大灣區投資控股集團有限公司

Stock Code : 261

2019

contents

chairman's statement

On behalf of the Board, I present the annual results of the Group for the year ended 31 December 2019.

DETERIORATING OPERATING ENVIRONMENT

In 2019, the Group faced one of the most difficult times in its 28 years of history. The operating environment of the Group has been deteriorating as a result of the combined effect of a number of global and local economic, political and health events which were beyond the Company's control. These events include:

(a) the protracted trade war between the USA and the PRC;
(b) the global economic slowdown;
(c) the social unrest in Hong Kong; and
(d) the recent outbreak of the novel coronavirus.

These events have given rise to negative impacts on the economy of China as well as Hong Kong, where our principal businesses are located.

RESULTS

Given the adverse operating environment, the Group recorded revenue of HK$283 million, representing a decrease of 34.2% as compared with the last corresponding year. Loss attributable to the owners of the parent was HK$168 million, representing an increase of 90.9%, attributable mainly to non-cash provisions representing written-off of goodwill arising from the winding down of the mainland finance business and impairment provisions on completed properties held for sale in China.

As the Company was still in a loss position and the Company needs to conserve cash to combat the current and future challenges, the Board does not recommend payment of a final dividend for the year ended 31 December 2019 (2018: nil).

BUSINESS REVIEW

The Products Trading Business

In 2019, the Products Trading Business was adversely affected by the protracted trade war between the USA and China, the global economic slowdown and the declining demand of cordless phones. Against a backdrop of increasing operating difficulties and challenges, this business segment recorded revenue of HK$149 million, fell 55.3% from last corresponding year. As a result, an operating loss of HK$17 million was recorded, as compared with an operating profit of HK$4 million in the previous corresponding year. Since the start of 2020, revenue of this business further decreased significantly as a result of the coronavirus outbreak. The Company is considering various options to combat the current adverse situation of this business.

Property Business

All our existing property development projects, namely the Landmark City, Evian Villa and CCT Land-Jun Mansion are located in the Anshan, Liaoning Province, the PRC. Development of the first two projects, Landmark City and Evian Villa have been completed, while the third project, CCT Land-Jun Mansion located in the Hi-tech Development Zone, is currently under development. Details of our property projects are set out below.

Landmark City

Situated in the Tiexi District of the Anshan City, Landmark City enjoys convenient transport access and well-developed comprehensive ancillary facilities, and the project provides comfortable design, relatively low plot ratio and relatively high ratio of greenery and common areas. The project comprises residential buildings, underground car parks and retail shops, with a total gross floor area of approximately 212,000 square meters, built on a site area of 69,117 square meters. Landmark City is divided into three phases, comprising 22 residential towers, offering 2,132 flats and shop units in aggregate, with wide range of sizes from one-bedroom to four-bedroom apartments. Development of the entire Landmark City project was completed in 2013. As at 31 December 2019, approximately 86% of the entire project has been sold accumulatively. In 2019, contracted sales of the units of the Landmark City amounted to approximately RMB44 million (2018: RMB23 million).

Evian Villa

Situated in the Hi-tech Development Zone of the Anshan City, Evian Villa is positioned as a luxurious residential community. Evian Villa is situated in one of the major school and commercial areas in Anshan with newly developed large shopping arcades and comprehensive community facilities. Since first launch of the project, the development has received strong market response and have been well praised by the customers for its superior quality, top-notched design, low plot ratio, a greenery ratio of 42% and premium construction materials. In particular, the beautiful premier water system, an artificial lake in the center of the estate has received accolades from customers and buyers.

The project has a site area of 74,738 square meters and is divided into two phases, comprising 27 blocks of low-rise apartment buildings, under-ground car parking spaces and retail shops with total gross floor area of 126,000 square meters. Phase 1 comprises 14 blocks of gross floor area of 63,000 square meters and Phase 2 comprises 13 blocks of gross floor area of 63,000 square meters. Evian Villas provide flats and duplex apartments of 670 units in aggregate, comprising 291 units for Phase 1 and 379 units for Phase 2, with wide range of flat types. Development of Phase 1 was completed in 2011, approximately 77% of which has been sold accumulatively up to 31 December 2019. Development of Phase 2 was completed in 2015, over 80% of which has been sold accumulatively up to 31 December 2019.

In 2019, contracted sales of the units of the Evian Villa amounted to approximately RMB55 million (2018: RMB39 million).

CCT Land-Jun Mansion

The CCT Land-Jun Mansion project is located on the land lot site "DN1" of the Hi-tech Development Zone, adjacent to the Evian Villa project. This land site is unique and represents scarce land resource in the zone. Located in a prestigious residential location in Anshan, CCT Land-Jun Mansion enjoys well-developed community facilities. With a site area of approximately 83,000 square meters, this premier project will be developed into a luxury residential community comprising low-rise apartments with balanced range of flat types, retail shops and underground car parks, with a planned total gross floor area of approximately 181,000 square meters. We pursue excellence and superior quality in the development of CCT Land-Jun Mansion, aiming to offer luxury and comfortable living environment to home buyers. We expect this project will beat market expectation.

CCT Land-Jun Mansion project will be broadly developed in three phases. Development of Phase 1 commenced in 2017 and construction continued in 2018 and 2019. Presale of property units of Phase 1 was first launched in 2018 and was strongly received by home buyers. Up to 31 December 2019, approximately 90% of the total units of Phase 1 available for presale were presold. A large amount of deposits was received from home buyers.

Although construction of the Phase 1 project has basically completed, the home buyers prefer to take occupation of their flats in 2020 when some common facilities such as greenery area is more well completed. Therefore, the Company expects to start to record sales of this project in 2020.

Finance Business

Our Finance Business comprised the finance business in Mainland China and the money lender business in Hong Kong.

The mainland finance business was started in 2016 and we focused on offline finance business in the past three years. Given the finance business having become increasingly regulated in China and due to the coronavirus outbreak, we found it difficult to manage and expand our mainland finance business. As such, the management has decided to terminate this business. Under such circumstances, the goodwill of HK$41 million relating to this business was written off in 2019.

The Company continues to carry on its money lender business in Hong Kong as it still generates interest income to the Group.

CHANGE OF NAME AND SEEKING OF NEW BUSINESS OPPORTUNITIES

The Greater Bay Area initiative refer to the Chinese Government's plan to integrate Hong Kong, Macau, Shenzhen, Guangzhou and seven other cities in the Guangdong Province into a world class economic and business hub. We consider that there are good opportunities in the Greater Bay Area for the Company to develop and grow. As such, the Company has changed its company name from "CCT Land Holdings Limited" to "Greater Bay Area Investments Group Holdings Limited" and its secondary name from "中建置地集團有限公司" to "大灣區投資控股集團有限公司" (the "**Change of Name**"). The Change of Name was approved by the Shareholders at the special general meeting of the Company convened on 20 February 2019 and has become effective from 28 February 2019.

In 2019, we strived to seek new business opportunities in the Greater Bay Area. The projects which we are interested include property projects, city renewal projects and distressed assets. Certain projects appear to have good prospects and growth potentials. However, our initiatives to pursue business development and expansion in the Greater Bay Area has been affected by the social unrest in Hong Kong and the recent coronavirus outbreak. Nevertheless, we will continue to pursue our strategy of enhancing growth and profitability of the Company.

Electric Vehicle ("EV") Business

The EV prototype which we engaged Ideenion Automobil AG, a reputable design and solution provider based in Germany to design and develop for us, has arrived in Hong Kong. We have invited certain Chinese government officials and potential investors to view our EV. However, due to the negative impact caused by the prolonged trade war between the USA and China, the social unrest in Hong Kong and the recent coronavirus outbreak, there was little progress of our EV business. The Company will consider how to develop our EV business after the situation is improved.

OUTLOOK

We consider that the outbreak of the novel coronavirus poses the greatest threats and challenges to the world economy in 2020. This highly infectious virus has quickly spread over the world. The number of infected cases and dead toll around the world continue to rise. The World Health Organisation declared the coronavirus outbreak a global pandemic on 11 March 2020. It is uncertain when this dangerous disease will be contained. This global health crisis has caused serious disruption for people, and various types of economic and social activities globally. It is also concerned that the negative impact on global economy is rising. Governments of many affected countries in the world have introduced measures trying to contain this virus and economic policies are implemented to limit the negative impact created by the virus on their economy.

The coronavirus outbreak may give rise to negative impact to our business operations and financial position. We have put in place various measures to respond to the current situation. We are closely monitoring the future development of this global health crisis and will strive to combat these unprecedent challenges as the situation evolves. Given the current adverse situation, we strive to conserve our cash and further strengthen our cost control in order to combat the current and future challenges. With a resilient management and our solid financial position, we consider that we can withstand the negative impact caused by the adverse operating environment. The Company will continue to pursue its core strategy of achieving long-term sustainable growth for the Company and enhancing long-term value to its shareholders.

APPRECIATION

On behalf of the Board, I wish to express our gratitude to the directors, the management and all our employees for their dedication, loyalty, and hard work to meet the challenges during the year. Furthermore, I am most grateful to our customers, shareholders, investors, bankers, landlords and suppliers for their continued encouragement and strong support to the Company throughout these unprecedent times.

Mak Shiu Tong, Clement
Chairman

Hong Kong, 30 March 2020

directors and senior management

EXECUTIVE DIRECTORS

Mr. MAK Shiu Tong, Clement, aged 66, has acted as the Chairman, the CEO and the Executive Director since August 2002. Mr. Mak is a member of the Remuneration Committee and the chairman and a member of the Nomination Committee. He is also a director of certain subsidiaries of the Company. He is responsible for the corporate planning and overall strategic direction of the Group and takes a leading role in managing the businesses of the Group. He has over 43 years of experience in the manufacture and distribution of telecom, electronic and high intelligence products. Mr. Mak also has extensive experience in diversified businesses, including capital investment and operations, investment in telecommunication network, property development and investment business in Hong Kong and the Mainland China, finance business and vehicle business. In his many years in the businesses, he has demonstrated a keen understanding in the diversified businesses in which the Group is engaged. Mr. Mak is also the chairman, the chief executive officer and an executive director of CCT Fortis, whose shares are listed on the Main Board of the Stock Exchange. Mr. Mak holds a Diploma in Electrical Engineering.

Ms. CHENG Yuk Ching, Flora, aged 66, has been the Executive Director since August 2002. Ms. Cheng is also the Deputy Chairman of the Company and a director of certain subsidiaries of the Company. Ms. Cheng assists the CEO in overseeing the day-to-day management of the principal businesses of the Group. Ms. Cheng has over 40 years of experience in the electronics industry and substantial experience in diversified businesses. She held senior positions in various well-known electronics companies before she joined the Company. Ms. Cheng is also an executive director of CCT Fortis. Ms. Cheng holds a Diploma in Business Administration.

Mr. TAM Ngai Hung, Terry, aged 66, has been the Executive Director and the Group Finance Director since August 2002. He is a member of each of the Remuneration Committee and the Nomination Committee. He is also a director and company secretary of certain subsidiaries of the Company. Mr. Tam is primarily responsible for the corporate finance, accounting and company secretarial functions of the Group. Mr. Tam has more than 42 years of experience in finance and accounting management, and management experience in diversified businesses. He also possesses substantial knowledge in corporate finance matters, mergers and acquisitions and company secretarial matters. He previously held a number of senior positions in several listed companies before he joined the Company. Mr. Tam is also an executive director and the deputy chairman of CCT Fortis. Mr. Tam is a fellow of the Association of Chartered Certified Accountants and an associate of both the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and The Institute of Chartered Secretaries and Administrators (the "**ICSA**").

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHOW Siu Ngor, aged 64, has been an INED since August 2002. Mr. Chow is the chairman and a member of the Remuneration Committee, and a member of each of the Audit Committee and the Nomination Committee. Mr. Chow is also an independent non-executive director of CCT Fortis and REXLot Holdings Limited (stock code: 00555), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Chow is a practising solicitor in Hong Kong. He is currently a Partner with Messrs. King & Wood Mallesons. Mr. Chow graduated from The Chinese University of Hong Kong in 1981 with an Honours Degree in Social Science. He then obtained an Honours Degree in Laws from the University of Birmingham in 1987. Mr. Chow was admitted as a solicitor of the Supreme Court of Hong Kong in 1990 and has been in private practice since then.

Mr. LAU Ho Kit, Ivan, aged 61, has been an INED since August 2002. Mr. Lau is the chairman and a member of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Lau has extensive experience in accounting and financial management. He is also an independent non-executive director of Singamas Container Holdings Limited (stock code: 00716), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Lau had been appointed as an independent non-executive director of Glory Mark Hi-Tech (Holdings) Limited (stock code: 08159) from 13 December 2001 to 1 March 2020 and Nimble Holdings Company Limited (formerly known as "The Grande Holdings Limited") (stock code: 00186) from 25 July 2016 to 22 December 2017. Mr. Lau is a practicing accountant in Hong Kong. Mr. Lau holds a Master's Degree in Professional Accounting and is a member of the HKICPA and The Institute of Chartered Accountants in England and Wales.

Mr. TAM King Ching, Kenny, aged 70, has been an INED since February 2016. He is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Tam also serves as an independent non-executive director of certain listed companies on the Main Board of the Stock Exchange, namely CCT Forits, BeijingWest Industries International Limited (stock code: 02339), Hong Kong Shanghai Alliance Holdings Limited (stock code: 01001), Kingmaker Footwear Holdings Limited (stock code: 01170), Shougang Concord Grand (Group) Limited (stock code: 00730), Starlite Holdings Limited (stock code: 00403), West China Cement Limited (stock code: 02233) and Wisdom Education International Holdings Company Limited (stock code: 06068). Mr. Tam is also a council member of The Society of Chinese Accountants and Auditors. Mr. Tam is a practising Certified Public Accountant in Hong Kong. He holds a Bachelor's Degree in Commerce and is a fellow member of the HKICPA and a member of the Chartered Professional Accountants of Ontario, Canada.

SENIOR MANAGEMENT

Ms. NG Yin Fun, Elaine, aged 58, joined the Group in April 2009. In 2019, Ms. Ng held the position of Managing Director of the products trading division of the Group. She was primarily responsible for leading the business development of the Group's products trading business, and overseeing and supervising principal functions of the products trading business of the Group. Ms. Ng has been in the consumer electronic industry for more than 30 years with extensive business development experience. Ms. Ng graduated from The University of Technology, Sydney, Australia with a Master's Degree of Engineering Management in 2000. She also took Business Management course in the Harvard University in the USA in 2007.

Mr. HO Yiu Hong, Victor, aged 51, joined the Group in January 2000. In 2019, Mr. Ho held the position of Senior Finance Director in the Company. He headed the finance and accounting department of the Group. Mr. Ho has over 29 years of experience in accounting, tax, treasury and financial management. He holds a First Class Honours Degree in Accountancy from The Hong Kong Polytechnic University and a Master's Degree in Business Administration from the University of Strathclyde. He is a fellow of the Association of Chartered Certified Accountants and an associate of both the ICSA and the HKICPA.

financial review

OVERVIEW OF FINANCIAL RESULTS

HK$ million	2019	2018	% increase/ (decrease)
Revenue	283	430	(34.2%)
Other expenses, net	(92)	(14)	557.1%
Loss before tax	(196)	(84)	133.3%
Income tax credit/(expense)	30	(1)	N/A
Loss for the year	(166)	(85)	95.3%
Attributable to:			
Owners of the parent	(168)	(88)	90.9%
Non-controlling interest	2	3	(33.3%)
Loss for the year	(166)	(85)	95.3%
Loss per share			
Basic and diluted	(HK$0.09 cent)	(HK$0.06 cent)	50.0%

Financial Results

The Group's revenue of HK$283 million decreased by 34.2%, mainly due to the decline in the sales of the Products Trading Business.

Other expenses of HK$92 million, was HK$78 million or 557.1% higher. The significant increase in other expenses was led mainly by: (i) the written off of the goodwill of HK$41 million relating to the mainland finance business, which is in the process of being wound down; and (ii) the impairment provisions of HK$37 million on the properties held for sale in respect of Landmark City and Evian Villa, which was made on the remaining property units of these two completed projects, as a result of decrease in property prices due to oversupply and high inventory level in the city, couple with the tightening policies of the Chinese Government on property prices.

Loss before tax increased by HK$112 million or 133.3% and loss attributable to owners of the parent of HK$168 million, was HK$80 million or 90.9% higher. The increase in loss was primarily attributable to written off the goodwill and impairment provisions, as elaborated above.

Loss per share attributable to ordinary equity holders of the parent was HK$0.09 cent, increased by 50.0%, as compared with loss per share of HK$0.06 cent in 2018. The increase in loss per share was attributable to the combined net effect of increase in loss and the increase in the weighted average number of issued shares.

ANALYSIS BY BUSINESS SEGMENT

	Revenue				
	2019		2018		
HK$ million	**Amount**	**Relative %**	Amount	Relative %	% change
Products Trading Business	**149**	**52.7%**	333	77.4%	(55.3%)
Property Business	**112**	**39.6%**	75	17.5%	49.3%
Finance Business	**22**	**7.7%**	22	5.1%	–
Total	**283**	**100.0%**	430	100.0%	(34.2%)

	Operating profit/(loss)		
HK$ million	**2019**	2018	% change
Products Trading Business	**(17)**	4	N/A
Property Business	**(77)**	(48)	60.4%
Finance Business	**10**	21	(52.4%)
Total	**(84)**	(23)	265.2%

For the year ended 31 December 2019, revenue of the Products Trading Business of HK$149 million, was HK$184 million or 55.3% lower. This business segment recorded operating loss of HK$17 million, as opposed to the operating profit of HK$4 million in 2018, mainly as a result of decrease in sales.

In 2019, the Property Business recorded revenue of HK$112 million, increased by 49.3% as compared with 2018. This segment's operating loss of HK$77 million was HK$29 million higher as compared with 2018. The increase in loss was mainly attributable to the increase of impairment provisions for our properties held for sale in the current reporting year.

In 2019, the Finance Business recorded revenue of HK$22 million (2018: HK$22 million) and an operating profit of HK$10 million (2018: HK$21 million). The decrease in profit of the Finance Business was primarily caused by the winding down of the mainland finance business.

ANALYSIS BY GEOGRAPHICAL SEGMENT

	Revenue				
	2019		2018		
HK$ million	**Amount**	**Relative %**	Amount	Relative %	% Change
Mainland China and Hong Kong	**192**	**67.8%**	234	54.4%	(17.9%)
North America	**64**	**22.6%**	112	26.0%	(42.9%)
Asia Pacific, Europe and others	**27**	**9.6%**	84	19.6%	(67.9%)
Total	**283**	**100.0%**	430	100.0%	(34.2%)

In 2019, Mainland China and Hong Kong were the largest market regions of the Group, contributed HK$192 million in revenue, representing 67.8% of the Group's total revenue. North America was the second largest market, contributed revenue of HK$64 million. Asia Pacific, Europe and other regions contributed revenue of HK$27 million. Revenue of all of the Group's market regions decreased, led primarily by the fall in sales of the telecom products and child products.

