榮 陽 實 業 集 團 有 限 公 司
PanAsialum Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2078

Annual Report
2019

This Annual Report is printed on environmentally friendly paper

Contents

Corporate Information

Directors
Executive Directors
Ms. Li Jiewen
(Chief Executive Officer)
Mr. Gao Mingjie

Independent Non-executive Directors
Mr. Mar Selwyn
Mr. Leung Ka Tin
Dr. Cheung Wah Keung
(Independent Non-executive Chairman)
Mr. Chan Kai Nang

Board Committees
Audit Committee
Mr. Mar Selwyn (Chairman)
Mr. Leung Ka Tin
Dr. Cheung Wah Keung
Mr. Chan Kai Nang

Remuneration Committee
Dr. Cheung Wah Keung (Chairman)
Ms. Li Jiewen
Mr. Mar Selwyn
Mr. Leung Ka Tin
Mr. Chan Kai Nang

Nomination Committee
Mr. Leung Ka Tin (Chairman)
Ms. Li Jiewen
Mr. Mar Selwyn
Dr. Cheung Wah Keung
Mr. Chan Kai Nang

Authorized Representatives
Dr. Cheung Wah Keung
Ms. Li Jiewen

Company Secretary
Ms. Kwok Ka Huen

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

Stock Code
2078

Principal Place of Business in Hong Kong
Unit 05, 17th Floor, Nanyang Plaza,
57 Hung To Road,
Kwun Tong, Kowloon,
Hong Kong

Production Bases in People's Republic of China ("PRC")
Tangerine Garden
Guangshan Road
Licheng Town
Zengcheng, Guangzhou
Guangdong Province
PRC

Long Sheng Industrial Area
No. 6 Long Sheng Road
Wolong District
Nanyang City
Henan Province
PRC

Dong Fang Xi Wang Aluminium Industrial Garden
Wu Cai Wan
ZhunDong Economic and Technology Development Zone
Changji City
Xinjiang Province
PRC

Principal Share Registrar
SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor, 24 Shedden Road,
P.O. Box 1586, Grand Cayman, KY1-1110,
Cayman Islands

Hong Kong Branch Share Registrar
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Principal Bankers
Agricultural Bank of China
China CITIC Bank, Nanyang Branch
Bank of Communications, Nanyang Branch
Bank of China Macau branch
Guangzhou Rural Commercial Bank, Zengcheng Branch
Guangzhou Rural Commercial Bank, Jiangmen Branch

Independent Auditor
BDO Limited

Website
www.palum.com

Financial Highlights

For the year ended December 31, 2019

	Year ended December 31, 2019 HK$'000	Year ended December 31, 2018 HK$'000
Operating results		
Revenue	**1,717,428**	1,642,215
Gross profit	**2,733**	152,736
Operating loss	**(378,272)**	(144,781)
Loss before income tax	**(489,659)**	(209,436)
Operating loss before working capital changes	**(222,981)**	(58,063)
Loss attributable to owners of the Company	**(495,594)**	(233,463)
Cash (used in)/generated from operations	**(297,419)**	40,172
Financial position (HK$'000)		
Net debt	**(1,517,986)**	(864,890)
Equity attributable to owners of the Company	**243,242**	744,888
Loss per share for loss attributable to owners of the Company		
Basic and diluted (HK cents per share)	**(41.3)**	(19.5)
Key ratios (%)		
Gross Profit Margin	**0.2%**	9.3%
Operating Loss Margin	**-22.0%**	-8.8%
Net Loss Margin	**-28.9%**	-14.2%

Management Discussion and Analysis

Overview

Business and Financial Overview

PanAsialum Holdings Company Limited ("Company") and its subsidiaries (collectively, the "Group") is an aluminium products manufacturer with several production plants in the People's Republic of China ("PRC"), making and selling a large and diverse portfolio of high quality products to its customers. The Group strategically located plants in Guangdong, Henan, Xinjiang, literally in south, middle and north-west of PRC allows the Group to serve customers at more optimal cost of production in different locations. The Group manufacture mainly three categories of products: (i) Electronics Parts, (ii) Construction and Industrial Products and (iii) Door and Window Frames Systems.

The total operating revenue of the Group for the year ended December 31, 2019 ("Year") was HK$1,717 million (year ended December 31, 2018: HK$1,642 million), representing an increase of 5% as compared with the year ended December 31, 2018.

The Group's overall gross profit margin dropped from 9% for the year ended December 31, 2018 to 0.2% for the Year. The decrease in gross profit margin arose from (i) the competitive landscape in the market and the persisting unfavorable factors and market volatility (e.g the Sino-U.S. trade war) which are driving the Group to accept a deteriorated margin for sales; and (ii) the decline in sales of electronic parts which is the segment with the highest profit margin.

Net loss after tax attributable to shareholders had significantly increased from HK$233 million for the year ended December 31, 2018 to HK$496 million for the Year. It was mainly due to (i) a decrease in gross profit contribution; (ii) higher finance cost from borrowings associated with the Group's on-going expansion; (iii) an increase in employee benefit expense and severance payment which is caused by a reduction of the numbers of employees so as to improve the efficiency and productivity of the Company; and (iv) an increase in operating expenses because of the relocation of the Company's production facilities which decreases the efficiency of the labour and machines in the beginning period.

