓	✓
Mr. Liu Liyang	✓	✓
Mr. Au Yeung Yiu Chung *(resigned on 30 April 2019)*	N/A	N/A
Mr. Chan Tat Ming, Thomas	✓	✓
Non-executive Director		
Mr. Lim Kim Chai, J.P.	✓	✓
Independent Non-executive Directors		
Mr. Hau Chi Kit	✓	✓
Mr. Leung Chi Hung	✓	✓
Mr. Li Hon Kuen	✓	✓

AUDIT COMMITTEE

The Company's Audit Committee was established in December 1999. Following were the members during 2019:

Mr. Li Hon Kuen *(Chairman)*
Mr. Hau Chi Kit
Mr. Leung Chi Hung

The Audit Committee has adopted terms of reference which are in line with the Code. The primary function of the Audit Committee is to review and monitor the Group's financial reporting process and internal controls. It is also responsible for making recommendation to the Board for the appointment, re-appointment or removal of the external auditor.

During the year ended 31 December 2019, the Audit Committee had reviewed with the management and the Company's auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the audited financial statements and unaudited interim financial statements. The Audit Committee had also reviewed the resources, qualifications and experience of staffs of the Group's accounting and financial reporting function, and their training and budget, and was satisfied with their adequacy.

REMUNERATION COMMITTEE

The Company's Remuneration Committee was established in August 2005. Following were the members during 2019:

Mr. Leung Chi Hung *(Chairman)*
Mr. Hau Chi Kit
Mr. Li Hon Kuen
Mr. Liu Liyang
Mr. Tam Lup Wai, Franky

The Remuneration Committee has adopted terms of reference which are in line with the Code to make recommendations to the Board to determine the remuneration of Directors and senior management. During 2019, the Committee had assessed the performance of the executive directors and senior management and considered their remuneration by reference to their experiences and remuneration paid by comparable companies. Details of the remuneration of directors are disclosed on an individual basis and are set out in note 14 to the financial statements.

NOMINATION COMMITTEE

The Company's Nomination Committee was established on 29 March 2012. Following were the members during 2019:

Mr. Leung Chung Shan *(Chairman)*
Mr. Hau Chi Kit
Mr. Leung Chi Hung
Mr. Li Hon Kuen
Mr. Liu Liyang
Mr. Tam Lup Wai, Franky

The Nomination Committee has adopted terms of reference which are in line with the Code. The primary functions of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become members of the Board, and assess the independence of INEDs.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

(i) To develop and review the Company's policies and practices on corporate governance;

(ii) To review and monitor the training and continuous professional development of directors and senior management;

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

(iv) To develop, review and monitor the code of conduct and compliance manual applicable to employees and directors; and

(v) To review the Company's compliance with the code and disclosure in the Corporate Governance Report.

BOARD, COMMITTEES AND OTHER MEETINGS

The following table summarises the total number of the meetings and the individual attendance of each Director in 2019:

	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	2019 Annual General Meeting	Special General Meeting on 15 January and 9 October 2019
Executive Directors						
Mr. Leung Chung Shan *(Chairman)*	11/11	N/A	N/A	1/1	1/1	2/2
Mr. Tam Lup Wai, Franky *(Deputy Chairman)*	11/11	N/A	2/2	1/1	1/1	2/2
Mr. Liu Liyang *(CEO)*	11/11	N/A	2/2	1/1	1/1	2/2
Mr. Au Yeung Yiu Chung[1]	4/11	N/A	N/A	N/A	0/1	1/2
Mr. Chan Tat Ming, Thomas	11/11	N/A	N/A	N/A	1/1	2/2
Non-executive Director						
Mr. Lim Kim Chai, J.P.[2]	N/A	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. Hau Chi Kit	11/11	3/3	2/2	1/1	1/1	2/2
Mr. Leung Chi Hung	11/11	3/3	2/2	1/1	1/1	2/2
Mr. Li Hon Kuen	11/11	3/3	2/2	1/1	1/1	2/2

Notes:

1. Mr. Au Yeung Yiu Chung was resigned on 30 April 2019
2. Mr. Lim Kim Chai, J.P. was appointed on 20 December 2019

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparing of the financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and of the results, and cash flows for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates on a going concern basis.

AUDITOR'S RESPONSIBILITIES AND REMUNERATION

The statement of ZHONGHUI ANDA regarding their report responsibilities is set out in the Independent Auditor's Report on pages 38 to 42 of this annual report.

The service fees incurred/paid by the Group in 2019 and 2018 to ZHONGHUI ANDA were as follows:

	2019	2018
Audit service	**HK$840,000**	HK$880,000
Non-audit service	**HK$870,000**	HK$1,580,000

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the Group's risk management and internal control systems and reviewing their effectiveness at least annually. These systems are designed to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve our corporate objectives. On the other hand, the management is responsible for the design, implementation and maintenance of the risk management and internal control systems.

The Company has adopted a top-down strategic risk management approach and a complementary bottom-up operational risk management process. Risk management starts from the top level with the Board to determine the nature and extent of risk it is willing to take according to our corporate objectives and put them in context of the external environment in which our operations are.

The Executive Directors, as part of the management, are responsible for identifying principal risks and the key risk indicators to monitor in accordance with the strategy set by the Board. The Executive Directors are also responsible for delivering the strategic actions to the operational level. At the operational level, the Head of business units are responsible to execute the strategic actions and report on key risk indicators. Typically these are achieved by implementing sound internal control systems. Internal control system is defined as a system of control procedures for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. Different internal control systems have be set up for the Group's different business units. And to monitor the effectiveness of these systems, the management has also set up an internal audit function.

Whilst responsibility for oversight of risk management rests with the Board, the effective day-to-day management of risk is embedded in all areas of our business and forms an integral part of our risk management system. As such, head of business units maintain regular communication with the Executive Directors to report current and emerging risks. Such bottom-up process ensures potential risks are identified and mitigated and significant risks escalated to the Board for consideration as appropriate.

In 2019, the Board through the Audit Committee and the internal audit function, had conducted a review of the effectiveness of material controls, including financial, operational and compliance controls, of the Group's major risk management and internal control systems and the Company considers these systems effective and adequate. The review process included formulating audit plan, approving audit program and reviewing internal audit function's working.

DISCLOSURE OF INSIDE INFORMATION

The Group has internal policy and procedures which strictly prohibit unauthorized use of inside information. The Board is aware of its obligations to announce any inside information in accordance with the Listing Rules and conducts the affairs with reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012. In addition, only Directors and delegated officers are authorized to respond to external enquiries about the Group's affairs.

COMPANY SECRETARY

Mr. Situ Miu had undertaken sufficient hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules during the year under review.

COMMUNICATION WITH SHAREHOLDERS

The annual general meeting provides a useful channel for Shareholders to communicate with the Board. All Shareholders have at least 20 clear business days' notice of annual general meeting at which Directors are available to answer questions on the Company's affair. Separate resolutions are proposed at the annual general meeting on each substantially separate issue, including the election of individual Director. Pursuant to Rule 13.39 of the Listing Rule, any votes of the Shareholders at a general meeting must be taken by poll.

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting by Shareholders

Pursuant to Bye-law 58, a special general meeting may be convened by the Board upon requisition by any shareholder holding at the date of deposit of the written requisition not less than one tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. The shareholder shall make a written requisition to the Board or the Company Secretary of the Company at the head office and principal place of business of the Company in Hong Kong, specifying the shareholding information of the shareholder, their contact details and the proposal regarding any specified transaction/business and its supporting documents. The Board shall arrange to hold such general meeting within two months after the receipt of such written requisition. If within twenty one days of the receipt of such written requisition, the Board fails to proceed to convene such special general meeting, the shareholder shall do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

Putting Forward Proposals at General Meetings

Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by the procedures as set out in the above "Convening of extraordinary general meeting by Shareholders".

Putting Forward Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's head office and principal place of business in Hong Kong at Suite 3008, Man Yee Building, 68 Des Voeux Road Central, Central, Hong Kong.

REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited financial statements of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 44 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the year ended 31 December 2019 are set out in note 9 to the financial statements.

BUSINESS REVIEW

The business review of the Group for year ended 31 December 2019 including a discussion of the principal risks and uncertainties facing the group and an indication of likely future developments in the group's business, can be found in the Chairman's Statement and Management Discussion and Analysis which set out on pages 7 to 8 and pages 9 to 21 respectively of this Annual Report. Details about the Group's financial risk management are set out in note 5 to the Consolidated Financial Statements.

The Group is committed to adopt environmentally responsible practices throughout its operations. The key points of our environmental policy to achieve this are:

– Comply with all the environmental laws and regulations that relate to the Group's operations;

– Prevent the environmental impact of our products throughout their design and manufacturing process;

– Ensure every employee understands and is responsible for incorporating environmental considerations in their daily business activities; and

– Pursue continuous improvement in environmental performance.

The Company's principal subsidiary Dongguan Weihang Electrical Product Company Limited has been accredited with ISO 14001, an environmental management system certification, since 2007.

During the year ended 31 December 2019, the Group had complied with the relevant laws and regulations that have a significant impact on the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during 2019 is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	34%	–
Five largest customers in aggregate	75%	–
The largest supplier	–	13%
Five largest suppliers in aggregate	–	35%

At no time during the year have the Directors, their associates or any Shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interesting in these major customers and suppliers.

FINANCIAL RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 December 2019 and the state of the Group's affairs as at that date are set out in the financial statements on pages 43 to 129.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2019.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year ended 31 December 2019 are set out in note 38 to the financial statements and the consolidated statement of changes in equity on page 120 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2019 are set out in note 19 to the financial statements.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

Particulars of the Company's subsidiaries are set out in note 44 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2019 are set out in note 35 to the financial statements.

CONVERTIBLE BONDS

The Company has no convertible bonds in issue during the year ended 31 December 2019.

DIRECTORS

As at the date of this report, the board of Directors of the Company (the "Board") comprises:

Executive Directors

Mr. Leung Chung Shan *(Chairman)*
Mr. Tam Lup Wai, Franky *(Deputy Chairman)*
Mr. Liu Liyang *(CEO)*

Non-executive Director

Mr. Lim Kim Chai, J.P. *(appointed on 20 December 2019)*

Independent non-executive Directors

Mr. Hau Chi Kit
Mr. Leung Chi Hung
Mr. Li Hon Kuen

Pursuant to Bye-law 86(2), any Director appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Mr. Lim Kim Chai, J.P. who was appointed on 20 December 2019, will retire from office at the annual general meeting and, being eligible, will put himself up for re-election at the forthcoming annual general meeting.

Pursuant to Bye-law 87, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one third) shall retire from office by rotation. Accordingly, Mr. Tam Lup Wai, Franky, Mr. Liu Liyang and Mr. Leung Chi Hung will retire from office by rotation and being eligible, put themselves up for re-election in the Company's forthcoming annual general meeting in 2020.

The Company confirmed that it has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 and the Company still considers the independent non-executive Directors to be independent.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors of the Company was in force throughout the year ended 31 December 2019. The Company has undertaken Director and Officers Liability Insurance to provide such indemnity to all Directors of the Company.

DIRECTORS' SERVICE CONTRACT

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract, which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensation.