CAPITAL STRUCTURE AND GEARING RATIO

	2019		2018	
HK$ million	**Amount**	**Relative %**	Amount	Relative %
Total bank and other borrowings	**97**	**8.7%**	144	10.9%
Issued capital	**1,839**		1,839	
Reserves	**(820)**		(666)	
Equity attributable to owners of the parent	**1,019**	**91.3%**	1,173	89.1%
Total capital employed	**1,116**	**100.0%**	1,317	100.0%

Equity attributable to owners of the parent as at 31 December 2019 was HK$1,019 million, down 13.1%, primarily due to net loss for the reporting year.

The Group's total borrowings were reduced by HK$47 million in 2019 as compared with 2018, due to net repayment during the year. The Group continued to maintain a very low gearing ratio of 8.7%, decreased from the gearing ratio of 10.9% one year earlier, reflecting its solid and healthy financial position.

The maturity profile of the outstanding borrowings in 2019 falling due within one year amounted to HK$97 million (2018: HK$144 million) and the outstanding borrowings falling due in the second to the fifth year amounted to less than HK$1 million (2018: less than HK$1 million). There was no material effect of seasonality on the Group's borrowing requirements.

LIQUIDITY AND FINANCIAL RESOURCES

HK$ million	**2019**	2018
Current assets	**1,950**	1,628
Current liabilities	**904**	702
Current ratio	**215.7%**	231.9%

The Group's current ratio was 215.7% as at 31 December 2019 (2018: 231.9%). The Company continued to maintain a very high current ratio and this indicated the liquid position of the Group's assets. Among the total cash balance of HK$185 million (2018: HK$138 million), this included deposits with an aggregate amount of HK$10 million (2018: HK$15 million) which were pledged for banking facilities.

In view of the Group's current cash position and the unutilised banking facilities available, the Group continued to maintain a sound financial position and has sufficient resources to finance its operations and its future expansion plan.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group had no capital commitment (2018: nil).

TREASURY MANAGEMENT

The Group employs a conservative approach to cash management and risk control. To achieve better risk control and efficient fund management, the Group's treasury activities are centralised.

During the financial year 2019, the Group's receipts were mainly denominated in US$ and RMB. Payments were mainly made in HK$, US$ and RMB. Cash was generally placed in short-term deposits denominated in HK$ and RMB. In 2019, the Group's borrowings were mainly denominated in HK$ and interest on the borrowing was principally determined on a floating rate basis.

The objective of the Group's treasury policies is to minimise risks and exposures due to the fluctuations in foreign currency exchange rates and interest rates. The Group does not have any significant interest rate risk at present as the interest rates currently remain at low level. In terms of foreign exchange exposures, the Group is principally exposed to two major currencies, namely the US$ and RMB. Since the HK$ remains pegged to the US$, the exchange exposure to US currency is minimal. RMB depreciated during 2019. The depreciation of RMB did not give rise to significant financial impact on the Group's operations.

ACQUISITION AND DISPOSAL OF MATERIAL SUBSIDIARIES AND ASSOCIATES

The Group did not acquire or dispose of any material subsidiaries and associates during the year under review.

SIGNIFICANT INVESTMENT

The Group did not hold any significant investment as at 31 December 2019 (2018: nil).

PLEDGE OF ASSETS

As at 31 December 2019, certain of the Group's assets with a net book value of HK$43 million (2018: HK$125 million) and time deposits of the Group of HK$10 million (2018: HK$15 million) were pledged to secure banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

The total number of employees of the Group as at 31 December 2019 was 54 (2018: 76). The Group's remuneration policy is built on principle of equality, motivating, performance-oriented and market-competitive remuneration package to employees. Remuneration packages are normally reviewed on an annual basis. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage and performance related bonuses. Share options may also be granted to eligible employees and persons of the Group. During the year ended 31 December 2019, 6,010 share options were exercised, 350,000,000 share options were lapsed and 7,830,000,000 share options were granted on 25 January 2019 under the Company's approved share option scheme. There were 16,134,993,990 share options outstanding as at 31 December 2019 (31 December 2018: 8,655,000,000 share options outstanding).

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the senior management of the Group by band and the respective number of employees for the year ended 31 December 2019 are set out below:

	Number of employees
HK$1,000,001 – HK$1,500,000	1
HK$1,500,001 – HK$2,000,000	1
	2

sustainable operations and development

SUSTAINABILITY STRATEGY

The Group regards sustainability as a core strategy in maintaining and developing the Company for the long term and our efforts in fulfilling corporate social responsibility will contribute to the long term value to the Company and the community in which we operate.

ENVIRONMENTAL PROTECTION AND PRODUCT SAFETY

Our environmental objective is to operate and develop our business in a manner that minimises the impacts to the environment and natural resources. We endeavor to improve our operation efficiency and our products and services in order to maximise productivity and minimise wastages. Our policy is to ensure that our operations comply with relevant environmental laws, rules and regulations. For quality and safety of our products and services, we provide high quality products and comply fully with the relevant international and local health, quality and safety standards. The Group has adopted a high standard of quality control system to ensure the products and services are up to the relevant applicable standards and regulations.

As for our mainland property projects, we commit to pursue excellence in our products and services. The property projects are designed and built in strict compliance with all the relevant laws and regulations regarding environmental protection and safety. Construction material are carefully selected to meet a high standard of safety and quality which at least comply with the local standard and even higher. During construction, on-site supervision and inspection is conducted on a weekly basis to check and ensure quality of construction is met to a high standard.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS THAT HAVE A SIGNIFICANT IMPACT ON THE COMPANY

It is the Company's policy to comply with all the relevant laws and regulations in the places where we operate. The management always keeps abreast of the latest development in the laws and regulations which are relevant and have a significant impact on the Group. During the year, there was no significant non-compliance of any laws, regulations or rules that have a significant impact on the Group and its operations.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group has committed to deliver premium products and services to customers to meet their satisfaction and expectation.

With many years of experience in the sale and supply of the telecom, electronic and the infant, baby and child products, we have established a long history of partnership relationship with our customers and suppliers. We work closely and strategically with our customers from product design to the supply and quality control of the final products to ensure that the products will meet with market expectation at the competitive prices.

As for property development business, the Company strives in delivering premium customer experience with superior products and excellent service. We have established a very good reputation as a quality developer with strong financial position. We regard our customers as friends, care their needs with heart and provide valued-added after-sale services. Social and caring activities are held for customers from time to time to promote customer relationship and loyalty. Our efforts have generated benefits to the goodwill and promote sales of our property units.

RELATIONSHIP WITH EMPLOYEES

We treasure our employees which are one of the most valuable assets to the Group. We offer competitive remuneration package, provident fund, welfare and benefits and comply with all the relevant labour laws and regulations which apply to our operations. Our key management personnel have worked with the Group for a long time.

We encourage staff training and development. We encourage our employees to join external training in job-related courses, seminars and programmes. Furthermore, training courses and seminars are organised for different grades of employees from time to time.

WORKPLACE QUALITY

The Group has placed significant resources in providing a safe, healthy, clean and comfortable workplace for our employees in Hong Kong and in China. We are committed to offer a safe and comfortable working environment to our employees.

A corporate social responsibility report will be published on the Stock Exchange's website and the Company's website within three months after publication of the Company's annual report.

corporate information

COMPANY NAME

Greater Bay Area Investments Group Holdings Limited

BOARD AND COMMITTEES OF THE BOARD

Executive Directors

Mak Shiu Tong, Clement *(Chairman and CEO)*
Cheng Yuk Ching, Flora *(Deputy Chairman)*
Tam Ngai Hung, Terry

Independent Non-executive Directors

Chow Siu Ngor
Lau Ho Kit, Ivan
Tam King Ching, Kenny

Audit Committee

Lau Ho Kit, Ivan *(chairman)*
Chow Siu Ngor
Tam King Ching, Kenny

Remuneration Committee

Chow Siu Ngor *(chairman)*
Lau Ho Kit, Ivan
Tam King Ching, Kenny
Mak Shiu Tong, Clement
Tam Ngai Hung, Terry

Nomination Committee

Mak Shiu Tong, Clement *(chairman)*
Tam Ngai Hung, Terry
Chow Siu Ngor
Lau Ho Kit, Ivan
Tam King Ching, Kenny

COMPANY SECRETARY

Sze Suet Ling

PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited
Hang Seng Bank Limited

SOLICITORS

Sidley Austin

AUDITORS

Ernst & Young, Certified Public Accountants

FINANCIAL YEAR END

31 December

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18/F., CCT Telecom Building
11 Wo Shing Street, Fotan
Shatin, New Territories
Hong Kong

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

TELEPHONE NUMBER

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FAX NUMBER

+852 2102 8100

COMPANY WEBSITE

www.gbaholdings.com

STOCK CODE

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corporate governance report

CORPORATE GOVERNANCE PRACTICES

The Company has always recognised the importance of the Shareholders' transparency and accountability. It is the belief of the Board that the Shareholders can maximise their benefits from good corporate governance. The Company is committed to maintaining and ensuring high standards of corporate governance in the interests of the Shareholders.

In the opinion of the Directors, the Company had applied the principles set out in the CG Code and had complied with all the Code Provisions under the CG Code throughout the financial year ended 31 December 2019, except for the minor deviations from the following Code Provisions of the CG Code:

Code Provision A.2.1

Code Provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

There is no separation of the roles of chairman and chief executive officer of the Company and hence the Company has not complied with the Code Provision A.2.1 during the financial year ended 31 December 2019.

Mr. Mak Shiu Tong, Clement currently assumes the roles of both the Chairman and the CEO. Mr. Mak is an executive of high caliber with a wide range of skills and diversified business expertise. He has substantial experience, strong leadership and a firmly established reputation in the diversified business that is essential to fulfilling the role of the Chairman. At the same time, Mr. Mak has the appropriate management skills and business acumen that are the pre-requisites for assuming the role of the CEO in the day-to-day management of the Group. The Board composes of three Executive Directors (including the Chairman) and three INEDs with a balance of skills and experience appropriate for the requirements of the Group. Furthermore, the roles of the managing director and the general managers of the Company's major operating subsidiaries are performed by other individuals. The Board believes that there is no need to segregate the roles of the Chairman and the CEO as the balance of power and authority is already ensured by the current structure. Moreover, the Board believes that the combined roles of Mr. Mak enhance the communication between the Board and the management and ensure the effective execution of the Board's strategy by the management because of Mr. Mak's extensive business experience.

Code Provision A.4.2

Code Provision A.4.2 provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Pursuant to the bye-laws of the Company, the Chairman and the managing Director (who is currently assumed by Mr. Mak) shall not be subject to retirement by rotation in each year. The Board considers that the continuity of the Chairman and his leadership will be essential for the stability of the key management of the Group. On the other hand, the Board will ensure that all Directors save for the Chairman will rotate at least once every three years in order to comply with the Code Provision A.4.2.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted its code of conduct regarding the securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all current Directors, they confirmed that they have complied with the required standard set out in the Model Code adopted by the Company throughout the financial year ended 31 December 2019.

THE BOARD

Responsibilities, accountabilities and contributions

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is responsible for promoting the development of the Company by directing and supervising its affairs. The Directors take decisions objectively in the interests of the Company.

The management of the Group was delegated the authority and responsibility by the Board for day-to-day management of the businesses of the Group, with division heads responsible for different aspects of the business. The Board meets at least four times each year and meets as and when required. Appropriate and sufficient information including notices were provided to the Board's members in a timely manner. During the financial year ended 31 December 2019, the Board held 12 meetings.

The Board members have also attended the Shareholders' general meetings to answer questions from the Shareholders. During the financial year ended 31 December 2019, the Company held three Shareholders' general meetings. The attendance of each of the Directors at the Board meetings ("**BM**") (either in person or by phone) and at the Shareholders' general meetings ("**GM**") held in 2019 is set out as follows:

	Number of meetings attended/ eligible to attend	
Name of the Directors	**BM**	**GM**
Executive Directors		
Mak Shiu Tong, Clement	11/11	3/3
Cheng Yuk Ching, Flora	7/11	0/3
Tam Ngai Hung, Terry	11/11	2/3
Xu Jinhuan (resigned on 20 March 2019)	3/4	0/1
Independent non-executive Directors		
Chow Siu Ngor	12/12	3/3
Lau Ho Kit, Ivan	12/12	3/3
Tam King Ching, Kenny	12/12	3/3

The company secretary of the Company is responsible for taking minutes of the Board meetings and all Board's minutes are open for inspection by the Directors upon reasonable notice.

The Directors have access to relevant and timely information and, upon reasonable request, may seek independent professional advice in appropriate circumstances, at the Company's expenses. Appropriate insurance cover has been arranged in respect of the legal action against the Directors and the management of the Group. The Board considers that the Group has sufficient and appropriate liability insurance to cover the Directors and the management of the Group against any legal liability arising from their performance of duties.

THE BOARD *(continued)*

Responsibilities, accountabilities and contributions *(continued)*

The Composition of the Board

As at the date of this annual report, the Board was composed of three Executive Directors, namely Mr. Mak Shiu Tong, Clement, Ms. Cheng Yuk Ching, Flora and Mr. Tam Ngai Hung, Terry and three INEDs, namely Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Tam King Ching, Kenny. The biographical details of all existing Directors are set out in the section headed "Directors and Senior Management" of this annual report.

During the period from 1 January 2019 and up to the date of this annual report, there was the following change to the composition of the Board:

Name of the Director	Details of change
Mr. Xu Jinhuan	Resigned as an Executive Director on 20 March 2019

The Board's composition has maintained a balance and diversity of skills, expertise, experience and qualifications appropriate of the requirements, promotion and development of the businesses of the Group.

Directors give sufficient time and attention to the Group's affairs. The Company also requires the Directors to disclose to the Company annually and in a timely manner for any change regarding the number and the nature of offices held in public companies or organisations and other significant commitments with indications of the time involved.

The Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of a sufficient number of the INEDs, at least an INED with appropriate professional qualifications or accounting or related financial management expertise and the number of INEDs representing at least one-third of the Board throughout the financial year ended 31 December 2019.

The Company has received annual confirmation of independence for the year ended 31 December 2019 from Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Tam King Ching, Kenny in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the INEDs (including those INEDs who serve more than nine years) are independent within the definition of the Listing Rules.

None of the members of the Board has any financial, business, family or other material/relevant relationships with each other.

THE BOARD *(continued)*

Responsibilities, accountabilities and contributions *(continued)*

Directors' continuing professional development

A newly appointed Director is provided with necessary induction and information to ensure he has a proper understanding of the Group's operations and businesses as well as his responsibilities under the Listing Rules and the other applicable regulatory requirements.

The Company also provides Directors with updates and briefings on the latest developments and changes regarding the Listing Rules and other applicable regulatory requirements from time to time so as to ensure compliance and enhance their awareness of good corporate governance practices. Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are requested to provide the Company with a record of the training they received.

According to the records provided by the existing Directors, a summary of training received by the existing Directors for the year ended 31 December 2019 is as follows:

	Type of continuous professional development	
Name of the Directors	**Receiving updates and briefings from the Company/self-study**	**Attending seminar(s)/ conference and/or forums organised by external parties**
Mak Shiu Tong, Clement	✓	
Cheng Yuk Ching, Flora	✓	
Tam Ngai Hung, Terry	✓	✓
Chow Siu Ngor	✓	✓
Lau Ho Kit, Ivan	✓	✓
Tam King Ching, Kenny	✓	✓

The training participated by the existing Directors in 2019 is relevant to their duties and responsibilities as a director of the Company.

THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Mr. Mak Shiu Tong, Clement currently assumes the roles of both the Chairman and the CEO. The reasons for the deviation from the Code Provision A.2.1 under the CG Code are set out in the section headed “Corporate Governance Practices” above. Mr. Mak is responsible for the leadership of the Board, corporate planning and strategic direction of the Group and takes a leading role in managing the businesses of the Group.

TERMS OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

All the Directors are appointed for a specific term of not more than three years. Save for the Chairman and the managing Director (both roles currently being assumed by Mr. Mak) who shall not be subject to retirement by rotation in each year, all the other Directors (including the INEDs) are subject to retirement by rotation and re-election at the AGM of the Company in accordance with the bye-laws of the Company.

Re-election and retirement of the Directors

The bye-laws of the Company provide that (i) one-third (or the number nearest to one-third) of the Directors (except the Chairman and the managing Director) shall retire from office by rotation and be eligible for re-election at each AGM of the Company; and (ii) any Director appointed by the Board, either to fill a casual vacancy on or as an addition to the existing Board, shall hold office until the next following AGM of the Company and shall be eligible for re-election at that meeting.

Mr. Mak currently assumes as the Chairman and the managing Directors and shall not be subject to the retirement by rotation pursuant to the bye-laws of the Company. The reasons for the deviation from the Code Provision A.4.2 under the CG Code are set out in the section headed “Corporate Governance Practices” above.

BOARD COMMITTEES

The Board currently has established three committees, which are the Remuneration Committee, the Audit Committee and the Nomination Committee, with clearly defined written terms of reference. The main roles and responsibilities of these three board committees, including all authorities delegated to them by the Board, as set out in the terms of reference, are published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.gbaholdings.com in the sub-section of “Corporate Governance” under the section of “Investor Information”.

Remuneration Committee

The Remuneration Committee was established in 2005 with specific written terms of reference formulated in accordance with the requirements of the Listing Rules.

The main responsibilities of the Remuneration Committee include, inter alia, (i) making recommendations to the Board on the policy and structure for the remuneration of the Directors and senior management of the Group; (ii) reviewing the management’s remuneration proposals with reference to the Board’s corporate goals and objectives; (iii) making recommendations to the Board on the remuneration package of individual Executive Directors and senior management of the Group (adopting the approach described under Code Provision B.1.2(c)(ii) of the CG Code); (iv) reviewing and making recommendations to the Board on the fees payable to the INEDs of the Company; and (v) reviewing and making recommendations to the Board on the compensation, if any, payable to the Executive Directors and senior management of the Group in connection with any loss or termination of office or appointment.

BOARD COMMITTEES *(continued)*

Remuneration Committee *(continued)*

The Remuneration Committee consists of five members who are three INEDs, namely Mr. Chow Siu Ngor ("**Mr. Chow**"), Mr. Lau Ho Kit, Ivan and Mr. Tam King Ching, Kenny and two Executive Directors namely, Mr. Mak Shiu Tong, Clement and Mr. Tam Ngai Hung, Terry. The Remuneration Committee is currently chaired by Mr. Chow.

During the financial year ended 31 December 2019, the Remuneration Committee held two meetings and its main work during 2019 included:

(i) reviewing and making recommendations to the Board on the policy and structure for the remuneration of the Directors and senior management of the Group; and

(ii) reviewing and making recommendations to the Board regarding grant of share options under the Company's approved share option scheme to the Directors and senior management of the Group.

For the sake of good corporate governance practice, none of the members of the Remuneration Committee participated in the discussions and decision on matters relating to his remuneration.

The attendance record of the members at the meetings of the Remuneration Committee in 2019 is set out as follows:

Members of the Remuneration Committee	Number of meetings attended/held
Chow Siu Ngor	2/2
Lau Ho Kit, Ivan	2/2
Tam King Ching, Kenny	2/2
Mak Shiu Tong, Clement	2/2
Tam Ngai Hung, Terry	2/2

The Group provides competitive remuneration packages to the Directors and senior management. The emoluments of Directors are determined based on skill, knowledge, experience and performance of the Directors and achievements and performance of the Company and taking into account market conditions. In addition, approved share option scheme has been established to provide incentives and rewards to eligible participants who include the Directors and senior management.

BOARD COMMITTEES *(continued)*

Audit Committee

The Company has established the Audit Committee since 2002 with specific written terms of reference formulated in accordance with the requirements of the Listing Rules. The primary duties of the Audit Committee are to ensure the objectivity and credibility of the Company's financial reporting, risk management and internal control systems as well as to maintain an appropriate relationship with the external and internal auditors of the Company.

The main responsibilities of the Audit Committee include, inter alia, (i) reviewing the financial statements of the Group's interim and annual reports before submitting them to the Board for approval; (ii) reviewing and making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and the terms of engagement including the remuneration of the external auditors; (iii) discussing with the external auditors the nature and scope of the audit; (iv) monitoring and assessing the independence and objectivity of the external auditors and the effectiveness of the audit process in accordance with the applicable standards; (v) reviewing and monitoring the financial reporting and the reporting judgment contained in them; (vi) reviewing the financial controls, risk management and internal control systems (including the adequacy of resources, and the effectiveness of the financial and internal audit function); and (vii) to review the Group's accounting policies and practices and any changes of them with the management of the Group, and the internal and external auditors of the Company.

The Audit Committee consists of three members who are three INEDs, namely Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan ("**Mr. Lau**") and Mr. Tam King Ching, Kenny. The Audit Committee is currently chaired by Mr. Lau. Each of Mr. Lau and Mr. Tam King Ching, Kenny is a qualified accountant with extensive accounting and financial experience. All members of the Audit Committee hold the relevant industry or legal, accounting and financial experience necessary to advise on the Board's strategies and other related matters. All members of the Audit Committee have complete and unrestricted access to the internal and external auditors and all employees of the Company.

The Audit Committee has been provided with sufficient resources to perform its duties.

During the financial year ended 31 December 2019, the Audit Committee held three meetings and its main work during 2019 included reviewing:

(i) the 2018 annual report, including the Corporate Governance Report, the Directors' Report, the Financial Statements and continuing connected transactions, as well as the annual results announcement;

(ii) the 2019 interim report and interim results announcement;

(iii) the plans, reports, fees, involvement in non-audit services and terms of engagement of the external auditors;

(iv) the plans, resources and work of the Company's internal auditors; and

(v) the adequacy and effectiveness of the Company's financial reporting system, the system of internal controls in operation, risk management system and associated procedures within the Group.

BOARD COMMITTEES *(continued)*

Audit Committee *(continued)*

The attendance record of the members at the meetings of the Audit Committee in 2019 is set out as follows:

Members of the Audit Committee	Number of meetings attended/held
Lau Ho Kit, Ivan	3/3
Chow Siu Ngor	3/3
Tam King Ching, Kenny	3/3

Nomination Committee

The Company has established the Nomination Committee since 2012 with specific written terms of reference in line with the Code Provisions under the CG Code. The main responsibilities of the Nomination Committee include, inter alia, (i) reviewing the structure, size and composition (including the skills and knowledge and experience) of the Board at least annually; (ii) making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (iii) identifying individuals suitably qualified to become board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; (iv) assessing the independence of INEDs; and (v) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the CEO.

The Nomination Committee consists of five members who are three INEDs, namely Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Tam King Ching, Kenny and two Executive Directors, namely Mr. Mak Shiu Tong, Clement ("**Mr. Mak**") and Mr. Tam Ngai Hung, Terry. The Nomination Committee is currently chaired by Mr. Mak.

Nomination Policy

The Company adopted a nomination policy (the "**Nomination Policy**") in January 2019. A summary of the Nomination Policy is stated as below:

- to nominate suitable candidates to the Board for it to consider and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning (if considered necessary);
- skills, experience and diversity of perspectives which are relevant to the operations of the Group;
- the selection criteria, the nomination procedures and process are set out in the Board Diversity Policy; and
- to propose person(s) for election as Director(s) by the Shareholder(s), of which are set out in the "Right to put forward proposals at general meetings".

The Nomination Committee will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy.

BOARD COMMITTEES *(continued)*

Nomination Committee *(continued)*

During the financial year ended 31 December 2019, the Nomination Committee held one meeting and its main work during 2019 included:

(i) reviewing the structure, size, composition and diversity of the Board;

(ii) reviewing the Board Diversity Policy;

(iii) reviewing the confirmation from the Directors on time commitment in performing their duties as Directors;

(iv) assessing the independence of the INEDs; and

(v) making the recommendations to the Board on the nomination of the Directors for re-election at the AGM of the Company.

The attendance record of the members at the meeting of the Nomination Committee in 2019 is set out as follows:

Members of the Nomination Committee	Number of meeting attended/held
Mak Shiu Tong, Clement	1/1
Tam Ngai Hung, Terry	1/1
Chow Siu Ngor	1/1
Lau Ho Kit, Ivan	1/1
Tam King Ching, Kenny	1/1

Board Diversity Policy

The Board has adopted the Board Diversity Policy in August 2013 which sets out the approach to achieve diversity on the Board. The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. As from the adoption of the Board Diversity Policy, the Company seeks to achieve Board diversity through a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will review the Board Diversity Policy, as appropriate to ensure its continued effectiveness from time to time.

Save as disclosed in the section headed "The Composition of the Board" on page 19 of this Corporate Governance Report, as at the date of this annual report, the Board comprised six Directors, one of which is female and three of which are INEDs and sufficient diversity in educational background, business and professional experience, skill and knowledge.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing corporate governance duties which include (i) developing, reviewing and approving the Company's policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of the Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and (v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the financial year ended 31 December 2019, the Board held two meetings to develop and review the Company's policies and practices on corporate governance and to perform other corporate governance duties stated in the paragraph above. The attendance record of the existing members of the Board at the corporate governance meetings in 2019 is set out as follows:

Name of the Directors	Number of meetings attended/ eligible to attend
Mak Shiu Tong, Clement	2/2
Cheng Yuk Ching, Flora	1/2
Tam Ngai Hung, Terry	2/2
Chow Siu Ngor	2/2
Lau Ho Kit, Ivan	2/2
Tam King Ching, Kenny	2/2

AUDITORS' REMUNERATION

The remuneration paid to the external auditors of the Company, Ernst & Young, for the year ended 31 December 2019 is set out as follows:

Services rendered	Fees paid/payable HK$ million
Audit services	3.5
Non-audit services:	
Tax compliance services	–#
Total	3.5

less than HK$1 million

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company and ensure that they are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such financial statements. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects.

The statement of the external auditors of the Company, Ernst & Young, with regard to their reporting responsibilities on the Company's financial statements is set out in the section headed "Independent Auditor's Report" in this annual report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to the events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROL AND INTERNAL AUDIT

The Board is entrusted with the overall responsibility for establishing and maintaining the Group's risk management and internal control systems on an ongoing basis and reviewing their effectiveness. The Group's risk management and internal control systems have been designed for safeguarding assets, maintaining proper accounting records and ensuring reliability of the financial information. The Board also reviews and considers the adequacy of resources, staff qualifications and experience, and training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

The Company has established the internal audit department for many years and the department performs risk-based audit on the effectiveness of the internal control system of the Group half-yearly. The internal audit department of the Company reports to the Chairman. The annual audit plan of the internal audit department is reviewed and approved by the Audit Committee and summary of major audit findings and control weaknesses, if any, and follow-up actions are reviewed by the Audit Committee.

During the financial year ended 31 December 2019, the Board reviewed the effectiveness and adequacy of risk management and internal control systems of the Group for 2019 and considered them effective and adequate.

Objective of risk management and internal control

The Company recognises the importance of risk management and internal control in the achievement of its strategic goals. The Company maintains a conservative approach to manage and align risk to its strategy of achieving sustainability and delivering long-term returns to Shareholders.

RISK MANAGEMENT AND INTERNAL CONTROL AND INTERNAL AUDIT *(continued)*

Process and procedure for risk management and internal control

1. The Board has the overall responsibility for evaluating the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems.

2. The Board through the Audit Committee, reviews the adequacy the Group's risk management and internal controls systems.

3. The Group employs an enterprise risk management framework to manage risk.

4. The management of business units/divisions are responsible for the day-to-day management of operational risks and implementation of mitigation measures.

5. All division heads are required to provide a confirmation annually to the Board on the effectiveness of the risk management and internal control systems.

6. The Internal Audit Department of the Group is responsible for reviewing and appraising effectiveness of risk management and internal control systems and reporting results to the Board through the Audit Committee.

Top and emerging risks

The top and emerging risks framework helps enable the Group to identify current and forward-looking risks so that the Group may take actions that either prevents them, crystallising or limits their effect. Top risks are those that may have a material impact on the financial results, reputation or business model of the Group in the year ahead. Emerging risks are those that have large unknown components any may form beyond a one-year horizon. If these risks were to occur, they could occur have material effect on the Group. The Group's top and emerging risks are summarised as follows:

— outbreak of the novel coronavirus;
— trade war between the USA and China;
— global economic outlook and capital flows;
— major changes of government policies that have significant impact on the Group's operations;
— information technology security and risks;
— sales and receivable management;
— supplier management; and
— human resources management.

The above top and emerging risks were reviewed by the Audit Committee and discussed by the Board. Measures have been formulated and implemented to mitigate such risks. These risks will be changed to respond to changes in the Group's business and the external environment.

COMPANY SECRETARY

Ms. Sze Suet Ling was appointed by the Board as the company secretary of the Company with effect from 28 June 2018. Ms. Sze is also an employee of the Company. She has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2019.

SHAREHOLDERS' RIGHTS

Right to convene special general meeting

Shareholder(s) may convene a special general meeting on requisition, as provided by the Companies Act 1981 of Bermuda.

Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board and all such enquiries can be addressed to the "Company Secretarial Department" of the Company by mail to 18/F., CCT Telecom Building, 11 Wo Shing Street, Fotan, Shatin, New Territories, Hong Kong.

Right to put forward proposals at general meetings

Pursuant to bye-law 103 of the Company's bye-laws, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a written notice ("**Nomination Notice**") signed by such Shareholder(s) individually or collectively holding not less than one-tenth of the then total paid up capital of the Company as at the date of the Nomination Notice carrying the right of attending and voting at the general meeting of the Company for which such Nomination Notice is given of his intention to propose such person(s) for election and also a written notice signed by each person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the number of candidates to be nominated by the qualified Shareholder individually or the group of qualified Shareholders collectively for election at any general meeting shall be limited to three (3), subject to the maximum number of Directors of the Company, if any, and provided that the minimum length of the period during which such written notices are given, shall be at least seven (7) days and that (if the written notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such written notices shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

CONSTITUTIONAL DOCUMENTS

At the AGM of the Company held on 12 June 2019 (the "**2019 AGM**"), the Company made amendments to its bye-laws (i) by replacing the reference to the name of the Company with the new Company name "Greater Bay Area Investments Group Holdings Limited (大灣區投資控股集團有限公司)" which came into effect on 28 February 2019; (ii) by updating the reference to the authorised share capital of the Company to align with the increased authorised share capital of the Company, which was approved by the Shareholders on 4 December 2015; and (iii) by deleting the newspapers advertising requirement in Hong Kong in relation to the closure of the register of members of the Company, so as to align with the Stock Exchange's abolition of the requirement for issuers to publish their announcements in the newspapers in June 2007. The special resolution on such amendments was considered and approved by the Shareholders at the 2019 AGM. Details of such amendments to the Company's bye-laws were set out in the circular to the Shareholders dated 30 April 2019.

Save for the aforesaid, there has been no change in the bye-laws of the Company from the 2019 AGM up until the date of this annual report. A copy of the amended and restated bye-laws of the Company is available on the websites of the Company and the Stock Exchange.

DIVIDEND POLICY

Pursuant to Code Provision E.1.5 of the CG Code, the Company should have a policy on payment of dividends.

The Company has adopted the dividend policy (the "**Dividend Policy**") in January 2019, according to which the Company may declare and distribute dividends to the Shareholders, to allow Shareholders to share the Company's profits and for the Company to retain adequate reserves for future growth.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders.

In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's financial results, the general financial condition of the Group, the Group's current and future operations and any other factors that the Board thinks appropriate from time to time. The Company's ability to pay dividends is also subject to the requirements of the Listing Rules, all relevant applicable laws, rules and regulations in Bermuda and the Memorandum of Association and the bye-laws of the Company.

report of the directors

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. During the year 2019, the principal activities of the subsidiaries comprised the sale of telecom products and child products, property development and investment and finance business.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2019 is set out on pages 2 to 5 and pages 8 to 13 of this annual report.

RESULTS

The Group's loss for the year ended 31 December 2019 and the Group's financial position at that date are set out in the financial statements on pages 51 to 129 of this annual report.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 131 of this annual report. This summary does not form part of the audited financial statements.

EQUITY-LINKED AGREEMENT

Other than the share option scheme disclosed in the section sub-headed "Share Option Scheme" on pages 34 to 39 of this annual report and set out in note 29 to the consolidated financial statements, no other equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

SHARE CAPITAL

Details of the movement of the share capital of the Company during the year ended 31 December 2019 are set out in note 28 to the consolidated financial statements.

Details of the movement of the share options of the Company during the year ended 31 December 2019 were disclosed in the section sub-headed "Share Option Scheme" on pages 34 to 39 of this annual report and set out in note 29 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the listed Shares during the year ended 31 December 2019.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 41 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2019, the Company had no reserve available for distribution in accordance with the provisions of the Companies Act 1981 of Bermuda. The Company's share premium account, in the amount to HK$341 million, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2019, the Group did not make any charitable contributions (2018: nil).

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers during the financial year ended 31 December 2019 is as follows:

	Percentage of the Group's total			
	Sales		Purchases	
	2019	2018	**2019**	2018
Largest customer	**26%**	30%		
Five largest customers in aggregate	**57%**	66%		
Largest supplier			**26%**	46%
Five largest suppliers in aggregate			**68%**	76%

One (2018: one) of the five largest customers and one (2018: one) of the five largest suppliers of the Group was a subsidiary of CCT Fortis, of which Mr. Mak is a director and the controlling shareholder.

Save as disclosed above, none of the Directors or any of their associates or shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's total number of issued Shares) had any interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors during the year and up to the date of this annual report were as follows:

Executive Directors:
Mak Shiu Tong, Clement
Cheng Yuk Ching, Flora
Tam Ngai Hung, Terry
Xu Jinhuan (resigned on 20 March 2019)

Independent non-executive Directors:
Chow Siu Ngor
Lau Ho Kit, Ivan
Tam King Ching, Kenny

In accordance with bye-law 99 of the Company's bye-laws, Mr. Chow Siu Ngor and Mr. Lau Ho Kit, Ivan will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM of the Company.

In accordance with the Company's bye-laws, save for the Chairman and the managing Director (both roles currently being assumed by Mr. Mak Shiu Tong, Clement), who is not subject to retirement by rotation, all Directors are subject to retirement by rotation and re-election at the AGM of the Company.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Group are set out on pages 6 to 7 of this annual report.

DIRECTORS' REMUNERATION

The Directors' fees are subject to Shareholders' approval at general meeting. Other emoluments are determined by the Board with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' SERVICE CONTRACTS

During the year, no Director had a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Details of director's interests in contracts which the Company or any of its subsidiaries entered into during the year are set out in section headed "continuing connected transactions" to this directors' report.

SHARE OPTION SCHEME

At the AGM of the Company held on 27 May 2011, the Shareholders approved the adoption of the 2011 Scheme. The adoption of the 2011 Scheme was also approved on 27 May 2011 by the shareholders of CCT Fortis, which was the then ultimate holding company of the Company. The 2011 Scheme then became effective on 30 May 2011. This is the date on which the Listing Committee granted approval for the listing of, and permission to deal in, any Shares on the Stock Exchange, which may fall to be allotted and issued by the Company pursuant to the exercise of the share options in accordance with the terms and conditions of the 2011 Scheme. Unless otherwise cancelled or amended, the 2011 Scheme will be valid for a period of 10 years from the date of its adoption (i.e. 27 May 2011) and effective until 26 May 2021.

The purpose of the 2011 Scheme is to enable the Company to grant share options to the eligible participants, as incentives and/or rewards for their contribution to the Group and/or any entity in which any member of the Group holds any equity interest ("**Invested Entity**") or the holding company of the Company (if applicable).

SHARE OPTION SCHEME *(continued)*

Eligible participants of the 2011 Scheme include:

(a) any director or proposed director (whether executive or non-executive and whether independent or not), any executive, officer, employee or any person to whom any offer of employment has been made, executive or officer (whether full-time or part-time, on an employment or contractual or honorary basis or otherwise and whether paid or unpaid) of any member of the Group, any Invested Entity or the holding company of the Company (if applicable);

(b) any supplier or provider of goods and/or services, professional, consultant, agent, contractor, adviser, customer, partner, business associate or shareholder of any member of the Group, any Invested Entity or the holding company of the Company (if applicable), or any holder of any securities issued or proposed to be issued by any member of the Group, any Invested Entity or the holding company of the Company (if applicable), who, in the sole discretion of the Board, will contribute or has contributed to the Group, the Invested Entity or the holding company of the Company (if applicable); and

(c) any person whom the Board in its sole discretion considers, will contribute or has contributed to any members of the Group, the Invested Entity or the holding company of the Company (if applicable) (as the case may be).

Pursuant to the 2011 Scheme, the maximum number of Shares which may be issued upon exercise of all share options to be granted under the 2011 Scheme and any other share option scheme(s) of the Company must not exceed 10% of the total number of Shares in issue as at the date of adoption of the 2011 Scheme and any subsequent refreshment of the limit which may be approved by the Shareholders at a general meeting of the Company in accordance with the Listing Rules. Shares which would have been issuable pursuant to the share options which have lapsed or cancelled in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit. Notwithstanding the foregoing, Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2011 Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the total number of Shares in issue from time to time. No share option shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

As at the date of this annual report, the maximum number of Shares which may be issued upon exercise of all outstanding share options granted under the 2011 Scheme is 16,134,993,990 shares which represented approximately 8.8% of the total number of issued Shares as at the date of this annual report.

The total number of Shares issued and which may fall to be issued upon exercise of the share options granted under the 2011 Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the total number of Shares in issue as at the date of grant. Any further grant of the share options in excess of this 1% limit shall be subject to the issue of a circular by the Company (and so long as the Company remains a subsidiary of another company which is listed on the Stock Exchange, also by its listed holding company) and the approval of the Shareholders (and so long as the Company remains a subsidiary of another company which is listed on the Stock Exchange, also to be approved by the shareholders of that listed holding company) at a general meeting with such eligible participant and his/her associates abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

SHARE OPTION SCHEME *(continued)*

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to the approval in advance by the INEDs (and so long as the Company remains a subsidiary of another company which is listed on the Stock Exchange, also to be approved by the independent non-executive directors of that listed holding company), excluding the independent non-executive director(s) of the Company and its listed holding company who is/are the grantee(s) of the share options. In addition, any share option granted to a substantial shareholder or an INED, or to any of their respective associates, in excess of 0.1% of the total number of Shares in issue as at the date of grant or with an aggregate value (based on the closing price of the Shares as at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to the issue of a circular by the Company (and so long as the Company remains a subsidiary of another company which is listed on the Stock Exchange, also by its listed holding company) and the approval of the Shareholders (and so long as the Company remains a subsidiary of another company which is listed on the Stock Exchange, also to be approved by the shareholders of that listed holding company) in advance at a general meeting.