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

As at 31 December 2019, except for Mr. Leung Chung Shan and Mr. Lim Kim Chai, none of the Directors and chief executive of the Company nor their associates had any interests and short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained 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 interests of Mr. Leung Chung Shan and Mr. Lim Kim Chai in shares of the Company as at 31 December 2019 was disclosed in the section titled "Substantial Shareholders' and Other Persons Interests and Short Positions in Shares and Underlying Shares."

SHARE OPTION SCHEME

The Company has an option scheme which was approved in a Shareholders' special general meeting on 31 August 2015 ("Share Option Scheme 2015"). Under Share Option Scheme 2015, the Company may offer to any persons who the Board considered, in its sole discretion, have contributed or will contribute to the Group. Details of Share Option Scheme 2015 were set out in the Company's circular on 14 August 2015. No share options were granted or exercised during 2019 under Share Option Scheme 2015.

The total number of securities available for issue under the Share Option Scheme 2015 is 96,186,832 shares, which represents 0.90% of the issued shares as at the date of the annual report.

The maximum entitlement of each participant under the Share Option Scheme 2015 in any 12-month period shall not exceed 1% of the issued shares for the time being.

Save as disclosed above, none of the Directors or chief executive of the Company or their spouses or children aged below 18 had any right to subscribe for equity or debt securities of the Company or had exercised any such right during the year under review.

DIRECTORS' EMOLUMENTS

Particulars of the Directors' emoluments disclosed pursuant to section 161 of the Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 14 to the financial statements.

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

As at 31 December 2019, other than the interests of the Directors and chief executive of the Company as disclosed in the section titled "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures", the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long positions of substantial shareholders in the shares and underlying shares

Name of Shareholders	Capacity	Number of Shares Held	Approximate % of Shareholding[1]
Leung Chung Shan[2]	Beneficial owner	4,233,534,364	39.48%
Shek Ying[3]	Interest of spouse	4,233,534,364	39.48%
Lim Kim Chai, J.P.[4]	Beneficial owner	1,569,420,951	14.64%
Qiu Qing[5]	Beneficial owner	1,259,861,773	11.75%
Shenzhen Tianji Nanlian Investment Partnership (Limited Partnership)* 深圳天基南聯投資合夥企業(有限合夥) ("TJNL")	Interest of controlled corporation	1,259,861,773	11.75%
Hong Kong Zhongzheng Investment Co. Ltd.	Interest of controlled corporation	1,259,861,773	11.75%
CITIC Securities Co., Ltd.[6] ("CITIC")	Interest of controlled corporation	678,387,108	6.33%

Notes

1. Based on 10,721,666,832 shares of the Company in issue as at 31 December 2019.
2. Mr. Leung Chung Shan is the chairman and executive Director of the Company.
3. Ms. Shek Ying, the spouse of Mr. Leung, is deemed to be interested in Mr. Leung's interest in the Company by virtue of the SFO.
4. Mr. Lim Kim Chai, J.P. is the Non-executive Director of the Company.
5. The 1,259,861,773 shares which were deemed to be interested by Mr. Qiu Qing were held by Hong Kong Zhongzheng Investment Co. Ltd., for which TJNL has 38.46% interest and then Mr. Qiu Qing has 64% interest in TJNL.
6. CITIC holds 100% direct interest in GoldStone Investment Co., Ltd* (金石投資有限公司) and accordingly deemed to have an interest in the shares held by GoldStone Investment Co., Ltd*.

* *For identification purpose only*

Save as disclosed above, as at 31 December 2019, no other person had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN CONTRACT

No contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2019.

DISTRIBUTABLE RESERVES

The Company's share premium account, with a balance of HK$878,200,000 as at 31 December 2019, may be applied in paying up unissued shares of the Company to be issued to the Shareholders of the Company as fully paid bonus shares.

The Company's contributed surplus account, with a balance of HK$626,537,000 as at 31 December 2019, is distributable subject to satisfaction of certain solvency requirements and the Company may apply the contributed surplus in any manner not prohibited by the Companies Act and the Bye-law of the Company.

Save as disclosed above, the Company had no reserves available for distribution to Shareholders of the Company, as computed in accordance with the Companies Act 1981 of Bermuda.

PRE-EMPTIVE RIGHTS

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

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of related party transactions for the year are set out in note 42 to the consolidated financial statements.

Other than disclosed elsewhere in the annual report, there were no transactions that need to be disclosed as connected transactions under Chapter 14A of the Listing Rules during the year under review and the Company has complied with the requirements in Chapter 14A of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

LOANS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Particulars of loans from banks and other financial institutions of the Group as at 31 December 2019 are set out in notes 30 and 31 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 130 of this annual report.

PENSION SCHEME

The Group operates a mandatory provident fund scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer makes contributions to the scheme at 5% and employees are required to make 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Mandatory contributions to the scheme vest immediately.

Subsidiaries incorporated in the PRC participate in various defined contribution retirement plans (the "Plans") organized by local authorities for the Group's employees in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the basic payroll, to the Plans. The Group has no other material obligation for the payment of pension benefits associated with these Plans beyond the annual contributions described above.

Details of the pension scheme contributions of the employees, net of forfeited contributions, which have been dealt with in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019, are set out in note 34 to the financial statements.

CORPORATE GOVERNANCE

The Company complied with all requirements set out in the Code except for the deviations disclosed in the "Corporate Governance Report" of this annual report.

AUDIT COMMITTEE

Pursuant to the Listing Rules, an Audit Committee was established on 28 December 1999 with written terms of reference. As at the date of this annual report, the Audit Committee comprising four independent non-executive Directors, namely Mr. Li Hon Kuen (Chairman of the Audit Committee), Mr. Hau Chi Kit and Mr. Leung Chi Hung. The principal activities of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of the annual report, there was a sufficient public float of the Company.

AUDITOR

The financial statements of the Company for the year under review have been audited by ZHONGHUI ANDA, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting in 2020.

By Order of the Board

Leung Chung Shan
Chairman and Executive Director

Hong Kong, 20 March 2020

TO THE SHAREHOLDERS OF
eForce Holdings Limited
意科控股有限公司
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of eForce Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 129, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(i) Exploration and evaluation assets

Refer to Note 18 to the consolidated financial statements

The Group tested the amount of exploration and evaluation assets for impairment. This impairment test is significant to our audit because the balance of exploration and evaluation assets of approximately HK$142,000,000 as at 31 December 2019 and the impairment loss of approximately HK$86,690,000 for the year ended 31 December 2019 is 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 competence, independence and integrity of the external valuer engaged by client;

– 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 key assumptions and input data in the valuation model to supporting evidence; and

– Checking arithmetical accuracy of the valuation model.

We consider that the Group's impairment test for exploration and evaluation assets is supported by the available evidence.

KEY AUDIT MATTERS *(Continued)*

(ii) Interests in associates

Refer to Note 22 to the consolidated financial statements

The Group tested the amount of interests in associates for impairment. This impairment test is significant to our audit because the balance of interests in associates of approximately HK$1,170,328,000 as at 31 December 2019 is 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 competence, independence and integrity of the external valuers engaged by client;

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

– Checking key assumptions and input data in the valuation models to supporting evidence; and

– Checking arithmetical accuracy of the valuation models.

We consider that the Group's impairment test for interests in associates 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.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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
Li Chi Hoi
Audit Engagement Director
Practising Certificate Number P07268
Hong Kong, 20 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations			
Revenue		**186,314**	243,570
Interest revenue		**12,463**	16,145
Total revenue	7	**198,777**	259,715
Cost of sales		**(123,347)**	(176,283)
Gross profit		**75,430**	83,432
Other income	8	**1,498**	2,052
Selling and distribution expenses		**(2,766)**	(3,489)
Administrative expenses		**(76,623)**	(85,706)
Loss from operations		**(2,461)**	(3,711)
(Provision)/reversal of impairment loss on exploration and evaluation assets	18	**(86,690)**	29,410
Net loss on fair value changes on investment at fair value through profit or loss	10	**(13,575)**	(15,554)
Impairment of loan receivables	24	**–**	(3,000)
Gain on bargain purchase	36	**102,508**	111,733
Share of results of associates	22	**(27,125)**	(1,090)
Finance costs	11	**(28,812)**	(858)
(Loss)/profit before tax		**(56,155)**	116,930
Income tax expense	12	**(1,182)**	(3,063)
(Loss)/profit for the year from continuing operations		**(57,337)**	113,867
Discontinued operations			
Loss for the year from discontinued operations	37	**(14,581)**	(58,928)
(Loss)/profit for the year	13	**(71,918)**	54,939

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (Restated)
(Loss)/profit for the year attributable to:			
Owners of the Company			
From continuing operations		**(56,327)**	113,867
From discontinued operations		**(14,158)**	(58,481)
		(70,485)	55,386
Non-controlling interests			
From continuing operations		**(1,010)**	–
From discontinued operations		**(423)**	(447)
		(1,433)	(447)
		(71,918)	54,939
(Loss)/profit for the year		**(71,918)**	54,939
Other comprehensive loss:			
Items that may be reclassified to profit or loss:			
Release of exchange differences on disposal of subsidiaries	37	**6,908**	–
Exchange differences on translating foreign operations		**9,710**	(5,944)
Share of associates exchange differences on translating foreign operations		**(30,225)**	(38,047)
Items that will not be reclassified to profit or loss:			
Gain on property revaluation		**2,692**	5,507
Other comprehensive loss for the year, net of tax	17	**(10,915)**	(38,484)
Total comprehensive (loss)/income for the year		**(82,833)**	16,455

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000 (Restated)
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(81,196)**	16,865
Non-controlling interests		**(1,637)**	(410)
		(82,833)	16,455
(Loss)/earnings per share	*16*		
From continuing and discontinued operations			
Basic (cents per share)		**(0.66)**	0.65
Diluted (cents per share)		**N/A**	N/A
From continuing operations			
Basic (cents per share)		**(0.53)**	1.34
Diluted (cents per share)		**N/A**	N/A
From discontinued operations			
Basic (cents per share)		**(0.13)**	(0.69)
Diluted (cents per share)		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Exploration and evaluation assets	18	**142,000**	228,690
Property, plant and equipment	19	**62,959**	98,899
Right of use assets	20	**6,691**	–
Interests in associates	22	**1,170,328**	617,424
Intangible assets	21	**–**	70,570
Investment at fair value through profit or loss	23	**–**	14,028
Other assets		**–**	3,161
		1,381,978	1,032,772
Current assets			
Inventories	25	**30,315**	41,082
Trade and other receivables	26	**150,145**	137,322
Investment at fair value through profit or loss	23	**870**	898
Loans and interests receivables	24	**44,317**	130,251
Amounts due from associates	27	**49,750**	21,881
Current tax assets		**936**	905
Bank and cash balances	28	**166,852**	18,292
		443,185	350,631
Current liabilities			
Trade and other payables	29	**(92,383)**	(128,049)
Borrowings	30	**(619)**	(16,670)
Shareholders loans	31	**(230,000)**	–
Lease liabilities	32	**(6,226)**	(318)
Current tax liabilities		**(5,798)**	(7,130)
		(335,026)	(152,167)
Net current assets		**108,159**	198,464
Total assets less current liabilities		**1,490,137**	1,231,236