The offer of a grant of the share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than (i) 10 years from the date of grant of the share options, or (ii) the expiry date of the 2011 Scheme, whichever is earlier. There is no specific requirement under the 2011 Scheme that a share option must be held for any minimum period before it can be exercised, but the terms of the 2011 Scheme provide that the Board has the discretion to impose a minimum period at the time of grant of any particular share option.

The exercise price of share options granted is determinable by the Board, but may not be less than the highest of:

(i) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to grant the share options);

(ii) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

The Company's share options do not confer rights on the holders to dividends or to vote at the general meetings of the Company.

SHARE OPTION SCHEME *(continued)*

The 2011 Scheme

During the year ended 31 December 2019, the movements on the share options under the 2011 Scheme were as follows:

				Number of share options				
Name and/or category	Date of grant	Exercise period	Exercise price per Share HK$	Outstanding as at 1 January 2019	Granted during the year	Exercised during the year	Cancelled/Lapsed during the year	Outstanding as at 31 December 2019
Executive Directors								
Mak Shiu Tong, Clement	18/1/2017	18/1/2017–17/1/2027	0.011	1,300,000,000	–	–	–	1,300,000,000
	25/1/2018	25/1/2018–24/1/2028	0.010	1,320,000,000	–	–	–	1,320,000,000
							Sub-total	*2,620,000,000*
Cheng Yuk Ching, Flora	18/1/2017	18/1/2017–17/1/2027	0.011	825,000,000	–	–	–	825,000,000
	25/1/2018	25/1/2018–24/1/2028	0.010	1,320,000,000	–	–	–	1,320,000,000
	25/1/2019	25/1/2019–24/1/2029	0.010	–	1,300,000,000	–	–	1,300,000,000
							Sub-total	*3,445,000,000*
Tam Ngai Hung, Terry	18/1/2017	18/1/2017–17/1/2027	0.011	825,000,000	–	–	–	825,000,000
	25/1/2018	25/1/2018–24/1/2028	0.010	1,320,000,000	–	–	–	1,320,000,000
	25/1/2019	25/1/2019–24/1/2029	0.010	–	1,300,000,000	–	–	1,300,000,000
							Sub-total	*3,445,000,000*
Xu Jinhuan (resigned on 20/3/2019)	25/1/2019	25/1/2019–24/1/2029	0.010	–	1,300,000,000	–	–	1,300,000,000
					3,900,000,000 (Note)			
Independent non-executive Directors								
Chow Siu Ngor	17/1/2014	17/1/2014–16/1/2024	0.010	5,000,000	–	–	–	5,000,000
	18/1/2017	18/1/2017–17/1/2027	0.011	10,000,000	–	–	–	10,000,000
	25/1/2018	25/1/2018–24/1/2028	0.010	10,000,000	–	–	–	10,000,000
	25/1/2019	25/1/2019–24/1/2029	0.010	–	10,000,000	–	–	10,000,000
							Sub-total	*35,000,000*
Lau Ho Kit, Ivan	17/1/2014	17/1/2014–16/1/2024	0.010	5,000,000	–	–	–	5,000,000
	18/1/2017	18/1/2017–17/1/2027	0.011	10,000,000	–	–	–	10,000,000
	25/1/2018	25/1/2018–24/1/2028	0.010	10,000,000	–	–	–	10,000,000
	25/1/2019	25/1/2019–24/1/2029	0.010	–	10,000,000	–	–	10,000,000
							Sub-total	*35,000,000*
Tam King Ching, Kenny	17/1/2014	17/1/2014–16/1/2024	0.010	5,000,000	–	–	–	5,000,000
	18/1/2017	18/1/2017–17/1/2027	0.011	10,000,000	–	–	–	10,000,000
	25/1/2018	25/1/2018–24/1/2028	0.010	10,000,000	–	–	–	10,000,000
	25/1/2019	25/1/2019–24/1/2029	0.010	–	10,000,000	–	–	10,000,000
					30,000,000 (Note)		*Sub-total*	*35,000,000*
Sub-total for the Directors				6,985,000,000	3,930,000,000 (Note)	–	–	10,915,000,000
Employees	25/1/2018	25/1/2018–24/1/2028	0.010	1,320,000,000	–	–	–	1,320,000,000
	25/1/2019	25/1/2019–24/1/2029	0.010	–	2,600,000,000 (Note)	6,010	–	2,599,993,990
Other participants	18/1/2017	18/1/2017–17/1/2027	0.011	350,000,000	–	–	350,000,000	–
	25/1/2019	25/1/2019–24/1/2029	0.010	–	1,300,000,000 (Note)	–	–	1,300,000,000
Total				8,655,000,000	7,830,000,000 (Note)	6,010	350,000,000	16,134,993,990

SHARE OPTION SCHEME *(continued)*

The 2011 Scheme *(continued)*

Note:

An aggregate of 7,830,000,000 share options were granted on 25 January 2019, which has a total fair value of HK$24,490,000 as at the date of grant. These share options were granted to the following categories of participants:

(a) an aggregate of 3,930,000,000 share options granted to the Directors with fair value of HK$10,994,000, of which 3,900,000,000 share options were granted to the Executive Directors with fair value of approximately HK$10,910,000 and 30,000,000 share options were granted to the INEDs with fair value of approximately HK$84,000;

(b) 2,600,000,000 share options granted to employees with fair value of HK$8,998,000; and

(c) 1,300,000,000 share options granted to other participants with fair value of HK$4,498,000.

Save as disclosed above, no share options was granted, exercised, cancelled or has lapsed under the 2011 Scheme during the year ended 31 December 2019.

As refer to above share options movement table, on 25 January 2019 (the "**2019 Grant Date**"), a total of 7,830,000,000 share options were granted under the 2011 Scheme with an exercise price of HK$0.01 per Share. Basis of determining the exercise price of HK$0.01 per Share was not less than the highest of: (i) the closing price of HK$0.01 per Share as stated in the daily quotation sheet issued by the Stock Exchange on the 2019 Grant Date; and (ii) the average closing price of HK$0.01 per Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the 2019 Grant Date.

The closing price of the Shares immediately before the 2019 Grant Date, as quoted in the Stock Exchange's daily quotation sheet, was HK$0.01 per Share.

The total fair value of the equity-settled share options granted on 25 January 2019 was HK$24,490,000 which was estimated as at the date of grant, using the binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

	Date of Grant 25 January 2019
Dividend yield	0.00%
Expected volatility	81.04%
Historical volatility	81.04%
Risk-free interest rate	2.47%
Expected life of share options	10 years

The expected life of the share options is based on management expectation and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the share options granted was incorporated into the measurement of fair value. The Company recognised a total share-based expense of HK$24,490,000 for the year ended 31 December 2019 in relation to share options granted on 25 January 2019.

SHARE OPTION SCHEME *(continued)*

As at the date of this annual report, there were 16,134,993,990 share options in aggregate outstanding under the 2011 Scheme, and the total number of Shares to be issued upon exercise of the share option is 16,134,993,990 which represented approximately 8.8% of the total number of issued Shares as at the date of this annual report. The exercise in full of the outstanding share options in the Company would result in the issue of 16,134,993,990 additional ordinary shares and an additional share capital and share premium (before issue expense) of HK$161,350,000 and HK$70,602,000, respectively, in the Company.

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

As at 31 December 2019, the Directors and the chief executive of the Company and/or any of their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) (i) as recorded in the register required to be kept by the Company under section 352 of the SFO; or (ii) as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO; or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company:

Interests and short positions in the Shares and the underlying Shares as at 31 December 2019

Long Positions

		Number of the Shares/underlying Shares			
Name of Directors	**Capacity/ nature of interests**	**No. of Shares**	**No. of share options**	**Total interests**	**Approximate % of the total number of issued Shares***
Executive Directors					
Mak Shiu Tong, Clement ("**Mr. Mak**")	Interests of controlled corporations	53,667,100,000 (Note 1)	–		
	Beneficial owner	–	2,620,000,000 (Notes 2 & 3)	56,287,100,000	30.61%
Cheng Yuk Ching, Flora	Beneficial owner	–	3,445,000,000 (Notes 2 & 4)	3,445,000,000	1.87%
Tam Ngai Hung, Terry	Beneficial owner	10,000,000	3,445,000,000 (Notes 2 & 4)	3,455,000,000	1.87%
Independent Non-executive Directors					
Chow Siu Ngor	Beneficial owner	–	35,000,000 (Notes 2 & 5)	35,000,000	0.01%
Lau Ho Kit, Ivan	Beneficial owner	–	35,000,000 (Notes 2 & 5)	35,000,000	0.01%
Tam King Ching, Kenny	Beneficial owner	–	35,000,000 (Notes 2 & 5)	35,000,000	0.01%

* The percentage was calculated based on 183,846,100,000 Shares in issue as at 31 December 2019.

DIRECTORS' CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES *(continued)*

Interests and short positions in the Shares and the underlying Shares as at 31 December 2019 *(continued)*

Notes:

1. The interests disclosed represented 53,667,100,000 Shares, held indirectly by CCT Fortis through its two indirect wholly-owned subsidiaries of which 28,467,100,000 Shares were held by CCT Telecom Securities Limited and 25,200,000,000 Shares were held by Ever Sino Group Limited. Mr. Mak was deemed to be interested in the aforesaid 53,667,100,000 Shares under the SFO as he was entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of CCT Fortis through his interest in the shareholding of approximately 54.01% of the total number of issued shares of CCT Fortis as at 31 December 2019.

2. These represented underlying Shares of the outstanding share options granted to the Directors pursuant to the 2011 Scheme as at 31 December 2019.

3. The 2,620,000,000 share options interested by Mr. Mak as at 31 December 2019 represented (i) the share options granted to Mr. Mak on 18 January 2017 to subscribe for 1,300,000,000 Shares at the exercise price of HK$0.011 per Share, exercisable during the exercisable period from 18 January 2017 to 17 January 2027; and (ii) the share options granted to Mr. Mak on 25 January 2018 to subscribe for 1,320,000,000 Shares at the exercise price of HK$0.01 per Share, exercisable during the exercisable period from 25 January 2018 to 24 January 2028.

4. The 3,445,000,000 share options interested by each of Ms. Cheng Yuk Ching, Flora and Mr. Tam Ngai Hung, Terry as at 31 December 2019 represented (i) the share options granted to each of these two Executive Directors on 18 January 2017 to subscribe for 825,000,000 Shares at the exercise price of HK$0.011 per Share, exercisable during the exercisable period from 18 January 2017 to 17 January 2027; (ii) the share options granted to each of these two Executive Directors on 25 January 2018 to subscribe for 1,320,000,000 Shares at the exercise price of HK$0.01 per Share, exercisable during the exercisable period from 25 January 2018 to 24 January 2028; and (iii) the share options granted to each of these two Executive Directors on 25 January 2019 to subscribe for 1,300,000,000 Shares at the exercise price of HK$0.01 per Share, exercisable during the exercisable period from 25 January 2019 to 24 January 2029.

5. The 35,000,000 share options interested by each of Mr. Chow Siu Ngor, Mr. Lau Ho Kit, Ivan and Mr. Tam King Ching, Kenny as at 31 December 2019 represented (i) the share options granted to each of these three INEDs on 17 January 2014 to subscribe for 5,000,000 Shares at the exercise price of HK$0.01 per Share, exercisable during the exercisable period from 17 January 2014 to 16 January 2024; (ii) the share options granted to each of these three INEDs on 18 January 2017 to subscribe for 10,000,000 Shares at the exercise price of HK$0.011 per Share, exercisable during the exercisable period from 18 January 2017 to 17 January 2027; (iii) the share options granted to each of these three INEDs on 25 January 2018 to subscribe for 10,000,000 Shares at the exercise price of HK$0.01 per Share, exercisable during the exercisable period from 25 January 2018 to 24 January 2028; and (iv) the share options granted to each of these three INEDs on 25 January 2019 to subscribe for 10,000,000 Shares at the exercise price of HK$0.01 per Share, exercisable during the exercisable period from 25 January 2019 to 24 January 2029.

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executive of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the sections headed "Share Option Scheme" and "Directors' and Chief Executive's Interests in Shares and Underlying Shares" above, at no time during the year was the Company, or any of its holding companies, subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2019, so far as was known to the Directors, the following persons (not being the Directors or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Interests and short positions in the Shares and the underlying Shares as at 31 December 2019

Long Positions

		Number of the Shares		
Name of Substantial Shareholders	**Capacity/ nature of interests**	**No. of Shares**	**Total interests**	**Approximate % of the total number of issued Shares***
CCT Fortis Holdings Limited	Interests of controlled corporations	53,667,100,000 (Notes 1 & 2)	53,667,100,000	29.19%
CCT Capital International Holdings Limited	Interests of controlled corporations	53,667,100,000 (Notes 1 & 2)	53,667,100,000	29.19%
CCT Telecom Securities Limited	Beneficial owner	28,467,100,000 (Notes 1 & 2)	28,467,100,000	15.48%
Ever Sino Group Limited	Beneficial owner	25,200,000,000 (Notes 1 & 2)	25,200,000,000	13.71%

* The percentage was calculated based on 183,846,100,000 Shares in issue as at 31 December 2019.

Notes:

1. The interests stated represented 53,667,100,000 Shares, as to 28,467,100,000 Shares held by CCT Telecom Securities Limited and as to 25,200,000,000 Shares held by Ever Sino Group Limited. Both companies are indirect wholly-owned subsidiaries of CCT Fortis.

2. CCT Telecom Securities Limited and Ever Sino Group Limited are direct wholly-owned subsidiaries of CCT Capital International Holdings Limited which is in turn a direct wholly-owned subsidiary of CCT Fortis.

Save for Mr. Mak, Ms. Cheng Yuk Ching, Flora and Mr. Tam Ngai Hung, Terry who are also executive directors of CCT Fortis and directors of CCT Capital International Holdings Limited, CCT Telecom Securities Limited and Ever Sino Group Limited; and Mr. Chow Siu Ngor and Mr. Tam King Ching, Kenny who are also independent non-executive directors of CCT Fortis, no other Director is a director or employee of the above substantial shareholders which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any party who, as at 31 December 2019, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

As at 31 December 2019, CCT Fortis held indirectly 53,667,100,000 Shares, representing approximately 29.19% of the total number of issued shares of the Company. As such, CCT Fortis is a substantial shareholder of the Company and hence is a connected person of the Company under Chapter 14A of the Listing Rules. During the two years ended 31 December 2019 and 2018, the Group had entered the following continuing connected transactions with CCT Fortis and its certain subsidiaries.

		Year ended 31 December	
HK$ million	Notes	**2019**	2018
Continuing connected transactions:			
Purchase of components	(i)	**14.1**	37.2
Supply of child products	(ii)	**74.2**	127.2
Management information system service fee	(iii)	**4.5**	6.0

Notes:

(i) These transactions represented purchases of components and toolings for 2019 and 2018, which were conducted under a manufacturing agreement dated 15 November 2018 entered into between the Company and CCT Fortis (the "**2018 Component Agreement**") , and the previous agreement dated 9 November 2015 (the "**2015 Component Agreement**"), respectively. The 2018 Component Agreement has a term of three years from 1 January 2019 to 31 December 2021 whereas the 2015 Component Agreement had a term of three years from 1 January 2016 to 31 December 2018. Pursuant to these two component agreements, CCT Fortis agreed to manufacture and supply through its subsidiaries certain plastic casings, components and other component products and toolings for the Group. In accordance with the terms of the 2018 Component Agreement and the 2015 Component Agreement, the purchase prices of plastic casings, components and other component products were determined based on direct material costs plus a mark-up of no more than 250%. The charges for the toolings were determined based on total costs plus a mark-up of no more than 50%.

(ii) The supply of child products during 2019 and 2018 represented transaction amounts for the supply of child products by the Group to the CCT Fortis Group based on the agreements set out below. On 3 August 2016, an agreement (the "**2016 Child Products Agreement**") was entered into between CCT Tech Global Holdings Limited ("**CCT Global**"), a wholly-owned subsidiary of the Company, and CCT Fortis which governed the terms and conditions for the supply of the child products by the Group to the CCT Fortis Group during the term of the agreement from 14 October 2016 to 31 December 2018. On 31 August 2016, 14 September 2016 and 4 October 2016, CCT Global and CCT Fortis entered into the first supplemental agreement, the second supplemental agreement and the third supplemental agreement (collectively as the "**Supplemental Agreements**"), respectively, pursuant to which the parties to the Supplemental Agreements agreed to amend and supplement the pricing terms and policies of the 2016 Child Products Agreement. The 2016 Child Products Agreement as amended by Supplemental Agreements were renewed on 15 November 2018 by a new child products agreement entered into between the Company and CCT Fortis (the "**2018 Child Products Agreement**") for a term of three years from 1 January 2019 to 31 December 2021. The terms and conditions of the 2018 Child Products Agreement were similar to the 2016 Child Products Agreement as amended by Supplemental Agreements. Pursuant to these agreements, the price of the child products to be supplied by the Group for the CCT Fortis Group will be the higher of the sum of the direct material costs plus a mark-up no more than 250% of the direct material costs and the selling prices that the CCT Fortis Group sells to independent third parties less a discount of up to 10%.

(iii) The management information system service fee was charged by the Company to CCT Fortis for the provision of general management information system support, network and software consultation and hardware maintenance services. The fee was determined in accordance with the terms and conditions set out in the agreement dated 6 December 2018 (the "**MIS Agreement**") entered into between CCT Fortis and the Company, which has a term of three years from 1 January 2018 to 31 December 2020.

CONTINUING CONNECTED TRANSACTIONS *(continued)*

In relation to the continuing connected transactions of the Group for 2019, the INEDs have reviewed and confirmed that:

(a) the aggregate value of the transactions under the 2018 Component Agreement of HK$14.1 million recorded for the year ended 31 December 2019, as set out in Note (i) above did not exceed the approved cap amount of HK$15.0 million;

(b) the aggregate value of the transactions under the 2018 Child Products Agreement of HK$74.2 million recorded for the year ended 31 December 2019, as elaborated in Note (ii) above did not exceed the approved cap amount of HK$80.0 million;

(c) the annual consideration of the transactions under the MIS Agreement of HK$4.5 million recorded for the year ended 31 December 2019, as set out in Note (iii) above did not exceed the approved cap amount of HK$10.0 million;

(d) the transactions under each of the 2018 Component Agreement, the 2018 Child Products Agreement and the MIS Agreement were entered into in the usual and ordinary course of businesses of the Group;

(e) the transactions under each of the 2018 Component Agreement, the 2018 Child Products Agreement and the MIS Agreement were conducted on normal commercial terms or better; and

(f) the transactions under each of the 2018 Component Agreement, the 2018 Child Products Agreement and the MIS Agreement were conducted in accordance with the terms of the agreements governing such transactions, which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with all the Code Provisions under the CG Code throughout the year from 1 January 2019 to 31 December 2019, except for the minor deviations from Code Provisions A.2.1 and A.4.2 of the CG Code. Detailed information of such deviations and their respective considered reasons as well as other information on the corporate governance practices of the Company are set out in the section headed "Corporate Governance Report" in this annual report.

DISCLOSURE ON CHANGE OF INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51(B)(1) OF THE LISTING RULES

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

— Mr. Lau Ho Kit, Ivan resigned as an independent non-executive director of Glory Mark Hi-Tech (Holdings) Limited (stock code: 08159) with effect from 2 March 2020.

CHANGE IN COMPOSITION OF THE BOARD

Name of Director	Details of Change
Xu Jinhuan	Resigned as an Executive Director on 20 March 2019

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of not less than 25% of the total number of issued Shares as required under the Listing Rules throughout the financial year under review and up to the date of this annual report.

PERMITTED INDEMNITY PROVISION

The Company's bye-laws provide that each Director or other officer of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of his or her duty in office. In addition, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

MANAGEMENT CONTRACTS

Save for employment contracts, no other contracts, relating to the management and/or administration of the whole or any substantial part of any business of the Company were entered into or subsisted during the year ended 31 December 2019.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, none of the Directors or any of their respective associates is interested in any business competing or likely to compete with the Group's business that is discloseable under Rule 8.10(2) of the Listing Rules.

AUDITORS

The financial statements for the year ended 31 December 2019 have been audited by Ernst & Young, who will retire at the forthcoming AGM of the Company. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming AGM of the Company.

EVENT AFTER THE REPORTING PERIOD

Details of the event after the reporting period are set out in note 39 to the financial statements of this annual report.

ON BEHALF OF THE BOARD OF
GREATER BAY AREA INVESTMENTS GROUP HOLDINGS LIMITED

Mak Shiu Tong, Clement
Chairman
Hong Kong

30 March 2020

independent auditor's report

EY 安永

To the shareholders of Greater Bay Area Investments Group Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Greater Bay Area Investments Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 51 to 129, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

To the shareholders of Greater Bay Area Investments Group Holdings Limited
(Incorporated in Bermuda with limited liability)

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Recoverability assessment of loans and interest receivables	
As at 31 December 2019, the Group had loans and interest receivables in the aggregate amount of HK$248 million, which represented approximately 12.4% of the Group's total assets. Significant management judgement and estimates are required in determining the impairment losses of loans and interest receivables under the expected credit loss model. Management applied the general approach for calculating the expected credit losses under HKFRS 9 for the loans and interest receivables. Management engaged an external valuer to assist in the determination of the fair value of the properties pledged to the Group as collateral for the loans and interest receivables. Related disclosures are included in notes 3, 20 and 38 to the consolidated financial statements.	Our audit procedures included evaluating management's processes and controls relating to the monitoring of loans and interest receivables. We evaluated the objectivity, independence and competency of the external valuer, and involved our internal valuation specialists to assist us in evaluating and testing the assumptions and methodologies used in the valuations of the collateral. We also reviewed the repayment history and obtained direct confirmations from the debtors.
Net realisable value of properties held for sale and properties under development	
As at 31 December 2019, the Group had properties held for sale of HK$323 million and properties under development of HK$945 million, which were stated at the lower of cost and net realisable value. These properties in aggregate represented approximately 63.6% of the Group's total assets. Significant management judgement and estimates are required to determine the net realisable value of the properties held for sale and properties under development. Management takes into account factors including the estimated cost to completion, unit selling prices of existing and pre-sale properties. To support their assessment of the net realisable value of the properties held for sale and properties under development, an external valuer was engaged by management to determine their valuation. Related disclosures are included in notes 3, 17 and 18 to the consolidated financial statements.	Our audit procedures included evaluating the objectivity, independence and competency of the external valuer, and involving our internal valuation specialists to assist us in evaluating and testing the assumptions and methodologies used in the valuations. Also, where available, we corroborated the realisable value by making reference to recent sales transactions for similar properties.

To the shareholders of Greater Bay Area Investments Group Holdings Limited

(Incorporated in Bermuda with limited liability)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

To the shareholders of Greater Bay Area Investments Group Holdings Limited
(Incorporated in Bermuda with limited liability)

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

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

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

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

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

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

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

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

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

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

To the shareholders of Greater Bay Area Investments Group Holdings Limited
(Incorporated in Bermuda with limited liability)

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lok Man Ho.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
30 March 2020

consolidated statement of profit or loss

Year ended 31 December 2019

HK$ million	Notes	2019	2018
REVENUE			
— Revenue from contracts with customers	5	**261**	408
— Interest income	5	**22**	22
		283	430
Cost of sales		**(259)**	(393)
Gross profit		**24**	37
Other income and gains, net		**10**	14
Selling and distribution expenses		**(16)**	(16)
Administrative expenses		**(116)**	(95)
Other expenses, net		**(92)**	(14)
Finance costs	7	**(6)**	(10)
LOSS BEFORE TAX	6	**(196)**	(84)
Income tax credit/(expense)	10	**30**	(1)
LOSS FOR THE YEAR		**(166)**	(85)
Attributable to:			
Owners of the parent		**(168)**	(88)
Non-controlling interest		**2**	3
		(166)	(85)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		**(HK0.09 cent)**	(HK0.06 cent)

consolidated statement of comprehensive income

Year ended 31 December 2019

HK$ million	2019	2018
LOSS FOR THE YEAR	**(166)**	(85)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(8)**	(44)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(8)**	(44)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(174)**	(129)
Attributable to:		
Owners of the parent	**(176)**	(132)
Non-controlling interest	**2**	3
	(174)	(129)

consolidated statement of financial position

31 December 2019

HK$ million	Notes	2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	13	**2**	7
Investment properties	14	**43**	46
Goodwill	16	**–**	41
Loans and interest receivables	20	**–**	241
Total non-current assets		**45**	335
Current assets			
Properties under development	17	**945**	683
Properties held for sale	18	**323**	486
Trade receivables	19	**32**	89
Loans and interest receivables	20	**248**	153
Prepayments, other receivables and other assets	21	**217**	79
Pledged time deposits	22	**10**	15
Cash and cash equivalents	22	**175**	123
Total current assets		**1,950**	1,628
Total assets		**1,995**	1,963
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital	28	**1,839**	1,839
Reserves	31	**(820)**	(666)
		1,019	1,173
Non-controlling interest		**38**	36
Total equity		**1,057**	1,209
Non-current liabilities			
Deferred tax liabilities	27	**34**	52
Total non-current liabilities		**34**	52
Current liabilities			
Trade and bills payables	23	**137**	331
Tax payable		**15**	1
Other payables and accruals	24	**655**	226
Interest-bearing bank and other borrowings	25	**97**	144
Total current liabilities		**904**	702
Total liabilities		**938**	754
Total equity and liabilities		**1,995**	1,963
Net current assets		**1,046**	926
Total assets less current liabilities		**1,091**	1,261

Mak Shiu Tong, Clement
Chairman

Tam Ngai Hung, Terry
Director

consolidated statement of changes in equity

Year ended 31 December 2019

	Attributable to owners of the parent										
HK$ million	Issued capital	Convertible bonds	Share premium account	Capital reserve	Share option reserve	Asset revaluation reserve#	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interest	Total equity
At 1 January 2018	1,343	496	341	733	24	5	(27)	(1,628)	1,287	33	1,320
Loss for the year	–	–	–	–	–	–	–	(88)	(88)	3	(85)
Other comprehensive loss for the year:											
Exchange differences related to foreign operations	–	–	–	–	–	–	(44)	–	(44)	–	(44)
Total comprehensive loss for the year	–	–	–	–	–	–	(44)	(88)	(132)	3	(129)
Equity-settled share option arrangements (note 29)	–	–	–	–	18	–	–	–	18	–	18
Transfer of share option reserve upon the forfeiture of share options (note 29)	–	–	–	–	(11)	–	–	11	–	–	–
Conversion of convertible bonds (note 30)	496	(496)	–	–	–	–	–	–	–	–	–
At 31 December 2018	**1,839**	**–**	**341***	**733***	**31***	**5***	**(71)***	**(1,705)***	**1,173**	**36**	**1,209**
Effect of adoption of HKFRS 16 (note 2.2)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2)**	**(2)**	**–**	**(2)**
At 1 January 2019 (restated)	**1,839**	**–**	**341**	**733**	**31**	**5**	**(71)**	**(1,707)**	**1,171**	**36**	**1,207**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(168)**	**(168)**	**2**	**(166)**
Other comprehensive loss for the year:											
Exchange differences related to foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**(8)**	**–**	**(8)**	**–**	**(8)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(8)**	**(168)**	**(176)**	**2**	**(174)**
Issue of shares upon exercise of share options (note 28)	**–****	**–**	**–****	**–**	**–****	**–**	**–**	**–**	**–****	**–**	**–****
Equity-settled share option arrangements (note 29)	**–**	**–**	**–**	**–**	**24**	**–**	**–**	**–**	**24**	**–**	**24**
Transfer of share option reserve upon the forfeiture of share options (note 29)	**–**	**–**	**–**	**–**	**(1)**	**–**	**–**	**1**	**–**	**–**	**–**
At 31 December 2019	**1,839**	**–**	**341***	**733***	**54***	**5***	**(79)***	**(1,874)***	**1,019**	**38**	**1,057**

The asset revaluation reserve arose from a change in use from an owner-occupied property to an investment property carried at fair value.

* The sum total of these reserve accounts represent the consolidated deficits of HK$820 million (2018: HK$666 million) in the consolidated statement of financial position.

** Less than HK$1 million

consolidated statement of cash flows

Year ended 31 December 2019

HK$ million	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(196)**	(84)
Adjustments for:			
Finance costs	7	**6**	10
Depreciation	6	**3**	2
Write-down of properties held for sale to net realisable value	6	**37**	5
Impairment of items of property, plant and equipment	6	**3**	–
Impairment loss on goodwill	6	**41**	4
Changes in fair value of investment properties		**3**	(2)
Impairment of trade receivables	6	**8**	3
Equity-settled share option expense	29	**24**	18
		(71)	(44)
Increase in properties under development		**(277)**	(256)
Decrease in properties held for sale		**123**	77
Decrease in trade receivables		**–**	167
(Increase)/decrease in loans and interest receivables		**68**	(92)
Increase in prepayments, other receivables and other assets		**(55)**	(39)
Decrease in trade and bills payables		**(142)**	(27)
Increase in other payables and accruals		**439**	176
Cash generated from/(used in) operations		**85**	(38)
Interest received		**9**	1
Interest paid		**(6)**	(10)
Mainland China tax refunded/(paid)		**9**	(3)
Net cash flows from/(used in) operating activities		**97**	(50)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(1)**	(1)
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	1
Proceeds from disposal of property, plant and equipment		**–**	1
Decrease in pledged time deposits		**5**	48
Net cash flows from investing activities		**4**	49

HK$ million	Note	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**20**	–
New trust receipts loans		**37**	18
Principal portion of lease payments/finance lease rental payments		**(1)**	(1)
Repayment of bank loans and trust receipts loans		**(105)**	(115)
Net cash flows used in financing activities		**(49)**	(98)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**52**	(99)
Cash and cash equivalents at beginning of year		**123**	222
CASH AND CASH EQUIVALENTS AT END OF YEAR		**175**	123
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**95**	103
Non-pledged time deposits with original maturity of less than three months when acquired		**80**	20
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**175**	123

notes to financial statements

31 December 2019

1. CORPORATE AND GROUP INFORMATION

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally involved in the following principal activities:

- sale and supply of telecom and electronic products and infant and baby products;
- development and sale of properties; and
- finance business.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
CCT Land (Anshan) Property Development Company Limited*/**	PRC/Mainland China	RMB200,000,000 Registered^	–	100	Property development
CCT Land Development (Anshan) Company Limited*/**	PRC/Mainland China	HK$380,000,000 Registered^	–	100	Property development
CCT Marketing Limited*	British Virgin Islands/ Hong Kong	US$1 Ordinary	–	100	Trading of the telecom, electronic and child products
CCT Tech Marketing Limited*	Hong Kong	HK$2 Ordinary	–	100	Supply of child products
CCT Tech (HK) Limited*	Hong Kong	HK$2,600,000 Ordinary	–	100	Sourcing of child products, raw materials and components
CCT Tech Advanced Products Limited*	Hong Kong	HK$2 Ordinary	–	100	Research and development on the telecom and electronic products
CCT Automotive Limited*	Hong Kong	HK$1 Ordinary	–	100	Electric vehicle business
Huizhou Wiltec Electronics Company Limited*/**	PRC/Mainland China	HK$18,500,000 Registered^	–	100	Holding of investment properties

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

^ Registered as wholly-foreign-owned enterprises under the People's Republic of China ("PRC") law

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

** The English names of these companies represent the best effort made by the management of the Company to directly translate their Chinese names as these companies do not register any official English names.

The above table 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 net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest million except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interest, even if this results in the non-controlling interest having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary; (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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

Except for the amendments to HKFRS 9, HKFRS 19, HKAS 28 and *Annual Improvements to HKFRSs 2015–2017 Cycle*, which are not relevant to the preparations of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of accumulated losses at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) *(continued)*

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. The right-of-use assets were included in the property, plant and equipment.

All these assets were assessed for any impairment based on HKAS 36 on that date. As at the date of initial adoption, impairment loss on right-of-use assets of HK$2 million was recognised in accumulated losses.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(a) *(continued)*

As a lessee — Leases previously classified as operating leases *(continued)*

Impact on transition (continued)

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase HK$ million
Liabilities	
Increase in interest-bearing bank and other borrowings	2
Increase in accumulated losses	2

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	HK$ million
Operating lease commitments as at 31 December 2018	–#
Add: Payments to optional extension periods not recognised as at 31 December 2018	2
	2
Weighted average incremental borrowing rate as at 1 January 2019	3.89%
Lease liabilities as at 1 January 2019	2

\# Less than HK$1 million

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation did not have any significant impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interest are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interest and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties at fair value at the end of each reporting period. 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture and office equipment	10% – 20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to properties held for sale.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost of properties held for sale is determined by an apportionment of total land and building costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds from the properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on the prevailing market conditions.

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises	Over the lease term

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases (applicable from 1 January 2019) *(continued)*

Group as a lessee *(continued)*

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income and gains, net in the statement of profit or loss. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases (applicable from 1 January 2019) *(continued)*

Group as a lessor *(continued)*

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Leases (applicable before 1 January 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased assets is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" blow.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchase or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets *(continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

General approach (continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, accruals and interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing bank and other borrowings and domestic bonds are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers (continued)

(a) Sale of telecom, electronic and child products

Revenue from the sale of telecom, electronic and child products is recognised at the point in time when control of the assets is transferred to customers, generally on delivery of the products.

(b) Property development business

Revenue from the sale of properties is recognised at the point in time when control over the properties is transferred to the buyers and the Group has the present right to payment and the collection of the consideration is probable.

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Rental income

Rental income is recognised on a time proportion basis over the lease terms.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as properties under development and property and equipment, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

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

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

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

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

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

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

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits

Pension schemes

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a percentage of the payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., 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. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits with original maturity of three months or less, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a) above;

(vii) a person identified in (a)(i) above 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); and

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment property and owner-occupied property

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact on the carrying value of the asset and impairment losses/reversal of impairment losses in the period in which such estimate has been changed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the financial statements.

Impairment of loans and other receivables

The Group applies the general approach in calculating expected credit losses under HKFRS 9 for loans and other receivables. The Group applies various elements in assessing the expected credit loss, which involved forward-looking information, expected future cash flows and collateral values. Details of loans and other receivables are set out in note 20 and note 21 to the financial statements, respectively.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Valuation of properties under development and properties held for sale

Properties under development and properties held for sale are stated at the lower of cost and net realisable value. The estimated net realisable value is the estimated selling price less selling expenses and the estimated cost of completion (if any), which are estimated based on the best available information.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Land appreciation taxes

Land appreciation tax in the PRC is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures.

The subsidiaries of the Group engaging in the property development business in Mainland China are subject to land appreciation taxes. However, the implementation of these taxes varies amongst various cities in Mainland China and the Group has not finalised its land appreciation tax returns from some of its completed property development projects with local tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the statement of profit or loss and the provision for land appreciation taxes in the period in which such determination is made.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has the following reporting segments:

(a) the products trading business segment representing the sale and supply of telecom and electronic products and infant and baby products;

(b) the property business segment representing the development and sale of properties; and

(c) the finance business segment representing the finance business.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that non-lease-related finance costs, equity-settled share option expense, the head office and corporate expenses are excluded from such measurement.

4. OPERATING SEGMENT INFORMATION *(continued)*

Segment assets exclude corporate and other unallocated assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and corporate and other unallocated liabilities as these liabilities are managed on a group basis.

	Products trading business		Property business		Finance business		Reconciliations		Total	
HK$ million	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Segment revenue (note 5)										
Sales to external customers	**149**	333	**112**	75	**22**	22	**–**	–	**283**	430
Other revenue	**10**	10	**–**	2	**–**	2	**–**	–	**10**	14
	159	343	**112**	77	**22**	24	**–**	–	**293**	444
Operating (loss)/profit	**(17)**	4	**(77)**	(48)	**10**	21	**–**	–	**(84)**	(23)
Impairment of goodwill	**–**	–	**–**	–	**(41)**	(4)	**–**	–	**(41)**	(4)
Finance costs	**(5)**	(6)	**(1)**	(4)	**–**	–	**–**	–	**(6)**	(10)
Reconciled items:										
Corporate and other unallocated expenses	**–**	–	**–**	–	**–**	–	**(41)**	(29)	**(41)**	(29)
Equity-settled share option expense	**–**	–	**–**	–	**–**	–	**(24)**	(18)	**(24)**	(18)
(Loss)/profit before tax	**(22)**	(2)	**(78)**	(52)	**(31)**	17	**(65)**	(47)	**(196)**	(84)
Income tax credit/(expense)									**30**	(1)
Loss for the year									**(166)**	(85)

4. OPERATING SEGMENT INFORMATION *(continued)*

HK$ million	Products trading business 2019	2018	Property business 2019	2018	Finance business 2019	2018	Reconciliations 2019	2018	Total 2019	2018
Other segment information:										
Expenditure for non-current assets	**1**	1	**–**	–	**–**	–	**–**	–	**1**	1
Depreciation	**(3)**	(2)	**–**	–	**–**	–	**–**	–	**(3)**	(2)
Other material non-cash items:										
Impairment of trade receivables	**(8)**	(1)	**–**	(2)	**–**	–	**–**	–	**(8)**	(3)
Equity-settled share option expense	**–**	–	**–**	–	**–**	–	**(24)**	(18)	**(24)**	(18)
Fair value (loss)/gain of investment properties	**(3)**	2	**–**	–	**–**	–	**–**	–	**(3)**	2
Impairment of items of property, plant and equipment	**(2)**	–	**–**	–	**(1)**	–	**–**	–	**(3)**	–
Write-down of properties held for sale to net realisable value	**–**	–	**(37)**	(5)	**–**	–	**–**	–	**(37)**	(5)
Impairment loss on goodwill	**–**	–	**–**	–	**(41)**	(4)	**–**	–	**(41)**	(4)
Segment assets	**144**	225	**1,437**	1,245	**327**	443	**–**	–	**1,908**	1,913
Reconciled items:										
Corporate and other unallocated assets	**–**	–	**–**	–	**–**	–	**87**	50	**87**	50
Total assets	**144**	225	**1,437**	1,245	**327**	443	**87**	50	**1,995**	1,963
Segment liabilities	**121**	207	**760**	490	**6**	3	**–**	–	**887**	700
Reconciled items:										
Corporate and other unallocated liabilities	**–**	–	**–**	–	**–**	–	**51**	54	**51**	54
Total liabilities	**121**	207	**760**	490	**6**	3	**51**	54	**938**	754

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

HK$ million	2019	2018
Mainland China and Hong Kong	**192**	234
North America	**64**	112
Asia Pacific, Europe and others	**27**	84
	283	430

The revenue information above is based on the final locations where the Group's products and properties were sold to customers.