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Lease liabilities	32	**(738)**	(728)
Borrowings	30	**(12,177)**	–
Shareholders loans	31	**(77,525)**	–
Deferred tax liabilities	33	**(11,519)**	(12,957)
		(101,959)	(13,685)
NET ASSETS		**1,388,178**	1,217,551
Capital and reserves			
Share capital	35	**429**	351
Reserves	38	**1,387,302**	1,214,365
Equity attributable to owners of the Company		**1,387,731**	1,214,716
Non-controlling interests		**447**	2,835
TOTAL EQUITY		**1,388,178**	1,217,551

The consolidated financial statements on pages 43 to 129 were approved and authorised for issue by the board of directors on 20 March 2020 and are signed on its behalf by:

Approved by:

Tam Lup Wai, Franky
Director

Liu Liyang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company										
	Share capital	Share premium	Contributed surplus	Foreign currency translation reserve	Warrant reserve	Property revaluation reserve	Accumulated losses	Other reserve	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018	289	329,372	626,537	(6,044)	24,226	34,473	(139,010)	–	869,843	3,245	873,088
Issue of consideration shares	62	327,946	–	–	–	–	–	–	328,008	–	328,008
Total comprehensive income for the year	–	–	–	(44,028)	–	5,507	55,386	–	16,865	(410)	16,455
At 31 December 2018	351	657,318	626,537	(50,072)	24,226	39,980	(83,624)	–	1,214,716	2,835	1,217,551
At 1 January 2019	**351**	**657,318**	**626,537**	**(50,072)**	**24,226**	**39,980**	**(83,624)**	**–**	**1,214,716**	**2,835**	**1,217,551**
Issue of consideration shares	**78**	**220,882**	**–**	**–**	**–**	**–**	**–**	**–**	**220,960**	**–**	**220,960**
Acquisition of subsidiaries *(Note 36)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,117**	**7,117**
Disposal of subsidiaries *(Note 37)*	**–**	**–**	**–**	**–**	**–**	**(5,552)**	**5,552**	**–**	**–**	**(2,412)**	**(2,412)**
Return of capital to non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,456)**	**(5,456)**
Discounting of shareholder's loan	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**33,251**	**33,251**	**–**	**33,251**
Total comprehensive loss for the year	**–**	**–**	**–**	**(13,403)**	**–**	**2,692**	**(70,485)**	**–**	**(81,196)**	**(1,637)**	**(82,833)**
At 31 December 2019	**429**	**878,200**	**626,537**	**(63,475)**	**24,226**	**37,120**	**(148,557)**	**33,251**	**1,387,731**	**447**	**1,388,178**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
Cash flows from operating activities		
(Loss)/profit before tax	**(70,892)**	57,277
Adjustments for:		
Share of results of associates	**27,125**	1,090
Loss on disposal of subsidiaries	**7,362**	–
Finance costs	**29,401**	1,930
Interest income	**(332)**	(40)
Depreciation of right of use assets	**6,863**	–
Amortisation of intangible assets	**6,250**	15,000
Depreciation of property, plant and equipment	**5,787**	12,439
Provision/(reversal) of impairment loss on exploration and evaluation assets	**86,690**	(29,410)
Impairment of other assets	**–**	1,374
Impairment of unpatented technology	**–**	30,680
Impairment of property, plant and equipment	**–**	9,640
Impairment of goodwill	**–**	9,977
Gain on bargain purchase	**(102,508)**	(111,733)
Net loss on fair value changes on investment at fair value through profit or loss	**13,575**	–
Gain on disposals of property, plant and equipment	**(37)**	(26)
Operating loss before working capital changes	**9,284**	(1,802)
Change in inventories	**4,774**	(2,300)
Change in trade receivables and other receivables	**(767)**	(37,979)
Change in other receivables, deposits and prepayments	**–**	3,234
Change in loans and interests receivables	**85,934**	(29,078)
Change in other assets	**(4,145)**	–
Change in trade and other payables	**(38,838)**	18,450
Change in investment at fair value through profit or loss	**481**	15,554
Cash generated from/(used in) operations	**56,723**	(33,921)
Interests received	**332**	40
Tax paid	**(2,545)**	(2,379)
Net cash generated from/(used in) operating activities	**54,510**	(36,260)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
Cash flows from investing activities		
Acquisition of subsidiaries	**(279,484)**	–
Acquisition of associates	**–**	(238,700)
Disposal of subsidiaries	**78,982**	–
Change in amounts due from associates	**(27,869)**	–
Purchase of property, plant and equipment	**(1,327)**	(5,922)
Proceeds from disposal of property, plant and equipment	**1,156**	90
Net cash used in investing activities	**(228,542)**	(244,532)
Cash flows from financing activities		
New borrowings	**13,632**	14,727
Repayment of borrowings	**(5,797)**	(19,237)
Advance from shareholders	**560,000**	–
Repayment of shareholders loans	**(245,000)**	–
Net (decrease)/increase in factoring loans	**(1,563)**	1,561
Capital refunded to NCI	**(5,456)**	–
Change in amount due to shareholders	**4,539**	–
Repayment of lease liabilities	**(7,672)**	(320)
Interests paid	**(72)**	(1,930)
Net cash generated from/(used in) financing activities	**312,611**	(5,199)
Net increase/(decrease) in cash and cash equivalents	**138,579**	(285,991)
Cash and cash equivalents at beginning of year	**18,292**	306,018
Effect of changes in foreign exchange rate	**9,981**	(1,735)
Cash and cash equivalents at end of year	**166,852**	18,292
Analysis of cash and cash equivalents		
Bank and cash balances	**166,852**	18,292

1. GENERAL INFORMATION

eForce Holdings Limited was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of its principal place of business is Suite 3008, Man Yee Building, 68 Des Voeux Road Central, Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The principal activities of the Company's subsidiaries are set out in note 44 to the consolidated financial statements.

Upon the disposal of the Group's wholly owned subsidiary, Ample One Limited, the Group discontinued its operations of the production and sales of organic agricultural and fertilizers products.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("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 2019. 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.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 16 "Leases"

On adoption of HKFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under HKAS 17 "Leases."

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the adoption of HKFRS 16 are therefore recognised in the opening balance sheet on 1 January 2019 as follows:

	1 January 2019
	HK$'000
Increase in right-of-use assets	**11,883**
Increase in lease liabilities	**(12,929)**
Decrease in finance lease payables	**1,046**

The reconciliation of operating lease commitment to lease liabilities as at 1 January 2019 is set out below:

	HK$'000
Operating lease commitment as at 31 December 2018	**13,904**
Add: Finance lease payables	**1,046**
Less: Commitment relating to leases with a remaining lease term ending on or before 31 December 2019	**(1,015)**
Discounting	**(1,006)**
Lease liabilities as at 1 January 2019	**12,929**
Representing:	
Current	**6,480**
Non current	**6,449**
	12,929

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 16 "Leases" *(Continued)*

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and investment at fair value through profit or loss held by the Company which are carried at their fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its 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 4 to the consolidated financial statements.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated 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 foreign currency translation 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.

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 other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders 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 shareholders 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination and goodwill *(Continued)*

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 consolidated 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 consolidated 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, financial assets at fair value through other comprehensive income), 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 (Impairment of assets) below. Impairment losses of goodwill are recognised in consolidated 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 the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates *(Continued)*

Interest in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's 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 Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances in each entity's 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(b) *Transactions and balances in each entity's financial statements (Continued)*

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 Company's presentation currency are translated into the Company's presentation currency as follows:

– 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;

– 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

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated 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

Land and buildings comprise mainly factories and offices. Land and buildings 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 impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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.

Revaluation increases of land and buildings 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 property revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the property revaluation reserve are charged against the property revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued land and building, the attributable revaluation increases remaining in the property revaluation reserve is transferred directly to retained profits.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs/revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Land and buildings	30 years
Leasehold improvements	Shorter of unexpired lease term or estimated useful life
Plant and machinery	5 years
Furniture, fixtures, office equipment and motor vehicles	3 to 5 years
Moulds and tools	5 years

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less accumulated impairment losses. Exploration and evaluation assets include the cost of exploration and exploitation rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as intangible assets and property, plant and equipment.

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is adjusted for impairment in accordance with HKAS 36 "Impairment of Assets" whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

– the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

– substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

– exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or

– sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the consolidated profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over its estimated useful lives of 10 years.

Unpatented technology

Unpatented technology is stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over its estimated useful life.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land and buildings	50%

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$ 5,000.

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Leases *(Continued)*

The Group as lessor

(i) Operating leases

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.

(ii) Finance leases

Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the leases.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Recognition and derecognition of financial instruments *(Continued)*

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. 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 fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

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

– Financial assets at amortised cost; and

– Investment at fair value through profit or loss.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

– Investment at fair value through profit or loss. (Continued)

(ii) Investments at fair value through profit or loss

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 fair value through profit or loss 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, contract assets and lease 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the 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 12 months after the end of the reporting period.

Trade and other payables

Trade and other payables are stated initially at their 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.

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Revenue from contracts with customers *(Continued)*

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

Interest income is recognised using the effective interest method.

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

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

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 at the end of the reporting period.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged in profit or loss represents contributions payable by the Group to the funds.

(c) Termination benefits

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and its joint ventures, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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

(i) The entity and the Company 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 Company or to a parent of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than inventories and receivables, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

(a) Split of land and building elements

The Group determines that the lease payments cannot be allocated reliably between the land and building elements. Accordingly the entire lease of land and buildings is classified as a finance lease and included under property, plant and equipment.

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 discussed below.

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

Key sources of estimation uncertainty *(Continued)*

(a) Impairment of exploration and evaluation assets

The Group tests annually whether exploration and evaluation assets have suffered any impairment in accordance with the accounting policy stated in note 3 to the consolidated financial statements. An impairment loss is recognised when the carrying amount of exploration and evaluation assets exceeds their recoverable amount. In determining the recoverable amount, certain estimates have been involved based on the events or changes in circumstances as stated in the accounting policy.

(b) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade, loans, and other 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 judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(c) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment except land and buildings. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

(d) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

Key sources of estimation uncertainty *(Continued)*

(e) Fair value of land and buildings

The Group appointed an independent professional valuer to assess the fair value of the land and buildings. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(f) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

(g) Deferred tax liabilities

Recognition of deferred tax liability in relation to the intangible asset of the unpatented technology of microorganism fertilizers are calculated at the effective tax rate with reference to the current tax benefits applying to the subsidiaries of the Company which engage in agricultural business and is eligible for certain tax benefits under the Enterprise Income Tax Law and its Interpretation Rules (the "PRC Tax Law") and the future profitability and cash flow projections of the business of microorganism fertilizers as approved by the directors of the Company. The effective tax rate will be reviewed by the directors annually to ensure its appropriateness and fairness.

(h) Impairment of interests in associates

The interests in associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the interests in associates exceeds their recoverable amounts. The recoverable amounts are determined with reference to the higher of value in use and fair value less costs of disposal. Where the recoverable amounts are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of recoverable amounts, a material impairment loss may arise.

5. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amount of the cash and bank balances, investment at fair value through profit or loss, trade, loans, interests and other receivables included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has significant concentration of credit risk to its trade receivables as the Group's largest customer contributed over approximately 61% (2018: 26%) of the revenue for the year and shared over approximately 32% (2018: 34%) of the trade receivables at the end of the reporting period. The Group has policies and procedures to monitor the collection of the trade receivables to limit the exposure to non-recoverable of the receivables and there is no recent history of default for the customer.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk *(Continued)*

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:

– 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 increases in credit risk on other financial instruments of the same borrower; 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 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 90 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 receivable for write off when the Group determine that the debtor does not have assets or source of income that could generate sufficient cash flow to repay the amounts subject to write-off. Where receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade loan and other 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

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**
	HK$'000	*HK$'000*	*HK$'000*
At 31 December 2019			
Borrowings	**1,217**	**6,344**	**5,206**
Shareholders loans	**231,949**	**87,374**	**–**
Trade and other payables	**92,383**	**–**	**–**
At 31 December 2018			
Borrowings	16,670	–	–
Trade and other payables	128,049	–	–

(d) Interest rate risk

The Group's exposure to interest rate risk arises from its bank deposits, borrowings and unsecured other loans.

Secured bank and other loans are arranged at fixed interest rates and expose the Group to fair value interest rate risks. Other bank deposits and borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

At 31 December 2019, as the Group has minimal exposure to interest rate risk, the Group's operating cash flows are substantially independent of changes in market interest rates.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Categories of financial instruments at 31 December

	2019	2018
	HK$'000	*HK$'000*
Financial assets		
Investment at fair value through profit or loss		
– Mandatorily measured	**870**	898
– Designated as such upon initial recognition	**–**	14,028
Financial assets at amortised cost (including cash and cash equivalent)	**409,871**	294,177
Financial liabilities		
Financial liabilities at amortised cost	**412,704**	144,719

6. 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 categories 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.

6. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Disclosures of level in fair value hierarchy at 31 December:

	Fair value measurements using:			**Total**
	Level 1	**Level 2**	**Level 3**	**2019**
Description	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurements:				
Land and buildings	**–**	**–**	**53,153**	**53,153**
Investment at fair value through profit or loss				
– Listed equity securities	**870**	**–**	**–**	**870**
Total recurring fair value measurements	**870**	**–**	**53,153**	**54,023**

	Fair value measurements using:			Total
	Level 1	Level 2	Level 3	2018
Description	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements:				
Land and buildings	–	–	63,862	63,862
Investment at fair value through profit or loss				
– Listed equity securities	898	–	–	898
– Convertible bonds	–	–	14,028	14,028
Total recurring fair value measurements	898	–	77,890	78,788

6. FAIR VALUE MEASUREMENTS *(Continued)*

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

	Land and buildings	
	2019	2018
Description	***HK$'000***	*HK$'000*
At 1 January	**63,862**	61,465
Total gains recognised in other comprehensive income	**3,589**	7,343
Depreciation	**(1,633)**	(1,857)
Disposal of subsidiaries	**(11,800)**	–
Exchange difference	**(865)**	(3,089)
At 31 December	**53,153**	63,862

The total gains recognised in other comprehensive income are presented in gain on property revaluation in the statement of profit or loss and other comprehensive income.

Total loss recognised in profit or loss including those for assets held at the end of reporting period and presented in depreciation in the statement of profit or loss and other comprehensive income.

	Convertible bonds	
	2019	2018
Description	***HK$'000***	*HK$'000*
At 1 January	**14,028**	29,422
Change in fair value recognised in consolidated profit or loss #	**(13,166)**	(15,394)
Convert to shares	**(862)**	–
At 31 December	**–**	14,028
Include gains or losses for assets held at end of reporting period:		
Convertible bonds #	**N/A**	(15,394)

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in net gain on fair value changes on investment at fair value through profit or loss in the consolidated statement of profit or loss and other comprehensive income.

6. 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 2019:

The Group's directors are responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 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.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2019 *HK$'000*
Land and buildings	Replacement cost	Market value for the existing use of the land	RMB995-1,447/m^2	Increase	
		Current cost of replacing the improvements	RMB1,200-1,650/m^2	Increase	
		Deduction for physical deterioration and all relevant forms of obsolescence and optimisation	38-46%	Decrease	**53,153**

6. 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 2019: *(Continued)*

Level 3 fair value measurements (Continued)

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2018 *HK$'000*
Land and buildings	Replacement cost	Market value for the existing use of the land	RMB900-1188/m^2	Increase	
		Current cost of replacing the improvements	RMB1,330-3,400/m^2	Increase	
		Deduction for physical deterioration and all relevant forms of obsolescence and optimisation	41-49%	Decrease	63,862
Convertible bonds	Risk free rate method	Discount rate	2.22%	Decrease	14,028

7. REVENUE

The Group's revenue represents the aggregate of sales value of goods supplied to customers less goods returned, trade discounts and sales tax. The amount of revenue recognised during the year represents manufacture and sales of healthcare and household products, production and trading of agricultural and fertilizers products and interest income from money lending business. An analysis of the Group's revenue for the year is as follows:

	2019	2018
	HK$'000	*HK$'000*
Manufacture and sales of healthcare and household products	**186,314**	243,570
Production and trading of agricultural and fertilizers products	**7,004**	39,402
Revenue from contracts with customers *(Note)*	**193,318**	282,972
Interest income from money lending business	**12,463**	16,145
Total revenue	**205,781**	299,117
Representing		
Continuing operations	**198,777**	259,715
Discontinued operations	**7,004**	39,402
	205,781	299,117

7. REVENUE *(Continued)*

Note:

Disaggregation of revenue from contracts with customers:

		2019	
Segments	**Healthcare & household products** *HK$'000*	**Agriculture & fertilizers products** *HK$'000*	**Total** *HK$'000*
Geographical markets			
United States of America	**103,871**	**–**	**103,871**
The People's Republic of China (the "PRC")	**37,268**	**7,004**	**44,272**
Germany	**19,881**	**–**	**19,881**
France	**2,961**	**–**	**2,961**
United Kingdom	**7,983**	**–**	**7,983**
Japan	**1,762**	**–**	**1,762**
Hong Kong and others	**12,588**	**–**	**12,588**
Total	**186,314**	**7,004**	**193,318**

		2018	
Segments	Healthcare & household products *HK$'000*	Agriculture & fertilizers products *HK$'000*	Total *HK$'000*
Geographical markets			
United States of America	99,995	–	99,995
The People's Republic of China (the "PRC")	72,224	39,402	111,626
Germany	19,317	–	19,317
France	11,273	–	11,273
United Kingdom	6,458	–	6,458
Japan	1,131	–	1,131
Hong Kong and others	33,172	–	33,172
Total	243,570	39,402	282,972

7. REVENUE *(Continued)*

Revenues from the sales of manufactured goods, trading of raw materials and moulds and trading of agricultural and fertilizer products are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Sales to customers are normally made with credit terms of 60 to 180 days. For new customers, cash on delivery may be required.

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.

8. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Income from scrap sales	**629**	450
Interest income	**332**	40
Rental income	**–**	58
Government grants	**–**	1,041
Reversal of impairment of trade receivables	**–**	1,133
Gain on disposals of property, plant and equipment	**37**	26
Others	**808**	1,578
	1,806	4,326
Representing		
Continuing operations	**1,498**	2,052
Discontinued operations	**308**	2,274
	1,806	4,326

9. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products. They are managed separately because each business requires different technology and marketing strategies. The Group has four reportable segments: manufacturing and sales of healthcare and household products, coal mining business, money lending business and primary land development.

The accounting policies of the operating segments are the same as those described in note 3 to the consolidated financial statements. Segment profits or losses do not include net gain/loss on fair value of investment at fair value through profit or loss, reversal of impairment loss on exploration and evaluation assets, impairment of loan receivables, gain on bargain purchase, impairment loss on exploration and evaluation assets and unallocated corporate income and expenses. Segment assets do not include investment at fair value through profit or loss and other unallocated corporate assets. Segment liabilities do not include unallocated corporate liabilities. Segment non-current assets do not include financial instruments and deferred tax assets.

9. SEGMENT INFORMATION *(Continued)*

Information about reportable segment profit or loss, assets and liabilities:

	Primary land development	Money lending business	Coal mining business	Healthcare and household business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2019:					
Revenue	**–**	**12,463**	**–**	**186,314**	**198,777**
Segment (loss)/profit	**(29,854)**	**12,470**	**(2,154)**	**20,938**	**1,400**
Finance costs	**39**	**–**	**–**	**584**	**623**
Depreciation	**1,208**	**–**	**6**	**5,277**	**6,491**
Impairment of assets	**–**	**–**	**(86,690)**	**–**	**(86,690)**
Income tax (credit)/expense	**(156)**	**–**	**–**	**1,182**	**1,026**
Additions to segment non-current assets	**–**	**–**	**–**	**–**	**–**
At 31 December 2019					
Segment assets	**607,048**	**44,245**	**141,144**	**154,694**	**947,131**
Segment liabilities	**10,105**	**–**	**–**	**86,579**	**96,684**
Year ended 31 December 2018:					
Revenue	–	16,145	–	243,570	259,715
Segment profit/(loss)	–	13,115	(917)	20,423	32,621
Finance costs	–	–	–	793	793
Depreciation	–	–	6	4,389	4,395
Income tax expense	–	–	–	2,632	2,632
Reversal of impairment of assets	–	–	29,410	–	29,410
Additions to segment non-current assets	–	–	–	8,579	8,579
At 31 December 2018:					
Segment assets	–	130,312	227,339	165,588	523,239
Segment liabilities	–	15	–	108,147	108,162

The operation of trading of agricultural and fertilizers product in Liaoning and Nanjing was discontinued in the current year. The segment information reported does not include any amounts for the discontinued operations.

9. SEGMENT INFORMATION *(Continued)*

Reconciliations of reportable segment revenue, profit and loss, assets and liabilities:

	2019 *HK$'000*	2018 *HK$'000*
Revenue:		
Total revenue of reportable segments	**198,777**	259,715
Revenue for the year from discontinued operations	**7,004**	39,402
Consolidated revenue for the year	**205,781**	299,117
Profit or loss:		
Total profit of reportable segments	**1,400**	32,621
Loss for the year from discontinued operations	**(14,581)**	(58,928)
Net loss on fair value changes on investments at fair value through profit or loss	**(13,575)**	(15,554)
Gain on bargain purchase	**102,508**	111,733
Share of results of associates	**(1,181)**	(1,090)
(Provision)/reversal of impairment on exploration and evaluation assets	**(86,690)**	29,410
Finance costs	**(28,189)**	(65)
Corporate and unallocated loss	**(31,610)**	(43,188)
Consolidated (loss)/profit for the year	**(71,918)**	54,939
Assets:		
Total assets of reportable segments	**947,131**	523,239
Total assets from discontinued operations	**–**	194,548
Corporate and unallocated assets:		
– Bank and cash balances	**142,880**	1,160
– Investment at fair value through profit or loss	**870**	14,926
– Interest in an associate	**613,550**	617,424
– Others	**120,732**	32,106
Consolidated total assets	**1,825,163**	1,383,403
Liabilities:		
Total liabilities of reportable segments	**96,684**	108,162
Total liabilities from discontinued operations	**–**	21,898
Corporate and unallocated liabilities		
– Shareholders loans	**307,525**	–
– Others	**32,776**	35,792
Consolidated total liabilities	**436,985**	165,852

9. SEGMENT INFORMATION *(Continued)*

Geographical information:

Segment	**2019** Revenue for the year from discontinued operations *HK$'000*	**2019** Total revenue of reportable segments *HK$'000*	2018 Revenue for the year from discontinued operations *HK$'000*	2018 Total revenue of reportable segments *HK$'000*
Revenue:				
United States of America	**–**	**103,871**	–	99,995
The People's Republic of China (the "PRC")	**7,004**	**37,268**	39,402	75,791
Germany	**–**	**19,881**	–	19,317
France	**–**	**2,961**	–	11,273
United Kingdom	**–**	**7,983**	–	6,458
Japan	**–**	**1,762**	–	1,131
Hong Kong and others	**–**	**25,051**	–	45,750
	7,004	**198,777**	39,402	259,715

In presenting the geographical information, revenue is based on the locations of the customers. No revenue has been recorded for primary land development and coal mining business for both years.