(b) Non-current assets

HK$ million	2019	2018
Hong Kong	**–**	6
Mainland China	**45**	88
	45	94

The non-current asset information is based on the locations of the assets and excludes financial instruments.

Information about major customers

For the year ended 31 December 2019, revenue of approximately HK$34 million was derived from sales by the property business segment to one customer, which individually accounted for over 10% of the Group's total revenue. For the year ended 31 December 2019, revenue of approximately HK$40 million and HK$74 million (2018: HK$127 million and HK$106 million) was derived from sales by the products trading segment to two (2018: two) customers, which individually accounted for over 10% of the Group's total revenue.

5. REVENUE

An analysis of revenue is as follows:

HK$ million	2019	2018
Revenue from contracts with customers		
Sale of telecom, electronic and child products	**149**	333
Sale of properties	**112**	75
	261	408
Revenue from other sources		
Interest income from loans receivable	**22**	22
	283	430

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

HK$ million	Sale of telecom, electronic and child products	Sale of properties	Total
Geographical markets:			
Mainland China and Hong Kong	**58**	**112**	**170**
North America	**64**	**–**	**64**
Asia Pacific, Europe and others	**27**	**–**	**27**
Total revenue from contracts with customers	**149**	**112**	**261**
Timing of revenue recognition:			
Goods transferred at a point in time	**149**	**112**	**261**

5. REVENUE *(continued)*

Revenue from contracts with customers *(continued)*

(i) Disaggregated revenue information *(continued)*

For the year ended 31 December 2018

HK$ million	Sale of telecom, electronic and child products	Sale of properties	Total
Geographical markets:			
Mainland China and Hong Kong	137	75	212
North America	112	–	112
Asia Pacific, Europe and others	84	–	84
Total revenue from contracts with customers	333	75	408
Timing of revenue recognition:			
Goods transferred at a point in time	333	75	408

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale and supply of telecom, electronic and child products

The performance obligation is satisfied upon transfer of products to customers, generally on delivery of the telecom, electronic and child products.

5. REVENUE *(continued)*

Revenue from contracts with customers *(continued)*

(ii) Performance obligations *(continued)*

Sales of properties

The performance obligation is satisfied upon transfer of properties to the buyers and the Group has the present right to payment and the collection of the consideration is probable.

The amounts of transaction prices allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) as at 31 December are as follows:

HK$ million	**2019**	2018
Amounts expected to be recognised as revenue:		
Within one year	**632**	38
After one year	**–**	259
	632	297

As at 31 December 2018, the amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to the property business, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

HK$ million	Notes	**2019**	2018
Cost of inventories sold		**139**	311
Cost of properties sold		**120**	82
Depreciation	13	**3**	2
Minimum lease payments under operating leases		**–**	3
Lease payments not included in the measurement of lease liabilities		**14**	–
Research and development costs:			
Current year expenditure		**9**	22
Auditor's remuneration		**3**	3
Employee benefit expense (excluding directors' and chief executive's remuneration — note 8):			
Wages and salaries		**10**	19
Equity-settled share option expense		**13**	4
Pension scheme contributions***		**1**	1
		24	24
Impairment of trade receivables, net*	19	**8**	3
Gross rental income**		**(2)**	(1)
Changes in fair value of investment properties*/**	14	**3**	(2)
Impairment of items of property, plant and equipment*	13	**3**	–
Write-down of properties held for sale to net realisable value*		**37**	5
Equity-settled share option expense		**24**	18
Impairment loss on goodwill*	16	**41**	4

* Included in "Other expenses, net" on the face of the consolidated statement of profit or loss

** Included in "Other income and gains, net" on the face of the consolidated statement of profit or loss

*** The effect of forfeited contributions on the Group's contributions to the pension schemes for the year, and the amounts of forfeited contributions available to reduce contributions in future years were not material.

7. FINANCE COSTS

An analysis of finance costs is as follows:

HK$ million	2019	2018
Interest on bank loans	6	10
Interest on lease liabilities	–#	–
Interest expenses arising from revenue contracts	28	–
Less: Interest capitalised	(28)	–
Total interest expense on financial liabilities not at fair value through profit or loss	6	10

Less than HK$1 million

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

HK$ million	2019	2018
Fees:		
Executive directors, non-executive director and chief executive	–	1
Independent non-executive directors	–#	–#
	–#	1
Other emoluments:		
Salaries, allowances and benefits in kind	6	5
Equity-settled share option expense	11	14
Pension scheme contributions	–#	–#
	17	19
	17	20

Less than HK$1 million

During the year, share options were granted to certain directors of the Company under the share option scheme of the Company, to reward their services of the Group, further details of which are set out in note 29 to the financial statements. The fair value of such options, which was recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the reporting period is included in the above disclosure of directors' and chief executive's remuneration.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Fees HK$'000	Equity-settled share option expense HK$'000	Total remuneration HK$'000
2019			
Chow Siu Ngor	**240**	**28**	**268**
Lau Ho Kit, Ivan	**240**	**28**	**268**
Tam King Ching, Kenny	**–**	**28**	**28**
	480	**84**	**564**
2018			
Chow Siu Ngor	240	33	273
Lau Ho Kit, Ivan	240	33	273
Tam King Ching, Kenny	–	33	33
	480	99	579

There were no other emoluments payable to the independent non-executive directors during the year (2018: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors, non-executive director and chief executive

HK$ million	Fees	Salaries, allowances and benefits in kind	Equity-settled share option expense	Pension scheme contributions	Total remuneration
2019					
Executive directors:					
Mak Shiu Tong, Clement — chief executive	–	3.1	–	0.2	3.3
Tam Ngai Hung, Terry	–	1.4	3.6	0.1	5.1
Cheng Yuk Ching, Flora	–	1.3	3.6	0.1	5.0
Xu Jinhuan (resigned on 20 March 2019)	–	–	3.6	–	3.6
	–	5.8	10.8	0.4	17.0

HK$ million	Fees	Salaries, allowances and benefits in kind	Equity-settled share option expense	Pension scheme contributions	Total remuneration
2018					
Executive directors:					
Mak Shiu Tong, Clement — chief executive	–	2.8	4.4	0.2	7.4
Tam Ngai Hung, Terry	–	1.1	4.4	0.1	5.6
Cheng Yuk Ching, Flora	–	1.1	4.4	0.1	5.6
Lai Mei Kwan (resigned on 31 August 2018)	0.4	–	–	–	0.4
Xu Jinhuan (appointed on 11 December 2018)	–	–	–	–	–
	0.4	5.0	13.2	0.4	19.0
Non-executive director:					
Tsui Wing Tak (resigned on 30 April 2018)	0.1	–	–	–	0.1
	0.5	5.0	13.2	0.4	19.1

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2018: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2018: three) directors (one (2018: one) of them is also the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2018: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

HK$ million	**2019**	2018
Salaries, allowances and benefits in kind	**3**	3

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2019	2018
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**–**	1
	2	2

10. INCOME TAX (CREDIT)/EXPENSE

No provision for Hong Kong profits tax has been made during the current and prior years as the Group did not generate any assessable profits in Hong Kong during these years. Taxes on profits assessable have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

HK$ million	**2019**	2018
Current — Mainland China		
Mainland China land appreciation tax	**1**	1
Mainland China corporate income tax	**–**	2
Overprovision in prior years	**(13)**	–
Deferred (note 27)	**(18)**	(2)
	(30)	1

10. INCOME TAX (CREDIT)/EXPENSE *(continued)*

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

2019

HK$ million	Hong Kong Amount	%	The PRC, excluding Hong Kong Amount	%	Total Amount	%
Loss before tax	(52.3)		(143.2)		(195.5)	
Tax at the statutory tax rate	(8.6)	16.5	(35.8)	25.0	(44.4)	22.7
Income not subject to tax	(0.2)	0.4	–	–	(0.2)	0.1
Expenses not deductible for tax	6.8	(13.0)	10.4	(7.3)	17.2	(8.8)
Tax losses not recognised	1.7	(3.3)	6.8	(4.7)	8.5	(4.3)
Adjustment in respect of current tax of previous periods	–	–	(12.8)	8.9	(12.8)	6.5
Land appreciation taxes	–	–	1.4	(1.0)	1.4	(0.7)
Tax credit at the Group's effective rate	(0.3)	0.6	(30.0)	20.9	(30.3)	15.5

10. INCOME TAX (CREDIT)/EXPENSE *(continued)*

2018

HK$ million	Hong Kong Amount	%	The PRC, excluding Hong Kong Amount	%	Total Amount	%
Loss before tax	(41.0)		(42.6)		(83.6)	
Tax at the statutory tax rate	(6.8)	16.5	(10.6)	25.0	(17.4)	20.8
Income not subject to tax	(0.1)	0.2	–	–	(0.1)	0.1
Expenses not deductible for tax	6.7	(16.3)	4.8	(11.3)	11.5	(13.7)
Tax losses not recognised	–	–	7.1	(16.7)	7.1	(8.5)
Adjustment in respect of current tax of previous periods	0.6	(1.4)	(0.2)	0.5	0.4	(0.5)
Land appreciation taxes	–	–	(0.1)	0.2	(0.1)	0.1
Tax charge at the Group's effective rate	0.4	(1.0)	1.0	(2.3)	1.4	(1.7)

11. DIVIDENDS

No dividends have been paid or declared by the Company for the year ended 31 December 2019 (2018: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share is based on:

HK$ million	**2019**	2018
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation	**(168)**	(88)

	Number of shares	
	2019	2018
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**183,846,096,987**	143,543,045,497

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the impact of the outstanding share options had an anti-dilutive effect on the basic loss per share amounts presented.

13. PROPERTY, PLANT AND EQUIPMENT

HK$ million	Right-of-use assets — Office premises	Owned assets: Furniture and office equipment	Owned assets: Motor vehicles	Total
31 December 2019				
At 1 January 2019 (restated):				
Cost	2	92	11	105
Accumulated depreciation and impairment	(2)	(87)	(9)	(98)
Net carrying amount	–	5	2	7
At 1 January 2019 (restated)	–	5	2	7
Addition	–	–	1	1
Depreciation provided during the year	–	(2)	(1)	(3)
Impairment	–	(3)	–	(3)
At 31 December 2019, net of accumulated depreciation and impairment	–	–	2	2
At 31 December 2019:				
Cost	2	92	12	106
Accumulated depreciation and impairment	(2)	(92)	(10)	(104)
Net carrying amount	–	–	2	2

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

HK$ million	Owned assets: Furniture and office equipment	Owned assets: Motor vehicles	Total
31 December 2018			
At 1 January 2018:			
Cost	92	11	103
Accumulated depreciation and impairment	(86)	(8)	(94)
Net carrying amount	6	3	9
At 1 January 2018, net of accumulated depreciation and impairment	6	3	9
Additions	–	1	1
Disposal	–	(1)	(1)
Depreciation provided during the year	(1)	(1)	(2)
At 31 December 2018, net of accumulated depreciation and impairment	5	2	7
At 31 December 2018:			
Cost	92	11	103
Accumulated depreciation and impairment	(87)	(9)	(96)
Net carrying amount	5	2	7

The net carrying amount of motor vehicles held under finance leases included in the total amount of motor vehicles at 31 December 2018 was HK$1 million.

14. INVESTMENT PROPERTIES

HK$ million	**2019**	2018
Carrying amount at 1 January	**46**	44
Net gain/(loss) from a fair value adjustment	**(3)**	2
Carrying amount at 31 December	**43**	46

The Group's investment properties consist of a commercial property in Mainland China. The Group's investment properties were revalued on 31 December 2019 based on valuations performed by Grant Sherman Appraisal Limited, an independent professionally qualified valuer, at HK$43 million. Each year, the directors decide to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's finance director has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

14. INVESTMENT PROPERTIES *(continued)*

The commercial property is leased to third parties under operating leases, further summary details of which are included in note 15 to the financial statements.

At 31 December 2019 and 2018, the Group's investment properties were pledged to secure certain general banking facilities granted to the Group (note 25(a)).

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2019 using			
HK$ million	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Recurring fair value measurement for:				
Commercial property	**–**	**–**	**43**	**43**

	Fair value measurement as at 31 December 2018 using			
HK$ million	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:				
Commercial property	–	–	46	46

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

HK$ million	Commercial property
Carrying amount at 1 January 2018	44
Gain from a fair value adjustment recognised in other income and gains in profit or loss	2
Carrying amount at 31 December 2018 and 1 January 2019	**46**
Loss from a fair value adjustment recognised in other expense in profit or loss	**(3)**
Carrying amount at 31 December 2019	**43**

Set out below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

2019	Valuation technique	Significant unobservable input	
Commercial property	**Income approach**	**Term rent (per annum)**	**HK$2 million**
		Term yield	**4.5% – 5.5%**
		Reversionary rent (per annum)	**HK$2 million**
		Reversionary yield	**5.5% – 6.5%**

2018	Valuation technique	Significant unobservable input	
Commercial property	Income approach	Term rent (per annum)	HK$2 million
		Term yield	5% – 5.5%
		Reversionary rent (per annum)	HK$2 million
		Reversionary yield	5.5% – 6%

The Group has determined that the highest and best use of the investment properties at the measurement date was the current use.

Under the income approach, fair value is estimated by referring to the current rent passing of the property interest and the reversionary potential of the tenancies.

A significant increase/(decrease) in the term rent, term yield, reversionary rent and reversionary yield would result in a significant increase/(decrease) in the fair value of the investment properties.

15. LEASES

The Group as a lessee

The Group has lease contracts for office properties used in its operations. Leases of office properties generally have lease terms between one and two years. Other lease contracts generally have lease terms of 12 months or less. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

HK$ million	**2019 Lease liabilities**	2018 Finance lease payables
Carrying amount at 1 January	**2.4**	1.7
Accretion of interest recognised during the year	**–#**	–#
Payments	**(1.4)**	(1.3)
Carrying amount at 31 December	**1.0**	0.4
Analysed into:		
Current portion	**1.0**	0.4
Non-current portion	**–#**	–

The maturity analysis of lease liabilities (2018: finance lease payables) is disclosed in note 38 to the financial statements.

\# Less than HK$1 million

15. LEASES *(continued)*

The Group as a lessee *(continued)*

(b) The amounts recognised in profit or loss in relation to leases are as follows:

HK$ million	2019
Interest on lease liabilities	**–#**
Depreciation charge of right-of-use assets	**1**
Expense relating to short-term leases	**14**
Total amount recognised in profit or loss	**15**

(c) The total cash outflow for leases is disclosed in note 32(c) to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 14) consisting one commercial property in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK$2 million (2018: HK$1 million), details of which are included in note 6 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

HK$ million	2019	2018
Within one year	**–#**	2
After one year but within two years	**–#**	4
After two years but within three years	**–#**	–
	1	6

Less than HK$1 million

16. GOODWILL

HK$ million	2019	2018
At 1 January:		
Cost	**103**	103
Accumulated impairment	**(62)**	(58)
Net carrying amount	**41**	45
Cost at 1 January, net of accumulated impairment	**41**	45
Impairment during the year (note 6)	**(41)**	(4)
Net carrying amount at 31 December	**–**	41
At 31 December:		
Cost	**103**	103
Accumulated impairment	**(103)**	(62)
Net carrying amount	**–**	41

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating unit of the mainland finance business for impairment testing.

During the year ended 31 December 2019, the Group has ceased the finance business in Mainland China and resolved to deregister Shenzhen Qianhai Huiyitong Financial Services Co., Ltd. ("Huiyitong"), a subsidiary of the Company, (the "Deregistration") on 19 November 2019, resulting from the change in the financial services environment and continuing keen competition in the financial service industry in Mainland China. An impairment loss of HK$41 million has been provided in relation to this cash-generating unit. All assets and liabilities, which are all financial assets and liabilities, of Huiyitong will be distributed to its shareholders upon completion of the Deregistration (the "Distribution"). As at the date of approval of these financial statements, the deregistration process was still ongoing and have not been completed.

As at 31 December 2018, the recoverable amount of the cash-generating unit of the Mainland finance business was determined based on value in use calculations using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections of the mainland finance business was 24.5%. The cash flow projections of the mainland finance business beyond the five-year period of financial budgets were extrapolated using a growth rate of 3.0%, which did not exceed the long term average growth rate of the industry.

Assumptions were used in the value in use calculation of the mainland finance business cash-generating unit for 31 December 2018. The following describes the key assumption on which management had based its cash flow projections to undertake the impairment testing of goodwill:

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Based on the annual impairment test performed, an impairment loss of HK$4 million had been provided for the year ended 31 December 2018 in relation to the Mainland finance business as the cash-generating unit had been reduced to its recoverable amount of HK$77 million. The impairment loss arose as a result of the less than satisfactory past and expected performance of the cash-generating unit of the Mainland finance business.

16. GOODWILL *(continued)*

Impairment testing of goodwill *(continued)*

As at 31 December 2018, if the pre-tax discount rate applied to the cash flow projections of the cash-generating unit of the Mainland finance business increased to 25.0% with all other variables held constant, the recoverable amount of the cash-generating unit would decrease by HK$2 million.

17. PROPERTIES UNDER DEVELOPMENT

HK$ million	**2019**	2018
Properties under development expected to be completed within normal operating cycle, included under current assets and recoverable:		
Within one year	**945**	683

Lump sum payments were made upfront to acquire the leased land from the PRC Government with lease term period of 70 years, and no ongoing payments will be made under the terms of the land lease.

18. PROPERTIES HELD FOR SALE

All the properties held for sale are stated at the lower of cost and net realisable value.

At 31 December 2018, certain of the Group's bank loans were secured by the Group's properties held for sale situated in Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$79 million (note 25(a)(ii)).

Lump sum payments were made upfront to acquire the leased lands from the PRC Government with lease term period of 70 years, and no ongoing payments will be made under the terms of these land leases.

19. TRADE RECEIVABLES

HK$ million	**2019**	2018
Trade receivables	**50**	99
Impairment	**(18)**	(10)
	32	89

The Group's trading terms with its customers of telecom, electronic and child products are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two months, extending up to three months for major customers. Each customer has a maximum credit limit. In respect of the Group's property development business, trade receivables are settled based on the terms of the sale and purchase agreements of properties.