	2019 *HK$'000*	2018 *HK$'000*
Non-current assets:		
Indonesia	**142,851**	229,547
The PRC	**618,923**	170,919
Hong Kong and others	**620,204**	618,278
	1,381,978	1,018,744

9. SEGMENT INFORMATION *(Continued)*

Revenue from major customers:

	2019	2018
	HK$'000	*HK$'000*
Healthcare and household business segment		
Customer A	**67,230**	77,552
Customer B	**47,438**	42,253

Revenue from above customers individually contributed more than 10% of the total consolidated revenue of the Group.

10. NET LOSS ON FAIR VALUE CHANGES ON INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK$'000	*HK$'000*
Loss on fair value changes on:		
Convertible bonds *(note 23)*	**(13,166)**	(15,394)
Equity securities listed in Hong Kong *(note 23)*	**(409)**	(160)
	(13,575)	(15,554)

11. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interests on bank loans	**614**	917
Interests on shareholders loans	**4,902**	–
Loss on early settlement of shareholders loans	**20,874**	–
Interests on other unsecured loans	**2,015**	971
Leases interests	**996**	42
	29,401	1,930
Representing		
Continuing operations	**28,812**	858
Discontinued operations	**589**	1,072
	29,401	1,930

12. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Current tax – PRC Enterprise Income Tax		
– Provision for the year	**2,975**	4,145
Deferred tax *(note 33)*	**(1,949)**	(1,807)
	1,026	2,338
Representing		
Continuing operations	**1,182**	3,063
Discontinued operations	**(156)**	(725)
	1,026	2,338

12. INCOME TAX EXPENSE *(Continued)*

No provision for Hong Kong Profits Tax has been made for the year as the Group did not generate any assessable profits arising in Hong Kong (2018: Nil).

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense and the (loss)/profit before tax multiplied by Hong Kong Profits Tax rate is as follows:

	2019	2018
	HK$'000	*HK$'000*
(Loss)/profit before tax	**(70,892)**	57,277
Tax at the domestic income tax rate of 16.5% (2018: 16.5%)	**(11,697)**	9,451
Tax effect of non-taxable income	**(16,947)**	(23,369)
Tax effect of non-deductible expenses	**21,355**	20,274
Tax effect of temporary differences not recognised	**(156)**	(1,142)
Tax effect of utilisation of tax losses not previously recognised	**(2,436)**	(3,717)
Tax effect of tax losses not recognised	**4,137**	231
Effect of different tax rates of subsidiaries	**6,770**	610
Income tax expense for the year	**1,026**	2,338

13. (LOSS)/PROFIT FOR THE YEAR

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

	2019 *HK$'000*	2018 *HK$'000*
Auditor's remuneration	**840**	880
Cost of inventories sold#	**123,347**	192,590
Depreciation – property, plant and equipment	**5,787**	12,439
Depreciation – right of use assets	**6,863**	–
Amortisation – intangible asset	**6,250**	15,000
Net loss on fair value changes on investment at fair value through profit or loss	**13,575**	15,554
Provision/(reversal) of impairment on exploration and evaluation assets	**86,690**	(29,410)
Impairment of goodwill	**–**	9,977
Impairment of unpatented technology	**–**	30,680
Impairment of other assets	**–**	1,374
Impairment of property, plant and equipment	**–**	9,640
Impairment of loan receivables	**–**	3,000
Net exchange losses	**(873)**	(248)
Operating lease charges in respect of land and buildings	**229**	5,704
Research and development costs	**149**	138
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	**70,892**	92,980
– Retirement benefits scheme contributions	**459**	441
	71,351	93,421

Cost of inventories sold includes staff costs, depreciation and operating lease charges of approximately HK$30,758,000 in total (2018: approximately HK$52,302,000), which are included in the amounts disclosed separately above.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

2019	*Notes*	**Fees** *HK$'000*	**Salaries and allowances** *HK$'000*	**Retirement benefits scheme contributions** *HK$'000*	**Total** *HK$'000*
Executive Directors					
Mr. Leung Chung Shan	*a*	–	2,698	18	2,716
Mr. Au Yeung Yiu Chung	*e*	–	99	5	104
Mr. Chan Tat Ming, Thomas		–	650	18	668
Mr. Liu Liyang		–	3,000	18	3,018
Mr. Tam Lup Wai, Franky		–	1,423	18	1,441
Non-executive Director					
Mr. Lim Kim Chai	*b*	–	–	–	–
Independent Non-executive Directors					
Mr. Hau Chi Kit		132	–	–	132
Mr. Leung Chi Hung		132	–	–	132
Mr. Li Hon Kuen		132	–	–	132
Total for the year ended 31 December 2019		**396**	**7,870**	**77**	**8,343**

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

2018	*Notes*	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Total *HK$'000*
Executive Directors					
Mr. Leung Chung Shan	*a*	–	2,894	18	2,912
Mr. Au Yeung Yiu Chung		–	325	15	340
Mr. Chan Tat Ming, Thomas		–	650	18	668
Mr. Liu Liyang		–	3,000	18	3,018
Mr. Luo Xiaohong	*c*	–	125	–	125
Mr. Tam Lup Wai, Franky		–	1,423	18	1,441
Independent Non-executive Directors					
Mr. Hau Chi Kit		132	–	–	132
Mr. Lam Bing Kwan	*d*	56	–	–	56
Mr. Leung Chi Hung		132	–	–	132
Mr. Li Hon Kuen		132	–	–	132
Total for the year ended 31 December 2018		452	8,417	87	8,956

Notes:

a Appointed on 18 January 2018
b Appointed on 20 December 2019
c Resigned on 4 June 2018
d Resigned on 20 July 2018
e Resigned on 30 April 2019

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

The five highest paid individuals in the Group during the year included four (2018: three) directors, whose emoluments are reflected in the analysis above. The emoluments of the remaining one (2018: two) individual is set out below:

	2019	2018
	HK$'000	*HK$'000*
Basic salaries and allowances	**617**	2,125
Retirement benefits scheme contributions	**13**	36
	630	2,161

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument band:		
Nil – HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**–**	1
	1	2

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDENDS

The directors do not recommend or declare the payment of any dividend in respect of the years ended 31 December 2019 and 2018.

16. (LOSS)/EARNINGS PER SHARE

(Loss)/basic earnings per share

Basic earnings per share

From continuing and discontinued operations

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$70,485,000 (2018: profit of approximately HK$55,386,000) and the weighted average number of ordinary shares of 10,615,461,414 (2018: 8,465,233,977) as adjusted to reflect the impact of open offers as set out in note 35 in issue during the year.

From continuing operations

The calculation of basic loss per share from continuing operations attributable to owners of the Company is based on the loss for the year from continuing operations attributable to owners of the Company of approximately HK$56,327,000 (2018: profit of HK$113,867,000) and the denominator used is the same as that detailed above for basic earnings per share.

From discontinued operations

The calculation of basic loss per share from discontinued operation attributable to owners of the Company of HK cents 0.13 (2018: HK cents 0.69) is based on the loss for the year from discontinued operations attributable to owners of the Company of approximately HK$14,158,000 (2018: HK$58,481,000) and the denominator used is the same as that detailed above for basic earnings per share.

Diluted loss per share

No diluted loss per share is presented as the Company did not have any outstanding dilutive potential ordinary shares during the years ended 31 December 2019 and 2018.

17. OTHER COMPREHENSIVE LOSS

Items of other comprehensive loss for the year with their respective related tax effects as follows:

	2019			2018		
	Amount before tax	**Tax**	**Amount after tax**	Amount before tax	Tax	Amount after tax
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Release of exchange differences on disposal of subsidiaries	**6,908**	**–**	**6,908**	–	–	–
Exchange differences on translating foreign operations	**9,710**	**–**	**9,710**	(43,991)	–	(5,944)
Share of associates exchange differences on translating foreign operations	**(30,225)**	**–**	**(30,225)**	–	–	(38,047)
Gain on property revaluation	**3,589**	**(897)**	**2,692**	7,343	(1,836)	5,507
Other comprehensive loss	**(10,018)**	**(897)**	**(10,915)**	(36,648)	(1,836)	(38,484)

18. EXPLORATION AND EVALUATION ASSETS

	Exploration and exploitation rights *(note a)* *HK$'000*	Others *(note b)* *HK$'000*	Total *HK$'000*
Cost			
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	444,127	17,904	462,031
Accumulated impairment			
At 31 December 2017, 1 January 2018 and 31 December 2018	252,555	10,196	262,751
Reversal of impairment losses *(note c)*	(27,186)	(2,224)	(29,410)
At 31 December 2018	225,369	7,972	233,341
Impairment losses *(note c)*	82,261	4,429	86,690
At 31 December 2019	**307,630**	**12,401**	**320,031**
Carrying amount			
At 31 December 2019	**136,497**	**5,503**	**142,000**
At 31 December 2018	218,758	9,932	228,690

18. EXPLORATION AND EVALUATION ASSETS *(Continued)*

(a) This represents exploration and exploitation rights in respect of a coal mine in Central Kalimantan, Indonesia. Exploration and exploitation rights are granted for the period from 28 December 2009 to 23 December 2019 and can be extended for 2 times, for 10 years each. On 24 February 2020, the mining rights was extended for ten years to 22 December 2029. In respect of the dramatic drop of coal price in the past years and increasing capital expenditures as expected, the directors of the Company consider it is not the appropriate time to expand its coal business for the year ended 31 December 2019. Therefore, the Group's coal business remains inactive during the year.

(b) Others represent the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources.

(c) In assessing whether impairment is required for the exploration and evaluation assets, the carrying value is compared with the respective recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. The Group engaged an independent valuer, Fairdex Valuation Advisory Limited, to determine the fair value of the exploration and evaluation assets. The fair value of exploration and evaluation assets was determined using the market approach as consistent with last year's. The recoverable amount used in assessing the impairment loss is the fair value less costs of disposal. The fair value was determined by reference to the average coal price of actual market transactions multiplied by coal resources of the Group under level 2 fair value measurement.

Based on this evaluation, the recoverable amount of the exploration and evaluation assets was lower than its carrying amount at 31 December 2019. Accordingly, an impairment loss of approximately HK$86,690,000 was recognised for the year ended 31 December 2019.

(d) No amortisation is provided as this exploration and exploitation rights are not available for use for the year.

19. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures, office equipment and motor vehicles *HK$'000*	Moulds and tools *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
Cost or Valuation							
At 31 December 2017 and 1 January 2018	61,465	12,764	42,764	33,406	32,169	15,634	198,202
Additions	–	–	4,396	1,363	163	–	5,922
Transfers	–	–	–	–	–	–	–
Revaluation	5,559	–	–	–	–	–	5,559
Impairment loss	–	(2,272)	(2,696)	(178)	–	(4,494)	(9,640)
Disposals	–	–	(229)	(785)	(1)	–	(1,015)
Exchange differences	(3,162)	(561)	(2,614)	(1,005)	(1,024)	(804)	(9,170)
At 31 December 2018 and 1 January 2019	63,862	9,931	41,621	32,801	31,307	10,336	189,858
Additions	–	–	504	733	90	–	1,327
Acquisition of subsidiaries	–	–	–	257	–	–	257
Transfers	–	–	–	(1,600)	–	–	(1,600)
Revaluation	1,984	–	–	–	–	–	1,984
Impairment loss	–	–	–	–	–	–	–
Disposals	–	–	(22)	(64)	(12)	(1,115)	(1,213)
Disposal of subsidiaries	(11,800)	(8,263)	(14,811)	(928)	–	(9,499)	(45,301)
Exchange differences	(893)	194	(366)	(356)	(403)	278	(1,546)
At 31 December 2019	**53,153**	**1,862**	**26,926**	**30,843**	**30,982**	**–**	**143,766**

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

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures, office equipment and motor vehicles *HK$'000*	Moulds and tools *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
Accumulated depreciation and impairment							
At 31 December 2017 and 1 January 2018	–	2,252	22,152	28,847	31,665	–	84,916
Charge for the year	1,857	2,572	5,683	1,942	385	–	12,439
Write back on revaluation	(1,784)	–	–	–	–	–	(1,784)
Disposals	–	–	(224)	(726)	(1)	–	(951)
Exchange differences	(73)	(120)	(1,611)	(858)	(999)	–	(3,661)
At 31 December 2018 and 1 January 2019	–	4,704	26,000	29,205	31,050	–	90,959
Charge for the year	1,633	416	2,035	1,375	328	–	5,787
Transfers	–	–	–	(640)	–	–	(640)
Write back on revaluation	(1,605)	–	–	–	–	–	(1,605)
Disposals	–	–	(22)	(61)	(11)	–	(94)
Disposal of subsidiaries	–	(3,311)	(9,188)	(48)	–	–	(12,547)
Exchange differences	(28)	53	(349)	(332)	(397)	–	(1,053)
At 31 December 2019	**–**	**1,862**	**18,476**	**29,499**	**30,970**	**–**	**80,807**
Carrying amounts							
At 31 December 2019	**53,153**	**–**	**8,450**	**1,344**	**12**	**–**	**62,959**
At 31 December 2018	63,862	5,227	15,621	3,596	257	10,336	98,899

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

The analysis of the cost or valuation at 31 December 2019 of the above assets is as follows:

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures, office equipment and motor vehicles *HK$'000*	Moulds and tools *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
At cost 2019	–	1,862	26,926	30,843	30,982	–	90,613
At valuation 2019	53,153	–	–	–	–	–	53,153
	53,153	1,862	26,926	30,843	30,982	–	143,766

The analysis of the cost or valuation at 31 December 2018 of the above assets is as follows:

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures, office equipment and motor vehicles *HK$'000*	Moulds and tools *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
At cost 2018	–	9,931	41,621	32,801	31,307	10,336	125,996
At valuation 2018	63,862	–	–	–	–	–	63,862
	63,862	9,931	41,621	32,801	31,307	10,336	189,858

(a) As at 31 December 2019, the Group's land and buildings were revalued by Fairdex Valuation Advisory Limited, an independent firm of professional valuer, on the open market value basis with reference to market evidence of recent transactions for similar properties.

The carrying amount of the Group's land and buildings would be approximately HK$9,803,000 (2018: approximately HK$21,817,000) had they been stated at cost less accumulated depreciation and impairment losses.

(b) As at 31 December 2019, certain land and buildings, amounted approximately HK$51,168,000 (2018: approximately HK$52,278,000) of the Group were pledged to secure banking facilities granted to the Group (note 40).

20. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2019	2018
	HK$	*HK$*
At 31 December:		
Right-of-use assets		
– Land and buildings	5,489	–
– Motor vehicles	1,202	–
	6,691	–

The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:

	2019	2018
– Less than 1 year	6,494	–
– Between 1 and 2 years	540	–
– Between 2 and 5 years	218	–
	7,252	–
Year ended 31 December:		
Depreciation charge of right-of-use assets		
– Land and buildings	6,395	–
– Motor vehicles	468	–
	6,863	–
Lease interests	996	–
Expenses related to short-term leases	1,015	–
Total cash outflow for leases	7,672	–
Additions to right-of-use assets	710	–

The Group leases land and buildings and motor vehicles. Lease agreements are typically made for fixed periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

21. INTANGIBLE ASSETS

	Unpatented Technology *HK$'000*
Cost	
At 31 December 2018, 1 January 2019 and 31 December 2019	**150,000**
Accumulated amortisation and impairment losses	
At 31 December 2017 and 1 January 2018	33,750
Amortisation for the year	15,000
Impairment loss	30,680
At 31 December 2018 and 1 January 2019	79,430
Amortisation for the year	6,250
Disposal of subsidiaries	64,320
At 31 December 2019	**150,000**
Carrying amount	
At 31 December 2019	–
At 31 December 2018	70,570

As at 31 December 2018, The Group has carried out an independent review over the intangible asset by engaging an independent valuer, Greater China Appraisal Limited, to conduct an independent assessment of the recoverable amount of the intangible asset with reference made to the profit forecast and cash flow projection as approved by the management and the value in use calculation. As the recoverable amount of the intangible asset is lower than the carrying amount, an impairment of approximately HK$30,680,000 is recognised for the year ended 31 December 2018. The pre-tax discount rate used for estimating the value in use is 17% which the directors considered appropriate to reflect the Company's cost of equity.

22. INTERESTS IN ASSOCIATES

	2019	2018
	HK$'000	*HK$'000*
Unlisted investment		
Share of net assets	**1,080,100**	617,424
Goodwill	**90,228**	–
	1,170,328	617,424

The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

22. INTERESTS IN ASSOCIATES *(Continued)*

Name	Chengde CITIC Securities Jinyu Investment Development Co., Ltd	Pacific Memory
Principal place of business/country of incorporation	PRC	Malaysia
Principal activity	Primary land development	Properties development in Malaysia
% ownership interest	42.5%	35%

	2019	**2019**	2018
	HK$'000	***HK$'000***	*HK$'000*
At 31 December			
Non-current assets	**3,434,191**	**–**	–
Current assets	**485,443**	**2,383,094**	2,394,027
Non-current liabilities	**(335,456)**	**(557,432)**	(559,884)
Current liabilities	**(2,391,138)**	**(72,663)**	(70,074)
Net assets (net of non-controlling interests)	**1,097,765**	**1,752,999**	1,764,069
Group's share of net assets	**466,550**	**613,550**	617,424
Year ended 31 December			
Revenue	**–**	**–**	–
Loss for the year	**69,854**	**3,374**	3,113
Other comprehensive loss	**63,911**	**7,696**	108,705
Total comprehensive loss	**133,765**	**11,070**	111,818

23. INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2019 HK$'000	2018 HK$'000
Convertible bonds, at fair value	(a)	–	14,028
Equity securities listed in Hong Kong, at fair value	(b)	**870**	898
		870	14,926
Analysed as:			
Current assets		**870**	898
Non-current assets		–	14,028
		870	14,926

Notes:

(a) On 31 December 2019, the convertible bond was converted into 13,470,386 shares of Union Asia Enterprise Holdings Ltd, a company listed on the Growth Enterprise Market of the Stock Exchange.

(b) At 31 December 2019, the fair value of the listed equity securities, amounting to approximately HK$870,000 (2018: approximately HK$898,000), was determined based on the quoted market bid prices of the corresponding listed equity securities.

24. LOANS AND INTERESTS RECEIVABLES

	2019 HK$'000	2018 HK$'000
Loans receivables	**43,992**	124,000
Impairment allowance	**(3,000)**	(3,000)
	40,992	121,000
Interests receivables	**3,325**	9,251
	44,317	130,251

24. LOANS AND INTERESTS RECEIVABLES *(Continued)*

The aging analysis of loans receivables prepared based on loan commencement or renewal date set out in the relevant contracts is as follows:

	2019	2018
	HK$'000	*HK$'000*
0 to 6 months	**31,492**	89,300
7 to 12 months	**9,500**	31,700
	40,992	121,000

Loan receivables as at 31 December 2019 represented unsecured loans granted to independent third parties with principal amount of HK$43,992,000 (2018: HK$124,000,000) in total. The directors of the Company monitored the collectability of the loans receivables closely with reference to their respective current creditworthiness and repayment records. As at 31 December 2019, the management believes that these loan receivables are considered fully recoverable except for a receivable amount of HK$3,000,000 is considered as high risk of default.

The loans advanced to the borrowers under the Group's money lending business normally had loan periods from 6 to 12 months (2018: 6 to 12 months). The loans provided to borrowers bore interest rate ranging from 7% – 24% per annum (2018: 10% – 24% per annum), depending on the individual credit evaluations of the borrowers. These evaluations focus on the borrowers' financial background, individual credit rating, current ability to pay, and take into account information specific to the borrowers as well as the guarantees and/or security from the borrowers (where necessary). The loans provided to borrowers are repayable in accordance with the loan agreements, in which the principal amounts are repayable on maturity and the interests are repayable half-yearly, yearly or on maturity.

The movements in allowance for impairment of loans and interests receivables were as follows:

	2019	2018
	HK$'000	*HK$'000*
Impairment allowance at 1 Jan	**3,000**	–
Impairment during the year	–	3,000
Impairment allowance at 31 Dec	**3,000**	3,000

25. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Raw materials	**12,574**	21,268
Work in progress	**5,920**	8,631
Finished goods	**11,821**	11,183
	30,315	41,082

26. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables and bills receivables	**39,706**	76,889
Prepayment and deposits	**6,266**	27,541
Consideration receivable	**86,400**	–
Other receivables	**17,773**	32,892
	150,145	137,322

As at 31 December 2018, included in other receivables are loans to a director of the subsidiaries and his company with an amount of approximately HK$9,544,000. The loans are unsecured, interest-free and have no fixed terms of repayments.

Trade receivables and bills receivables

The Group allows an average credit period of 30 to 180 days to its trade customers. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

26. TRADE AND OTHER RECEIVABLES *(Continued)*

Trade receivables and bills receivables *(Continued)*

The aging analysis of trade receivables, based on invoiced date, and net of allowance, is as follows:

	2019	2018
	HK\$'000	*HK\$'000*
0 to 30 days	**14,162**	31,169
31 to 90 days	**17,353**	21,316
91 to 180 days	**8,191**	11,073
Over 180 days	**–**	13,331
	39,706	76,889

As at 31 December 2019, trade receivables and bills receivables of approximately HK\$599,000 (2018: approximately HK\$2,484,000) are assigned to a bank for a factoring loan facility as set out in notes 30 and 40 to the consolidated financial statements.

27. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates are unsecured, interest-free and have no fixed repayment terms.

28. BANK AND CASH BALANCES

As at 31 December 2019, the bank and cash balances of the Group denominated in RMB amounted to approximately HK\$5,820,000 (2018: approximately HK\$9,806,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

29. TRADE AND OTHER PAYABLES

	2019	2018
	HK\$'000	*HK\$'000*
Trade payables and bills payables	**22,720**	36,926
Accruals and other payables	**63,368**	90,114
Amounts due to directors	**1,756**	1,009
Amounts due to shareholders	**4,539**	–
	92,383	128,049

29. TRADE AND OTHER PAYABLES *(Continued)*

Trade payables and bills payables

The aging analysis of the trade payables and bills payables, based on the date of receipt of goods, is as follows:

	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**5,827**	9,113
31 to 90 days	**10,477**	15,668
91 to 180 days	**5,468**	9,217
Over 180 days	**948**	2,928
	22,720	36,926

Amounts due to directors and shareholders are unsecured, interest-free and repayable on demand.

30. BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Unsecured loans from financial institutions	**380**	380
Secured bank loans	**7,733**	11,161
Unsecured other loans	**4,682**	3,565
Secured factoring loan	**1**	1,564
	12,796	16,670
Analysed for reporting purposes as:		
– Non-current liabilities	**12,177**	–
– Current liabilities	**619**	16,670
	12,796	16,670

30. BORROWINGS *(Continued)*

The unsecured loans represent loans which stated at 4.75% per annum interest rate (2018: interest free).

The secured bank loans represent loans which are secured by the corporate guarantee provided by third parties and personal guarantee of the related parties of the subsidiary of the Company. The loans are arranged at floating rate ranging from 5.66% to 6.09% and fixed interest rate ranging from 8.00% to 9.57% per annum.

The factoring loan is secured by charge over the Group's certain trade and bill receivables as set out in note 26 to the consolidated financial statements and is bearing the standard bills rate as quoted by the bank.

31. SHAREHOLDERS LOANS

	2019	2018
	HK$'000	*HK$'000*
Shareholders loans	**307,525**	–
Analysed for reporting purposes as:		
– Non-current liabilities	**77,525**	–
– Current liabilities	**230,000**	–
	307,525	–

On 10 January 2019, the Group entered into a loan agreement of HK$300 million with a shareholder. The loan is unsecured, interest bearing at 2.2% per annum and repayable within 2 years. The difference between the loan principal and its fair value at initial recognition was directly dealt with in equity as contribution from equity participant. The effective interest rate of this shareholder loan is 10.47%. As at 31 December 2019, HK$235 million of the loan was repaid.

On 22 February 2019, the Group entered into another loan agreement of HK$10 million with this shareholder. The loan is unsecured, interest bearing at 2.2% per annum and was repaid in May 2019.

31. SHAREHOLDERS LOANS *(Continued)*

On 5 August 2019, the Group entered into a loan agreement of HK$20 million with another shareholder. The loan is unsecured, interest bearing at 2.2% per annum and repayable within 2 years. The difference between the loan principal and its fair value at initial recognition was directly dealt with in equity as contribution from equity participant. The effective interest rate of this shareholder loan is 10.47%.

On 11 November 2019, the Group entered into another loan agreement of HK$230 million with this shareholder. The loan is unsecured, interest bearing at 5% per annum and repayable within 60 days.

32. LEASE LIABILITIES

	Lease payments		**Present value of lease payments**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**6,494**	349	**6,226**	318
In the second to fifth years, inclusive	**758**	756	**738**	728
	7,252	1,105		
Less: Future finance charges	**(288)**	(58)		
Present value of lease liabilities	**6,964**	1,047	**6,964**	1,046
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(6,226)**	(318)
Amount due for settlement after 12 months			**738**	728

At 31 December 2019, the effective borrowing rates were 1.80% to 10.47% (2018: 1.80% to 4.28%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

33. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities and assets recognised by the Group.

	Investment at fair value through profit or loss	Intangible asset	Revaluation of land and buildings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018	665	3,000	9,765	13,430
Debit to equity for the year	–	–	1,836	1,836
Credit to consolidated profit or loss *(note 12)*	(665)	(1,142)	–	(1,807)
Exchange differences	–	–	(502)	(502)
At 31 December 2018 and 1 January 2019	–	1,858	11,099	12,957
Credit to consolidated profit or loss *(note 12)*	–	–	897	897
Credit to equity for the year	–	(156)	–	(156)
Disposal of subsidiaries	–	(1,702)	(247)	(1,949)
Exchange differences	–	–	(230)	(230)
At 31 December 2019	**–**	**–**	**11,519**	**11,519**

The deferred tax has been recorded with reference made to the effective tax rate currently applying to the subsidiaries. In the opinions of the directors of the Company, the effective tax rate used by the Company is appropriate to reflect the future profits forecasts of the respective subsidiaries and the tax privilege currently applying to them. The appropriateness and fairness of the effective tax rate would be reviewed by the directors of the Company annually and adjustment where necessary would be made in order to better reflect the actual performance of and the current tax practice applicable to the subject subsidiary.

At the end of the reporting period, the Group has unused tax losses of approximately HK$2,384,000 (2018: HK$15,863,000) available for offset against future profits and such losses may be carried forward indefinitely. No deferred tax asset has been recognised for these tax losses due to the unpredictability of future profit streams.

34. RETIREMENT BENEFIT OBLIGATIONS

Employee retirement benefits

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer makes contributions to the scheme at 5% – 10% and employees are required to make 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Mandatory contributions to the scheme vest immediately.

Subsidiaries incorporated in the PRC participate in various defined contribution retirement plans ("Plans") organised by local authorities for the Group's employees in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the basic payroll, to the Plans. The Group has no other obligation for the payment of pension benefits associated with these Plans beyond the annual contributions described above.

35. SHARE CAPITAL

	Notes	**Number of shares**	**Amount** *HK$'000*
Authorised:			
Ordinary shares of HK$0.00004 each at 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019		25,000,000,000,000	1,000,000
Issued and fully paid:			
Ordinary shares of HK$0.00004 each at 31 December 2017 and 1 January 2018		7,213,997,000	289
Issue of consideration shares	(a)	1,569,420,951	62
Ordinary shares of HK$0.00004 each at 31 December 2018 and 1 January 2019		8,783,417,951	351
Issue of consideration shares	(b)	1,938,248,881	78
Ordinary shares of HK$0.00004 each at 31 December 2019		10,721,666,832	429

35. SHARE CAPITAL *(Continued)*

(a) On 16 March 2018, 1,569,420,951 ordinary shares of the Company of HK$0.00004 each were issued at HK$0.209 per share as part of approximately HK$328,008,000 of the consideration for acquisition of 35% of the issued shares of Pacific Memory. The premium on the issue of shares of approximately HK$327,946,000 was credited to the Company's share premium accounts.

(b) On 21 January 2019, 1,938,248,881 ordinary shares of the Company of HK$0.00004 each were issued at HK$0.114 per share as part of the consideration for acquisition of 100% of the issued shares of Hong Kong Zhongzheng City Investment Limited. The premium on the issue of shares of approximately HK$220,882,000 was credited to the Company's share premium accounts.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group reviews the capital structure frequently by considering the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts, redemption of existing debts or selling assets to reduce debts in order to maintain sufficiency of working capital.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, non-controlling interests, accumulated losses and other reserves).

Significant decrease in the debt-to-adjusted capital ratio for the year was mainly attributed to the right issue during the year.

36. ACQUISITION OF SUBSIDIARIES

On 21 January 2019, the Group acquired 100% of the issued share capital of Hong Kong Zhongzheng City Investment Limited at a total consideration of approximately HK$516,037,000 which is comprised of a cash consideration of approximately HK$295,077,000 and the issue of 1,938,248,881 ordinary shares of the Company at HK$0.114 per share. Hong Kong Zhongzheng City Investment Limited was engaged in primary land development in the PRC during the period.

The fair value of the identifiable assets and liabilities of Hong Kong Zhongzheng City Investment Limited acquired as at its date of acquisition is as follows:

Net assets acquired:	*HK$'000*
Property, plant and equipment	257
Interest in associates	610,254
Other receivables	3,888
Cash and bank balances	15,593
Trade and other payables	(4,330)
	625,662
Non-controlling interest	(7,117)
Gain on bargain purchase	(102,508)
	516,037
Satisfied by:	
Cash	295,077
Issue of consideration shares	220,960
Total consideration transferred	516,037
Net cash outflow arising on acquisition:	
Cash consideration paid	295,077
Cash and cash equivalents acquired	(15,593)
	279,484

36. ACQUISITION OF SUBSIDIARIES *(Continued)*

The fair value of the 1,938,248,881 ordinary shares of the Company issued as part of the consideration paid was determined on the basis of the closing market price of the Company's ordinary shares on the acquisition date.

The Group recognised a gain on bargain purchase of approximately HK$102,508,000 in the business combination. The business combination results in a gain on bargain purchase because, on the date of acquisition, the closing market price of the Company's ordinary shares decreased as compared to the issue price of the consideration shares which was determined at the time when the acquisition agreement was entered into.

Hong Kong Zhongzheng City Investment Limited contributed approximately HK$17,907,000 loss to the Group's loss for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2019, total Group revenue from continuing operations for the year would have been HK$198,777,000, and loss for the year would have been HK$72,835,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is intended to be a projection of future results.

37. DISCONTINUED OPERATIONS

Pursuant to an agreement dated 31 May 2019 entered into between a subsidiary of the Company, Access Sino Investments Limited and an independent third party, Access Sino Investments Limited disposed of 100% equity interest in Ample One Limited and its subsidiaries for a total cash consideration of HK$166,400,000 resulting in a loss on disposal of subsidiaries of approximately HK$7,362,000.

The loss for the year from the discontinued operations is analysed as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Loss of discontinued operations	**(7,219)**	(58,928)
Loss on disposal of discontinued operations	**(7,362)**	–
	(14,581)	(58,928)

37. DISCONTINUED OPERATIONS *(Continued)*

The results of the discontinued operations for the period from 1 January 2019 to 31 May 2019, which have been included in consolidated profit or loss, are as follows:

	Notes	2019 HK$'000	2018 HK$'000
Revenue	7	**7,004**	39,402
Cost of goods sold		**(3,078)**	(16,307)
Gross profit		**3,926**	23,095
Other income		**308**	2,274
Selling and distribution expenses		**(1,051)**	(7,366)
Administrative expenses		**(9,969)**	(24,913)
Impairment of unpatented technology		**–**	(30,680)
Impairment of other assets		**–**	(1,374)
Impairment of property, plant and equipment		**–**	(9,640)
Impairment of goodwill		**–**	(9,977)
Finance costs	11	**(589)**	(1,072)
		(7,375)	(59,653)
Taxation	12	**156**	725
Loss of discontinued operations		**(7,219)**	(58,928)

The disposed subsidiaries were engaged in the trading of agricultural and fertilizers product business during the period. The disposal was completed on 31 May 2019 and the Group discontinued its trading of agricultural and fertilizers product business.