19. TRADE RECEIVABLES *(continued)*

The Group seeks to maintain strict control over its outstanding receivables and has a credit policy to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral and other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019		2018	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**1**	**3**	21	24
31 to 60 days	**1**	**3**	20	22
61 to 90 days	**1**	**3**	6	7
Over 90 days	**29**	**91**	42	47
	32	**100**	89	100

The movements in the loss allowance for impairment of trade receivables are as follows:

HK$ million	**2019**	2018
At 1 January	**10**	7
Impairment losses (note 6)	**8**	3
At 31 December	**18**	10

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. As at 31 December 2019, an impairment allowance for trade receivables of HK$18 million (2018: HK$10 million) has been provided based on the provision matrix.

19. TRADE RECEIVABLES *(continued)*

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

		Past due			
HK$ million	Current	Within 6 months	7–12 months	Over 1 year	Total
Telecom, electronic and child products					
Expected credit loss rate	0.6%	1.0%	32.4%	100.0%	25.1%
Gross carrying amount	3.8	10.1	25.9	2.0	41.8
Expected credit losses	–	0.1	8.4	2.0	10.5
Sale of properties					
Expected credit loss rate	0.1%	N/A	N/A	100.0%	90.9%
Gross carrying amount	0.7	–	–	7.0	7.7
Expected credit losses	–	–	–	7.0	7.0
Total					
Expected credit loss rate	0.1%–0.6%	1.0%	32.4%	100.0%	25.1%–90.9%
Gross carrying amount	4.5	10.1	25.9	9.0	49.5
Expected credit losses	–	0.1	8.4	9.0	17.5

19. TRADE RECEIVABLES *(continued)*

As at 31 December 2018

HK$ million	Current	Past due: Within 6 months	Past due: 7–12 months	Past due: Over 1 year	Total
Telecom, electronic and child products					
Expected credit loss rate	0.1%	0.1%	100%	100%	3.5%
Gross carrying amount	78.5	9.0	0.8	2.3	90.6
Expected credit losses	0.1	–	0.8	2.3	3.2
Sale of properties					
Expected credit loss rate	0.1%	0.1%	N/A	100%	85.4%
Gross carrying amount	1.1	0.1	–	7.0	8.2
Expected credit losses	–	–	–	7.0	7.0
Total					
Expected credit loss rate	0.1%	0.1%	100%	100%	3.5%–85.4%
Gross carrying amount	79.6	9.1	0.8	9.3	98.8
Expected credit losses	0.1	–	0.8	9.3	10.2

As at 31 December 2018, included in the trade receivables were trade receivables of HK$16 million due from Wiltec Industrial Limited, a wholly-owned subsidiary of CCT Fortis, which were unsecured, interest-free and repayable within 90 days from the invoice date.

20. LOANS AND INTEREST RECEIVABLES

HK$ million	2019	2018
Loans receivable	**240**	383
Interest receivables	**8**	11
	248	394
Current portion	**(248)**	(153)
Non-current portion	**–**	241

Impairment consideration

The Group's loans and interest receivables arose from the Group's finance business in Mainland China and Hong Kong. The credit period is generally within one year.

20. LOANS AND INTEREST RECEIVABLES *(continued)*

Impairment consideration *(continued)*

As at 31 December 2019, the Group's loans receivable amounting to HK$240 million (2018: HK$241 million) were secured by certain properties located in Mainland China and were guaranteed by an independent third party. The Group engaged an external valuer to assess the fair value of the collateral held by the Group. The fair value of the collateral held by the Group was higher than the carrying amount of the respective loans receivable as at the year end.

As at 31 December 2018, the Group's loans receivable amounting to HK$54 million were guaranteed by an independent third party, interest-bearing at 1.5% per month and repayable in one year.

As at 31 December 2018, loans receivable of HK$80 million was unsecured, interest-bearing at 5% per annum and repayable in one year.

As at 31 December 2018, loans receivable of approximately HK$8 million was unsecured, interest-free and repayable on demand.

Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of the borrowers. As at 31 December 2019 and 2018, none of the loans and interest receivables were overdue and all balances were categorised within stage 1 for measurement of expected credit losses. As at 31 December 2019 and 2018, no impairment allowance for loans and interest receivables has been provided based on the impairment analysis.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

HK$ million	**2019**	2018
Prepayments	**124**	61
Other receivables and other assets	**93**	18
	217	79

Included in prepayments was an amount of HK$13 million prepaid to CCT Plastic Limited, a wholly owned subsidiary of CCT Fortis.

Included in other receivables was an amount of HK$79 million relating to the Distribution (note 16).

An impairment analysis is performed at each reporting date by considering the probability of default of the financial assets. As at 31 December 2019 and 2018, none of the financial assets included in the above balances were overdue and all balances were categorised within stage 1 for measurement of expected credit losses. As at 31 December 2019 and 2018, the loss allowance for the financial assets included in the above balances was assessed to be minimal.

22. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

HK$ million	**2019**	2018
Cash and bank balances	**95**	103
Time deposits	**90**	35
	185	138
Less: Pledged time deposits (note 25(b)):		
Pledged for short term bank loans and banking facilities	**(10)**	(15)
Cash and cash equivalents	**175**	123

At the end of the reporting period, the cash and cash equivalents and pledged time deposits of the Group denominated in RMB were HK$44 million (2018: HK$5 million). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rate. Short term time deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019		2018	
HK$ million	**Balance**	**Percentage**	Balance	Percentage
Current to 30 days	**2**	**1**	21	6
31 to 60 days	**2**	**1**	21	6
61 to 90 days	**3**	**2**	11	3
Over 90 days	**130**	**96**	278	85
	137	**100**	331	100

As at 31 December 2018, included in the trade and bill payables were trade payables of HK$9 million due to CCT Plastic Limited, a wholly-owned subsidiary of CCT Fortis, which were unsecured, interest-free and repayable within 90 days from the invoice date.

The trade payables are non-interest-bearing and are normally settled on terms ranging from 30 to 120 days.

24. OTHER PAYABLES AND ACCRUALS

HK$ million	Notes	**2019**	2018
Other payables	(a)	**18**	15
Accruals		**7**	10
Contract liabilities	(b)	**630**	201
		655	226

(a) Included in other payables was an amount of HK$5 million relating to the Distribution (note 16).

Other payables are non-interest-bearing and have an average term of three months.

(b) Details of contract liabilities are as follows:

HK$ million	**2019**	2018
Short-term advances received from customers:		
Sales of telecom, electronics and child products	**3**	2
Sales of properties	**627**	199
	630	201

Contract liabilities include proceeds received from buyers in connection with the Group's pre-sale of properties and sale of telecom, electronics and child products.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2019			1 January 2019	31 December 2018		
	Effective interest rate (%)	**Maturity**	**HK$ million**	HK$ million	Effective interest rate (%)	Maturity	HK$ million
Current							
Lease liabilities (notes 15(a), 26)	**3.89**	**2020**	**1**	2	3.69 – 3.88	2019	–#
Bank loans — secured	**2.60 – 4.97**	**2020**	**96**	144	2.71 – 8.08	2019	144
			97	146			144
Non-current							
Lease liabilities (notes 15(a), 26)	**3.89**	**2021**	**–#**	–#	3.69 – 3.88	2020	–#
			97	146			144

HK$ million	**2019**	2018
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**96**	144
Other borrowings repayable:		
Within one year	**1**	–#
In the second year	**–#**	–#
	1	–#
	97	144

Less than HK$1 million

Notes:

(a) As at 31 December 2019, certain of the Group's bank loans were secured by the pledge of the Group's investment properties situated in the Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$43 million (note 14);

As at 31 December 2018, certain of the Group's bank loans were secured by:

(i) the pledge of the Group's investment properties situated in the Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$46 million (note 14); and

(ii) the pledge of the Group's properties held for sale situated in the Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK$79 million (note 18).

In addition, CCT Fortis guaranteed certain of the Group's bank borrowings of up to HK$30 million (2018: HK$53 million) as at the end of the reporting period.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes: *(continued)*

(b) The Group's banking facilities amounting to HK$60 million (2018: HK$105 million), of which HK$8 million (2018: HK$19 million) was utilised as at the end of the reporting period, were secured by the pledge of certain time deposits of the Group amounting to HK$10 million (2018: HK$15 million) (note 22).

(c) The Group's bank and other borrowings with carrying amounts of HK$90 million (2018: HK$106 million) and HK$6 million (2018: HK$15 million) were denominated in HK$ and US$, respectively.

(d) The Group's bank loans with an aggregate carrying amount of HK$89 million (2018: HK$103 million) which were repayable over one year were classified as current liabilities. The classification was resulted from non-fulfilment of a term in the banking facility letter which stated that a subsidiary (which was disposed of in the prior year) should be maintained as a wholly-owned subsidiary of the Company.

26. FINANCE LEASE PAYABLES

The Group leased a motor vehicle for business use. This lease was classified as a finance lease prior to HKFRS 16 becoming effective on 1 January 2019 and the finance lease payables has been settled during the year ended 31 December 2019.

At 31 December 2018, the total future minimum lease payments under a finance lease and their present values were as follows:

HK$ million	Minimum lease payments	Present value of minimum lease payments
Amounts payable:		
Total minimum finance lease payments payable within one year	0.4	0.4
Future finance charges	–#	
Total net finance lease payables classified as current liabilities (note 25)	0.4	

\# Less than HK$1 million

27. DEFERRED TAX LIABILITIES

The movement during the year is as follows:

HK$ million	Fair value adjustments arising from business combination	Revaluation on investment properties	Total
Gross deferred tax liabilities at 1 January 2018	51	3	54
Deferred tax charged/(credited) to statement of profit or loss during the year (note 10)	(3)	1	(2)
Gross deferred tax liabilities at 31 December 2018 and 1 January 2019	**48**	**4**	**52**
Deferred tax credited to statement of profit or loss during the year (note 10)	**(17)**	**(1)**	**(18)**
Gross deferred tax liabilities at 31 December 2019	**31**	**3**	**34**

The Group had tax losses arising in Hong Kong of HK$28 million as at 31 December 2019 (2018: HK$18 million) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also had tax losses arising in Mainland China of HK$136 million (2018: HK$109 million) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised was approximately HK$1 million at 31 December 2019 (2018: HK$1 million).

28. SHARE CAPITAL

Shares

HK$ million	2019	2018
Authorised:		
300,000,000,000 (2018: 300,000,000,000) ordinary shares of HK$0.01 each	**3,000**	3,000
Issued and fully paid:		
183,846,100,000 (2018: 183,846,093,990) ordinary shares of HK$0.01 each	**1,839**	1,839

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Issued capital HK$ million	Share premium account HK$ million	Total HK$ million
At 1 January 2018	134,278,993,990	1,343	341	1,684
Conversion of convertible bonds (note 30)	49,567,100,000	496	–	496
At 31 December 2018 and 1 January 2019	183,846,093,990	1,839	341	2,180
Issue of shares upon exercise of share options (note 29)	6,010	–#	–#	–#
As at 31 December 2019	**183,846,100,000**	**1,839**	**341**	**2,180**

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 29 to the financial statements.

Less than HK$1 million

29. SHARE OPTION SCHEME

At the annual general meeting ("AGM") of the Company held on 27 May 2011, the shareholders of the Company approved the adoption of the share option scheme (the "2011 Scheme"). The adoption of the 2011 Scheme was also approved on 27 May 2011 by the shareholders of CCT Fortis, which was the then ultimate holding company of the Company. The 2011 Scheme then became effective on 30 May 2011. This was the date on which the Listing Committee of the Stock Exchange granted approval for the listing of, and permission to deal in, any shares of the Company (the "Shares") on the Stock Exchange, which may fall to be allotted and issued by the Company pursuant to the exercise of the share options in accordance with the terms and conditions of the 2011 Scheme. Unless otherwise cancelled or amended, the 2011 Scheme will be valid for a period of 10 years from the date of its adoption (i.e. 27 May 2011).

29. SHARE OPTION SCHEME *(continued)*

The purpose of the 2011 Scheme is to enable the Company to grant share options to the eligible participants, as incentives and/or rewards for their contribution to the Group and/or any entity in which any member of the Group holds any equity interest ("Invested Entity") or the holding company of the Company (if applicable). Eligible participants of the 2011 Scheme include:

(a) any director or proposed director (whether executive or non-executive and whether independent or not), any executive, officer, employee or any person to whom any offer of employment has been made, executive or officer (whether full-time or part-time, on an employment or contractual or honorary basis or otherwise and whether paid or unpaid) of any member of the Group, any Invested Entity or the holding company of the Company (if applicable);

(b) any supplier or provider of goods and/or services, professional, consultant, agent, contractor, adviser, customer, partner, business associate or shareholder of any member of the Group, any Invested Entity or the holding company of the Company (if applicable), or any holder of any securities issued or proposed to be issued by any member of the Group, any Invested Entity or the holding company of the Company (if applicable), who, in the sole discretion of the Board, will contribute or has contributed to the Group, the Invested Entity or the holding company of the Company (if applicable); and

(c) any person whom the Board at its sole discretion considers, will contribute or has contributed to any members of the Group, the Invested Entity or the holding company of the Company (if applicable) (as the case may be).

Pursuant to the 2011 Scheme, the maximum number of Shares which may be issued upon exercise of all share options to be granted under the 2011 Scheme and any other share option scheme(s) of the Company must not exceed 10% of the total number of Shares in issue as at the date of adoption of the 2011 Scheme and any subsequent refreshment of the scheme limit which may be approved by the shareholders at a general meeting of the Company, in accordance with the Listing Rules. Shares which would have been issuable pursuant to the share options which have lapsed or cancelled in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit. Notwithstanding the foregoing, Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2011 Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the total number of the Shares in issue from time to time. No share option shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

At the date of approval of these financial statements, the total number of share options granted under the 2011 Scheme was 16,134,993,990, which represented approximately 8.8% of the total issued share capital of the Company as at the date of approval of these financial statements. The total number of share options available for grant under 2011 Scheme was 289,298,708, which represented approximately 0.16% of the total issued share capital of the Company as at the date of approval of these financial statements.

The total number of the Shares issued and which may fall to be issued upon exercise of the share options granted under the 2011 Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the total number of Shares in issue as at the date of grant. Any further grant of the share options in excess of this 1% limit shall be subject to the issue of a circular by the Company (and so long as the Company remains a subsidiary of another company which is listed on the Stock Exchange and also by its listed holding company) and the approval of the shareholders of the Company (and so long as the Company remains a subsidiary of another company which is listed on the Stock Exchange and also to be approved by the shareholders of that listed holding company) at a general meeting with such eligible participant and his/her associates abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

29. SHARE OPTION SCHEME *(continued)*

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to the approval in advance by the independent non-executive director(s) ("INED(s)") of the Company (and so long as the Company remains a subsidiary of another company which is listed on the Stock Exchange, also to be approved by the INED(s) of that listed holding company), excluding the INED(s) of the Company and its listed holding company who is/are the grantee(s) of the share options. In addition, any share option granted to a substantial shareholder or an INED of the Company, or to any of their respective associates, in excess of 0.1% of the total number of Shares in issue as at the date of grant or with an aggregate value (based on the closing price of the Shares as at the date of grant) in excess of HK$5 million, within any 12-month period, is subject to the issue of a circular by the Company (and so long as the Company remains a subsidiary of another company which is listed on the Stock Exchange and also by its listed holding company) and the approval of the Shareholders (and so long as the Company remains a subsidiary of another company which is listed on the Stock Exchange and also to be approved by the shareholders of that listed holding company) in advance at a general meeting.

The offer of a grant of the share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than 10 years from the date of grant of the share options. There is no specific requirement under the 2011 Scheme that a share option must be held for any minimum period before it can be exercised, but the terms of the 2011 Scheme provide that the Board has the discretion to impose a minimum period at the time of grant of any particular share option.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of:

(i) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to grant the share options);

(ii) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

The Company's share options do not confer rights on the holders to dividends or to vote at the general meetings of the Company.

29. SHARE OPTION SCHEME *(continued)*

The 2011 Scheme

The following share options were outstanding under the 2011 Scheme during the year:

	2019 Weighted average exercise price HK$ per share	2019 Number of share options	2018 Weighted average exercise price HK$ per share	2018 Number of share options
At 1 January	**0.011**	**8,655,000,000**	0.011	5,945,000,000
Granted during the year	**0.01**	**7,830,000,000**	0.01	5,310,000,000
Forfeited during the year	**0.011**	**(350,000,000)**	0.011	(2,600,000,000)
Exercised during the year	**0.01**	**(6,010)**	0.01	–
At 31 December	**0.011**	**16,134,993,990**	0.011	8,655,000,000

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.01 per share (2018: No share options were exercised).

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2019

Number of share options	Exercise price* HK$ per share	Exercise period
15,000,000	**0.01**	**17/1/2014–16/1/2024**
2,980,000,000	**0.011**	**18/1/2017–17/1/2027**
5,310,000,000	**0.01**	**25/1/2018–24/1/2028**
7,829,993,990	**0.01**	**25/1/2019–24/1/2029**
16,134,993,990		

29. SHARE OPTION SCHEME *(continued)*

2018

Number of share options	Exercise price* HK$ per share	Exercise period
15,000,000	0.01	17/1/2014–16/1/2024
3,330,000,000	0.011	18/1/2017–17/1/2027
5,310,000,000	0.01	25/1/2018–24/1/2028
8,655,000,000		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the year was HK$24 million (HK$0.0031 per share) (2018: HK$18 million (HK$0.0033 per share)), of which the Group recognised share option expenses of HK$24 million (2018: HK$18 million) during the year ended 31 December 2019.

The fair value of the equity-settled share options granted during the year was HK$24 million (2018: HK$18 million) which was estimated as at the date of grant, using the binomial option pricing model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

	2019	2018
Dividend yield (%)	**0.00**	0.00
Expected volatility (%)	**81.04**	63.18
Historical volatility (%)	**81.04**	63.18
Risk-free interest rate (%)	**2.47**	2.45
Expected life of share options (year)	**10.00**	10.00
Weighted average share price (HK$ per share)	**0.01**	0.01

The expected life of the options is based on management expectation and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

No other feature of the share options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 16,134,993,990 share options outstanding under the 2011 Scheme, which represented approximately 8.8% of the total issued share capital of the Company as at 31 December 2019. The exercise in full of the outstanding share options in the Company would, under the present capital structure of the Company, result in the issue of 16,134,993,990 additional ordinary shares and additional share capital of HK$161 million and share premium of HK$70 million in the Company (before issue expenses).

29. SHARE OPTION SCHEME *(continued)*

No share options were granted, exercised or cancelled, lapsed subsequent to the end of the reporting period.

At the date of approval of these financial statements, the Company had 16,134,993,990 share options outstanding under the 2011 Scheme, which represented approximately 8.8% of the Company's shares in issue as at that date.