37. DISCONTINUED OPERATIONS *(Continued)*

The net assets of the disposed subsidiaries at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	32,754
Intangible assets	64,320
Other assets	7,298
Inventories	5,993
Trade and other receivables	78,232
Cash and bank balances	1,018
Trade and other payables	(5,697)
Borrowings	(12,703)
Deferred taxation	(1,949)
Net assets disposed of:	169,266
Release of foreign currency translation reserve	6,908
Non-controlling interests	(2,412)
Loss on disposal of subsidiaries	(7,362)
Total consideration	166,400
Satisfied by:	
Cash received	80,000
Consideration receivables	86,400
Total consideration	166,400
Net cash outflow arising on disposal:	
Cash consideration received	80,000
Cash and cash equivalents disposed	(1,018)
	78,982

38. RESERVES

(a) The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Reserves of the Company

	Share premium	Contributed surplus	Warrant reserve	Other reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018	329,372	635,891	24,226	–	(154,551)	834,938
Issue of shares on rights issue *(note 35(a))*	327,946	–	–	–	–	327,946
Loss for the year	–	–	–	–	(33,925)	(33,925)
At 31 December 2018	657,318	635,891	24,226	–	(188,476)	1,128,959
At 1 January 2019	657,318	635,891	24,226	–	(188,476)	1,128,959
Issue of consideration shares *(note 35(b))*	220,882	–	–	–	–	220,882
Discounting of shareholders loans	–	–	–	33,251	–	33,251
Loss for the year	–	–	–	–	(201,599)	(201,599)
At 31 December 2019	878,200	635,891	24,226	33,251	(390,075)	1,181,493

(c) Nature and purpose of reserves

(i) Share premium account

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

38. RESERVES *(Continued)*

(c) Nature and purpose of reserves *(Continued)*

(ii) Contributed surplus

The contributed surplus of the Company arose as a result of the Group reorganisation implemented in preparation for the listing of the Company's shares in 1997 and represented the excess of the then consolidated net assets of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange therefore.

The contributed surplus arose in the years represented the net effect of the capital reduction of the Group.

Under the Companies Act of Bermuda, the contributed surplus account of the Company is available for distribution. However the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

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

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

(iii) Warrant reserve

The warrant reserve represents the proceeds received from the issue of 370,000,000 warrants at a placing price of HK$0.07 per warrant on 27 November 2003, net of warrant issue expenses. The trading of the warrants on the Stock Exchange had ceased after 2 December 2004 and the listing of the warrants on the Stock Exchange was withdrawn from 4 December 2004. The subscription rights attaching to the 365,880,000 outstanding warrants had expired on 7 December 2004.

38. RESERVES *(Continued)*

(c) Nature and purpose of reserves *(Continued)*

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3 to the consolidated financial statements.

(v) Property revaluation reserve

Property revaluation reserve has been set up and are dealt with in accordance with the accounting policies adopted for buildings in note 3 to the consolidated financial statements.

(vi) Other reserve

The other reserve comprises all the effect of discounting of shareholders' loans which are not due or payable within one year.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019	2018
	HK$'000	*HK$'000*
Non-current assets		
Investments in subsidiaries	**1**	1
Investment at fair value through profit or loss	**–**	14,028
	1	14,029
Current assets		
Amounts due from subsidiaries	**1,380,220**	1,163,555
Investment at fair value through profit or loss	**870**	898
Other current assets	**36,119**	2,274
Bank and cash balances	**139,502**	81
	1,556,711	1,166,808
Current liabilities		
Amounts due to subsidiaries	**(61,855)**	(37,976)
Borrowings	**(380)**	(2,380)
Shareholders loans	**(230,000)**	–
Other current liabilities	**(5,030)**	(11,171)
	(297,265)	(51,527)
Net current assets	**1,259,446**	1,115,281
Total assets less current liabilities	**1,259,447**	1,129,310
Non-current liabilities		
Shareholders loans	**(77,525)**	–
	(77,525)	–
NET ASSETS	**1,181,922**	1,129,310
Capital and reserves		
Share capital	**429**	351
Reserves	**1,181,493**	1,128,959
TOTAL EQUITY	**1,181,922**	1,129,310

40. BANKING FACILITIES

At 31 December 2019, the Group had banking facilities amounted to approximately HK$40,443,000 (2018: approximately HK$35,474,000), which were secured by the followings:

(a) certain land and buildings, amounted approximately HK$51,168,000 (2018: approximately HK$52,278,000) of the Group were pledged to secure banking facilities granted to the Group (note 19); and

(b) trade and bills receivables of the Group amounted to approximately HK$599,000 (2018: approximately HK$2,484,000) under factoring arrangement (notes 26); and

(c) guarantee for an unlimited amount duly executed by the Company.

At 31 December 2019, the Group had available approximately HK$40,442,000 (2018: approximately HK$33,910,000) undrawn borrowing facilities.

41. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

Addition to property, plant and equipment during the year of HK$710,000 (2018: HK$1,600,000) was financed by finance lease.

41. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Changes in liabilities arising from financing activities

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

	Amount due to shareholders (include in other payables)	Shareholders loans	Borrowings	Lease liabilities	Total liabilities from financing activities
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018	–	–	20,663	1,366	22,029
Changes in cash flows	–	–	(4,838)	(362)	(5,200)
Non-cash changes					
– interest charged	–	–	1,888	42	1,930
– exchange difference	–	–	(1,043)	–	(1,043)
At 31 December 2018 and 1 January 2019	–	–	16,670	1,046	17,716
Changes in cash flows	4,539	315,000	6,200	(7,671)	318,068
Non-cash changes					
– interest charged	–	25,776	2,629	996	29,401
– disposal of subsidiaries	–	–	(12,703)	–	(12,703)
– additions to right-of-use assets	–	–	–	710	710
– discounting effect	–	(33,251)	–	–	(33,251)
– initial recognition upon adoption of HKFRS 16	–	–	–	11,883	11,883
At 31 December 2019	4,539	307,525	12,796	6,964	331,824

42. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had no other transactions and balances with its related parties during the year.

43. EVENTS AFTER THE REPORTING PERIOD

On 6 July 2019, the Group entered into the Acquisition Agreement for acquiring 100% equity interests in Shenzhen Qianhai CITIC Huateng Industrial Co., Ltd at a total consideration of RMB200,000,000, i.e. equivalent to approximately HK$220,000,000, satisfied by the way of the issue of an interest-free promissory note with a term of six months and in the principal amount of RMB200,000,000. As additional time is required for the fulfillment of certain conditions precedent to the Acquisition Agreement, on 30 December 2019, the parties to the Acquisition Agreement entered into an extension letter to extend the Long Stop Date to 29 February 2020. On 6 March 2020, the Long Stop Date was further extended to 31 March 2020. For details of the acquisition, please refer to the Company's announcements dated 7 July 2019, 19 February 2020 and 6 March 2020 and circular dated 18 September 2019.

Since the acquisition was completed on 19 March 2020, there is not sufficient time for the management to prepare the financial statements of the subsidiaries. It is impracticable at this moment to disclose further information about the acquisition.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The table below lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the financial position of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name	Place of incorporation/ registration	Issued/paid-up registered capital	Percentage of the ownership interest/ voting power Direct	Indirect	Principal activities
Dongguan Weihang Electrical Product Company Limited	The PRC	Registered capital US$9,000,000	–	100%	Manufacturing and trading of healthcare and household products
eForce Management Limited	Hong Kong	Ordinary shares of HK$2	100%	–	Provision of management services
Fairform Group Limited	BVI	15,700,200 shares of US$1 each	100%	–	Investment holding
Fairform Manufacturing Company Limited	Hong Kong	Ordinary shares of HK$138,750,000 and non-voting deferred shares of HK$250,000	–	100%	Manufacturing and trading of healthcare and household products
Fastport Investments Holdings Limited	BVI	100 ordinary shares of US$1 each	–	100%	Investment holding
Gainford Internationals Inc.	BVI	50 shares of US$1 each	–	100%	Investment holding
Oasis Global Limited	BVI	10 shares of US$1 each	–	100%	Trademark holding

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name	Place of incorporation/ registration	Issued/paid-up registered capital	Percentage of the ownership interest/ voting power Direct	Indirect	Principal activities
PT Bara Utama Persada Raya	Republic of Indonesia	4,999 shares of IDR100,000 each	–	99.98%	Own a coal mining concession
PT Karya Dasar Bumi	Republic of Indonesia	1,000 shares of IDR1,000,000 each	–	100%	Investment holding
Smart Guard Limited	BVI	1 share of US$1	–	100%	Investment holding
Yixin Holdings Limited	Hong Kong	Ordinary share of HK$1	100%	–	Money lending
香港中證城市投資有限公司	BVI	10,000 shares of HK$$1 each	–	100%	Investment holding
Hong Kong Zhongzheng Tech Investment Limited	Hong Kong	Ordinary share of HK$10,000	–	100%	Investment holding
Hong Kong Zhongzheng Industrial Development Limited	Hong Kong	Ordinary share of HK$1,000	–	100%	Investment holding
深圳市中證瑞豐管理有限公司	The PRC	Registered capital RMB3,880,000	–	100%	Investment holding
承德中證豐達建設開發有限公司	The PRC	Registered capital RMB50,000,000	–	100%	Investment holding
廣東中證城市發展管理有限公司	The PRC	Registered capital RMB2,550,000	–	51%	Land development

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

Name	Place of incorporation/ registration	Issued/paid-up registered capital	Percentage of the ownership interest/ voting power Direct	Indirect	Principal activities
深圳市中證鵬豐管理有限公司	The PRC	Registered capital RMB10,000,000	–	100%	Land development
深圳市中證致遠股權投資基金管理有限公司	The PRC	Registered capital RMB10,000,000	–	100%	Fund management
保定中證美墅企業管理有限公司	The PRC	Registered capital RMB600,000	–	60%	Land development

\# The English name is for identification purpose only

45. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 20 March 2020.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriated, is set out below:

	For the year ended 31 December				
	2015	2016	2017	2018	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Revenue	179,455	265,020	199,218	299,117	**205,781**
Operating (loss)/profit after finance costs	(42,305)	(45,140)	(44,190)	58,367	**(43,767)**
Share of results of a joint venture	78	(201)	–	–	**–**
Share of results of associates	–	–	–	(1,090)	**(27,125)**
(Loss)/profit before tax	(42,227)	(45,341)	(44,190)	57,277	**(70,892)**
Income tax (expense)/credit	(7,057)	6,242	(185)	(2,338)	**(1,026)**
(Loss)/profit for the year	(49,284)	(39,099)	(44,375)	54,939	**(71,918)**
Attributable to:					
Owners of the Company	(49,090)	(39,237)	(43,664)	55,386	**(70,485)**
Non-controlling interests	(194)	138	(711)	(447)	**(1,433)**
	(49,284)	(39,099)	(44,375)	54,939	**(71,918)**

	As at 31 December				
	2015	2016	2017	2018	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	957,481	731,952	1,022,605	1,383,403	**1,825,163**
Total liabilities	(665,293)	(147,182)	(149,517)	(165,852)	**(436,985)**
Net assets	292,188	584,770	873,088	1,217,551	**1,388,178**
Equity attributable to:					
Owners of the Company	289,479	581,788	869,843	1,214,716	**1,387,731**
Non-controlling interests	2,709	2,992	3,245	2,835	**447**
	292,188	584,770	873,088	1,217,551	**1,388,178**