30. CONVERTIBLE BONDS

The movements in convertible bonds are as follows:

HK$ million	**2019**	2018
At 1 January	**–**	496
Conversion to ordinary shares of the Company	**–**	(496)
At 31 December	**–**	–

On 7 December 2015, the Company issued convertible bonds (the "**Convertible Bonds**") with an aggregate principal amount of approximately HK$1,096 million, of which the Convertible Bonds of HK$796 million were issued to CCT Telecom Securities Limited, an indirect wholly-owned subsidiary of CCT Fortis, and HK$300 million were issued to an independent third party. The Convertible Bonds were issued as full settlement of the promissory notes then due by the Group with an aggregate outstanding principal amount of HK$1,096 million as at 7 December 2015. The maturity date of the Convertible Bonds fell on the third anniversary of the date of issue of the Convertible Bonds, which was 7 December 2018 (the "Maturity Date"). The Convertible Bonds were interest free and were not secured by any security or guarantee. The Convertible Bonds were convertible at the option of the bondholders into ordinary shares of the Company at the initial conversion price of HK$0.01 per conversion share (subject to adjustments pursuant to the terms of the Convertible Bonds) and the Convertible Bonds could not be redeemable at the option of the Company at any time on or before the Maturity Date. Any Convertible Bonds which were not converted by bondholders, would be automatically converted into ordinary shares of the Company on the Maturity Date.

During the year ended 31 December 2018, the remaining balance of the Convertible Bonds with a principal amount of HK$496 million was converted into 49,567,100,000 ordinary shares, resulting in additional share capital of HK$496 million. As all the Convertible Bonds had been converted into shares of the Company before the Maturity Date, there were no outstanding Convertible Bonds as at 31 December 2018 and 2019.

31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 54 of the financial statements.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

During the year ended 31 December 2018, the Company entered into a tripartite arrangement with two borrowers, pursuant to which (i) the outstanding receivable of HK$249 million from the deemed disposal of subsidiaries in the prior year was settled; and (ii) new loan agreements with a principal amount of HK$249 million were signed with the two borrowers. The loans receivable shall mature in October 2020 with an interest rate of 5% per annum. The loans receivable were guaranteed by an individual and secured by certain properties in Mainland China.

(b) Changes in liabilities arising from financing activities

HK$ million	Bank and other loans	Finance lease payables/ Lease liabilities
At 1 January 2018	243	2
Changes from financing cash flows	(96)	(2)
Foreign exchange movement	(3)	–
At 31 December 2018	144	–
Effect of adoption of HKFRS 16	–	2
At 1 January 2019 (restated)	**144**	**2**
Changes from financing cash flows	**(48)**	**(1)**
Foreign exchange movement	**–#**	**–**
At 31 December 2019	**96**	**1**

Less than HK$1 million

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 HK$ million
Within operating activities	**14**
Within financing activities	**1**
	15

33. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in note 25 to the financial statements.

As at 31 December 2018, certain of the Group's assets with an aggregate carrying amount of HK$10 million were pledged to secure the general banking facilities which were fully repaid during the current year.

34. COMMITMENTS

(a) At the end of the reporting period, the Group did not have any significant commitments (2018: nil).

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of their office properties under operating lease arrangements. Leases for properties were negotiated for terms ranging from two to three years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

HK$ million	2018
Within one year	–#

Less than HK$1 million

35. RELATED PARTY TRANSACTIONS

(a) In addition to those detailed elsewhere in these financial statements, the Group had the following material transactions with CCT Fortis and its subsidiaries (the "CCT Fortis Group") during the year:

HK$ million	Notes	2019	2018
Wholly-owned subsidiaries of CCT Fortis:			
Continuing connected transactions:			
Purchase of components	(i)	**14.1**	37.2
Sales of child products	(ii)	**74.2**	127.2
CCT Fortis:			
Continuing connected transaction:			
Management information system service fee	(iii)	**4.5**	6.0
Related party transactions:			
Guarantee for the payment, performance and discharge of all the undertakings, obligations and liabilities under the financial assistance provided by the CCT Fortis	(iv)	**30.0**	52.5
Interest income	(v)	**2.6**	2.6
Administrative service fee	(vi)	**2.9**	–

Notes:

(i) These transactions represented purchases of components and toolings for 2019 and 2018, which were conducted under a manufacturing agreement dated 15 November 2018 entered into between the Company and CCT Fortis (the "2018 Component Agreement") , and the previous agreement dated 9 November 2015 (the "2015 Component Agreement"), respectively. The 2018 Component Agreement has a term of three years from 1 January 2019 to 31 December 2021 whereas the 2015 Component Agreement had a term of three years from 1 January 2016 to 31 December 2018. Pursuant to these two component agreements, CCT Fortis agreed to manufacture and supply through its subsidiaries certain plastic casings, components and other component products and toolings for the Group. In accordance to the terms of the 2018 Component Agreement and the 2015 Component Agreement, the purchase prices of plastic casings, components and other component products were determined based on direct material costs plus a mark-up of no more than 250%. The charges for the toolings were determined based on total costs plus a mark-up of no more than 50%.

(ii) The supply of child products during 2019 and 2018 represented transaction amounts for the supply of child products by the Group to the CCT Fortis Group based on the agreements set out below. On 3 August 2016, an agreement (the "2016 Child Products Agreement") was entered into between CCT Tech Global Holdings Limited ("CCT Global"), a wholly-owned subsidiary of the Company, and CCT Fortis which governed the terms and conditions for the supply of the child products by the Group to the CCT Fortis Group during the term of the agreement from 14 October 2016 to 31 December 2018. On 31 August 2016, 14 September 2016 and 4 October 2016, CCT Global and CCT Fortis entered into the first supplemental agreement, the second supplemental agreement and the third supplemental agreement (collectively as the "Supplemental Agreements"), respectively, pursuant to which the parties to the Supplemental Agreements agreed to amend and supplement the pricing terms and policies of the 2016 Child Products Agreement. The 2016 Child Products Agreement as amended by Supplemental Agreements were renewed on 15 November 2018 by a new child products agreement entered into between the Company and CCT Fortis (the "2018 Child Products Agreement") for a term of three years from 1 January 2019 to 31 December 2021. The terms and conditions of the 2018 Child Products Agreement were similar to the 2016 Child Products Agreement as amended by Supplemental Agreements. Pursuant to these agreements, the price of the child products to be supplied by the Group for the CCT Fortis Group will be the higher of the sum of the direct material costs plus a mark-up no more than 250% of the direct material costs and the selling prices that CCT Fortis Group sells to independent third parties less a discount of up to 10%

(iii) The management information system service fee was charged by the Company to CCT Fortis for the provision of general management information system support, network and software consultation and hardware maintenance services. The fee was determined in accordance with the terms and conditions set out in the agreement dated 6 December 2018 (the "MIS Agreement") entered into between CCT Fortis and the Company, which has a term of three years from 1 January 2018 to 31 December 2020.

(iv) The amounts of guarantee represented a corporate guarantee provided by CCT Fortis to secure certain banking facilities of the Group.

(v) The interest income was received from CCT Fortis.

(vi) The administrative service fee was charged to the Group by a subsidiary of CCT Fortis for the provision of general administrative services.

The related party transactions set out in paragraphs (i), (ii) and (iii) constituted non-exempt continuing connected transactions as defined in Chapter 14A of the Listing Rules, for which the Company has complied with the requirements under Chapter 14A of the Listing Rules in relation to those non-exempt continuing connected transactions.

35. RELATED PARTY TRANSACTIONS *(continued)*

(b) Outstanding balances with related parties:

Details of the Group's balances with the CCT Fortis Group at the end of the reporting period are disclosed in notes 19, 21 and 23 to the financial statements.

(c) Compensation of key management personnel of the Group:

HK$ million	**2019**	2018
Short term employee benefits	**28**	28

Further details of directors' and chief executive's emoluments are included in note 8 to the financial statements.

36. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group as at 31 December 2018 and 2019 were financial assets at amortised cost and financial liabilities at amortised cost, respectively.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments reasonably approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, time deposits, the current portion of interest-bearing bank and other borrowings, trade and loans receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following method and assumption were used to estimate the fair values:

The Group did not have any financial assets and financial liabilities measured at fair value as at 31 December 2019 and 2018.

During the year ended 31 December 2019, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: Nil).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank borrowings, finance leases and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and loans receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk, and will consider hedging significant interest rate risk should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings).

HK$ million	**Increase/ (decrease) in basis points**	**Increase/ (decrease) in loss before tax HK$ million**
2019		
HK$	**100**	**1**
HK$	**(100)**	**(1)**
2018		
HK$	100	1
HK$	(100)	(1)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by or expenditure of operating units in currencies other than the units' functional currencies. During the year, the Group did not use any financial instruments for hedging purposes.

A reasonably possible increase/decrease of 6.78% (2018: 9.98%) in the exchange rate between RMB and HK$ would result in a decrease/increase (2018: decrease/increase) on the Group's loss before tax (due to changes in the fair value of monetary assets and liabilities) by HK$3 million (2018: HK$4 million) in 2019.

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

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2019. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2019

	12-month ECLs	**Lifetime ECLs**			
HK$ million	**Stage 1**	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
Trade receivables	**–**	**–**	**–**	**32**	**32**
Loan and interest receivables	**248**	**–**	**–**	**–**	**248**
Financial assets included in prepayments, other receivables and other assets	**101**	**–**	**–**	**–**	**101**
Pledged deposits	**10**	**–**	**–**	**–**	**10**
Cash and cash equivalents	**175**	**–**	**–**	**–**	**175**
	534	**–**	**–**	**32**	**566**

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
HK$ million	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Trade receivables	–	–	–	89	89
Loan and interest receivables	394	–	–	–	394
Financial assets included in prepayments, other receivables and other assets	18	–	–	–	18
Pledged deposits	15	–	–	–	15
Cash and cash equivalents	123	–	–	–	123
	550	–	–	89	639

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

Credit risk *(continued)*

Maximum exposure and year-end staging (continued)

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

In addition, management has the overall responsibility for overseeing the credit quality of the Group's loan portfolio. The Group reviews the recoverable amount of loans receivable individually or collectively at each reporting date to ensure that adequate provisions for impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

At 31 December 2019, the Group had concentrations of credit risk as 84% (2018: 65%) and 95% (2018: 93%) of the Group's trade receivables were due from the Group's largest and five largest external customers, respectively.

At 31 December 2019, the Group had concentrations of credit risk as 52% (2018: 32%) and 100% (2018: 98%) of the Group's loans and interest receivables were due from the Group's largest and five largest external customers, respectively.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and loans and interest receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, other interest-bearing loans and lease liabilities (2018: finance leases). In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group's financial liabilities based on contractual undiscounted payments as at the end of the reporting period are all classified as within one year or on demand as at 31 December 2019 and 2018.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

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

Capital management *(continued)*

The Group monitors capital using a gearing ratio, which is total borrowings divided by total capital plus total borrowings. The Group includes interest-bearing bank and other borrowings in the total borrowings. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods are as follows:

HK$ million	**31 December 2019**	1 January 2019 (Note)	31 December 2018
Interest-bearing bank and other borrowings (note 25)	**97**	146	144
Total borrowings	**97**	146	144
Total capital	**1,019**	1,173	1,173
Total capital and borrowings	**1,116**	1,319	1,317
Gearing ratio	**8.7%**	11.1%	10.9%

Note: The Group has adopted HKFRS 16 using the modified retrospective approach and the effect of the initial adoption is adjusted against the opening balances as at 1 January 2019 with no adjustments to the comparative amounts as at 31 December 2018. This resulted in an increase in the Group's net debt and hence the Group's gearing ratio increased from 10.9% to 11.1% on 1 January 2019 when compared with the position as at 31 December 2018.

39. EVENT AFTER REPORTING PERIOD

The outbreak of coronavirus disease 2019 ("COVID-19") since early 2020 has brought about additional uncertainties in the Group's operating environment and may impact the Group's operations and financial position. The Group has been closely monitoring the impact from the COVID-19 on the Group's businesses and has commenced to put in place various measures. Based on the information currently available, the directors confirm that there has been no material adverse change in the financial position or operation of the Group up to the date of this report. However, the actual impacts may differ from these estimates as the situation continues to evolve and further information become available.

40. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, the Group adopted HKFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, HKAS 17, and related interpretations.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

HK$ million	2019	2018
ASSETS		
Non-current assets		
Property, plant and equipment	–	–
Investments in subsidiaries	935	1,126
Total non-current assets	935	1,126
Current assets		
Prepayments and other receivables	1	1
Cash and cash equivalents	85	48
Total current assets	86	49
Total assets	1,021	1,175
EQUITY AND LIABILITIES		
Issued capital	1,839	1,839
Reserves (Note)	(820)	(666)
Total equity	1,019	1,173
Current liabilities		
Other borrowings	1	–
Accruals	1	2
Total current liabilities	2	2
Total liabilities	2	2
Total equity and liabilities	1,021	1,175
Net current assets	84	47
Total assets less current liabilities	1,019	1,173

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

HK$ million	Convertible bonds	Special reserve	Share premium account	Share option reserve	Accumulated losses	Total
At 1 January 2018	496	(56)	341	24	(861)	(56)
Loss for the year and total comprehensive loss for the year	–	–	–	–	(132)	(132)
Equity-settled share option arrangements (note 29)	–	–	–	18	–	18
Transfer of share option reserve upon the forfeiture of share options (note 29)	–	–	–	(11)	11	–
Conversion of convertible bonds	(496)	–	–	–	–	(496)
At 31 December 2018	**–**	**(56)**	**341**	**31**	**(982)**	**(666)**
Effect of adoption of HKFRS 16 (note 2.2)	**–**	**–**	**–**	**–**	**(2)**	**(2)**
At 1January 2019 (restated)	**–**	**(56)**	**341**	**31**	**(984)**	**(668)**
Loss for the year and total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(176)**	**(176)**
Issue of shares upon exercise of share options (note 28)	**–**	**–**	**–#**	**–#**	**–**	**–#**
Equity-settled share option arrangements (note 29)	**–**	**–**	**–**	**24**	**–**	**24**
Transfer of share option reserve upon the forfeiture of share options (note 29)	**–**	**–**	**–**	**(1)**	**1**	**–**
At 31 December 2019	**–**	**(56)**	**341**	**54**	**(1,159)**	**(820)**

Less than HK$1 million

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share capital account when the related options are exercised, or be transferred to accumulated losses should the related options expire or be forfeited.

42. APPROVAL OF THE FINANCIAL STATEMENTS

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

other information

PARTICULARS OF PROPERTIES UNDER DEVELOPMENT AS AT 31 DECEMBER 2019

Name of project	Locations	Uses	Site area (square metres) (approximately)	Gross floor area (square metres) (approximately)	Stage of completion	Attributable interest of the Group
CCT Land-Jun Mansion	A parcel of land located at north of Yueling Road, Gaoxin District, Anshan City, Liaoning Province, Mainland China	Residential, commercial and car parks	83,000	181,000	Under construction, development by phases. Phase 1 is expected to be completed in 2020	100%

PARTICULARS OF PROPERTIES HELD FOR SALE AS AT 31 DECEMBER 2019

Name of projects	Locations	Uses	Gross floor area (square metres) (approximately)	Stage of completion	Attributable interest of the Group
Landmark City Phase I and Phase II	No. 253 Jiu Dao Road, Tiexi District, Anshan City, Liaoning Province, Mainland China	Residential and commercial	5,000	Completed	100%
Landmark City Phase III	No. 253 Jiu Dao Road, Tiexi District, Anshan City, Liaoning Province, Mainland China	Residential, commercial and car parks	32,000	Completed	100%
Evian Villa Phase I	No. 37 Qian Ye Street, Gaoxin District, Anshan City, Liaoning Province, Mainland China	Residential, commercial and car parks	22,000	Completed	100%
Evian Villa Phase II	No. 37 Qian Ye Street, Gaoxin District, Anshan City, Liaoning Province, Mainland China	Residential, commercial and car parks	20,000	Completed	100%

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 restated/reclassified as appropriate, is set out below.

RESULTS

	Year ended 31 December				
HK$ million	**2019**	2018	2017	2016	2015
CONTINUING OPERATIONS					
REVENUE	**283**	430	580	735	801
Cost of sales	**(259)**	(393)	(553)	(686)	(736)
Gross profit	**24**	37	27	49	65
Other income and gains, net	**10**	14	19	10	19
Selling and distribution expenses	**(16)**	(16)	(17)	(22)	(19)
Administrative expenses	**(116)**	(95)	(94)	(86)	(77)
Other expenses, net	**(92)**	(14)	(107)	(23)	(28)
Finance costs, net	**(6)**	(10)	(11)	(3)	(37)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	**(196)**	(84)	(183)	(75)	(77)
Income tax (expense)/credit	**30**	(1)	28	6	3
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(166)**	(85)	(155)	(69)	(74)
DISCONTINUED OPERATION					
Loss for the year from discontinued operations	**–**	–	(41)	(79)	–
LOSS FOR THE YEAR	**(166)**	(85)	(196)	(148)	(74)
Attributable to:					
Owners of the parent	**(168)**	(88)	(198)	(150)	(74)
Non-controlling interest	**2**	3	2	2	–
	(166)	(85)	(196)	(148)	(74)

ASSETS, LIABILITIES AND NON-CONTROLLING INTEREST

	As at 31 December				
HK$ million	**2019**	2018	2017	2016	2015
TOTAL ASSETS	**1,995**	1,963	1,913	2,149	2,421
TOTAL LIABILITIES	**(938)**	(754)	(593)	(732)	(838)
NON-CONTROLLING INTEREST	**(38)**	(36)	(33)	(31)	–
	1,019	1,173	1,287	1,386	1,583

glossary of terms

GENERAL TERMS

"2011 Scheme"	the share option scheme conditionally adopted by the Company on 27 May 2011 which took effect on 30 May 2011
"AGM"	the annual general meeting
"Audit Committee"	the audit committee of the Company
"Board"	the board of the Company
"CCT Fortis"	CCT Fortis Holdings Limited (stock code: 138), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, being a substantial shareholder of the Company
"CCT Fortis Group"	CCT Fortis and its subsidiaries, from time to time
"CEO"	the chief executive officer of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the chairman of the Company
"China" or "PRC"	the People's Republic of China
"Company"	Greater Bay Area Investments Group Holdings Limited (stock code: 261), a company incorporated in Bermuda with limited liability, the Shares are listed on the Main Board of the Stock Exchange
"Director(s)"	the director(s) of the Company
"EV"	the electric vehicle
"Executive Director(s)"	executive director(s) of the Company
"Finance Business"	the finance business engaged by the Group in the Mainland China and the money lender business in Hong Kong
"Greater Bay Area"	Greater Bay Area of the PRC
"Group"	the Company and its subsidiaries, from time to time

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"INED(s)"	independent non-executive director(s) of the Company
"Listing Committee"	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC
"Mainland China"	the Mainland of the PRC
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"N/A"	not applicable
"Nomination Committee"	the nomination committee of the Company
"Products Trading Business"	the business of trading of the indoor-used cordless phones, related telecom products and accessories and the supply of the child products to the CCT Fortis Group
"Property Business"	the development and sale of residential and commercial properties
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"USA"	the United States of America
"US$"	United States dollar(s), the lawful currency of the USA
"%"	per cent

FINANCIAL TERMS

"current ratio"	current assets divided by current liabilities
"gearing ratio"	total borrowings (representing bank and other borrowings) divided by total capital employed (representing total Shareholders' fund plus total borrowings)
"loss per share"	loss for the year attributable to ordinary equity holders of the parent divided by weighted average number of ordinary shares in issue during the year
"operating profit/(loss)"	operating profit/(loss) before interest, unallocated and corporate items and tax