Revenue contributions by the respective segments for the years ended December 31, 2018 and 2019 are presented below:

	Revenue for the Year ended December 31, 2019 (HK$ million)	Revenue for the Year ended December 31, 2018 (HK$ million)	The percentage of total revenue for the Year ended December 31, 2019	The percentage of total revenue for the Year ended December 31, 2018
Business Segment				
– Electronics Parts	**408**	717	**23.8%**	43.7%
– Construction and Industrial Products	**1,218**	789	**70.9%**	48.0%
– Door and Window Frames Systems	**91**	136	**5.3%**	8.3%
Total	**1,717**	1,642	**100.0%**	100.0%
Geographical Segment				
– The PRC	**1,217**	1,116	**70.9%**	68.0%
– Australia	**236**	301	**13.7%**	18.3%
– North America	**51**	53	**3.0%**	3.2%
– Hong Kong	**71**	75	**4.1%**	4.6%
– Others	**142**	97	**8.3%**	5.9%
Total	**1,717**	1,642	**100.0%**	100.0%

Management Discussion and Analysis

Electronics Parts

The Electronics Parts segment contributed approximately HK$408 million to the total revenue of the Group, representing a decrease of 43% as compared with HK$717 million for the year ended December 31, 2018. Gross profit margin decreased to 11% for the Year as compared with 16% for year ended December 31, 2018. The prevailing global market conditions in 2019, including the outbreak of the Sino-U.S. trade war, had generally adversely affected the market sentiment; and thus constituted one of the factors contributing to the deterioration in revenue and gross profit margin of the Electronics Parts segment.

Construction and Industrial Products

The revenue and gross profit margin of the Construction and Industrial Products segment were HK$1,218 million (year ended December 31, 2018: HK$789 million) and -2% (year ended December 31, 2018: 3%) respectively for the Year. There was a 174% increase in sales from PRC with revenue of HK$717 million for the year (year ended December 31, 2018: HK$262 million). The drop in gross profit margin was caused by a substantial increase in sales from PRC which has a lower profit margin.

Door and Window Frames Systems

The revenue and gross profit margin of the Door and Window Frame Systems segment were HK$91 million (year ended December 31, 2018: HK$136 million) and -21% (year ended December 31, 2018: 8%) respectively for the Year. In light of the uncertain business outlook of the doors and windows business, this business segment is under review by the Group.

Cost of Sales

Cost of sales increased by 15% from HK$1,489 million for the year ended December 31, 2018 to HK$1,715 million for the Year. The increase is higher than the increase in sales of 5% for the Year, mainly because of the substantial increase in the cost of sales of Construction and Industrial Products. Apart from this, the relocation of the Company's production facilities from Zengcheng to Nanyang has an effect on the productivity of the plant.

Gross Profit

Gross profit decreased from HK$153 million for the year ended December 31, 2018 to HK$3 million for the Year. The Group's gross profit margin has dropped from 9% for the year ended December 31, 2018 to 0.2% for the Year. The maintenance of sales would enable effective absorption of fixed costs, retention of relationships with customers and suppliers and equip the Group with requisite capacities to capture future opportunities and internalise potential benefits.

Distribution and Selling Expenses

Distribution and selling expenses increased by 13% from HK$70 million for the year ended December 31, 2018 to HK$79 million for the Year. The increase was due to the higher transportation cost for Xinjiang plant's construction and industrial products.

Administrative Expenses

Administrative expenses increased by 28% from HK$247 million for the year ended December 31, 2018 to HK$316 million for the Year. The increase was mainly due to an increase in non-recurring employee benefit expenses arising from the successful resumption of trading of the shares of the Company on the Exchange and severance payment which is caused by a reduction of the staff during the Year.

Other Income

Other income comprised net sales of scrapped materials which was HK$4 million for the Year.

Management Discussion and Analysis

Other gains–net

Other gain changed from HK$6 million for the year ended December 31, 2018 to HK$1 million for the Year. The change was mainly due to the offsetting effect of depreciation of Australian Dollar ("**AUD**") against Hong Kong Dollar ("**HKD**") that affecting equivalent HKD sales amount and the effect of the appreciation of United States Dollar ("**USD**") against Renminbi ("**RMB**") where USD was used for certain business trading in China, thus resulted in overall exchange gain.

Finance Income

Finance income mainly comprised interest income which amounted to approximately HK$1 million for the Year compared to HK$0.2 million for the year ended December 31, 2018.

Finance Costs

Finance costs amounted to approximately HK$113 million for the Year compared to HK$64 million for the year ended December 31, 2018.

Income Tax Expenses

The income tax changed from income tax expenses of HK$24 million for the year ended December 31, 2018 to HK$6 million for the Year.

Currency Translation Differences in Other Comprehensive Income

Currency translation differences amounted to approximately HK$11 million for the Year, which was mainly attributable to the currency translation difference of RMB against HKD.

Prospects

At the beginning of 2020, the challenges arising from the COVID-19 are unprecedented, all the Group's production facilities were disrupted, resulting in one more month delay of resuming production after Chinese New Year holiday. The management will keep monitoring the situation and adjusting the Group's strategy accordingly.

The Guangzhou Urban Renewal Bureau announced in late February 2018 that the Zengcheng land where the Group's Zengcheng factory situated fell under the Zengcheng city's redevelopment scheme. As such, the management has been implementing a relocation plan of moving manufacturing facility at Zengcheng in Guangdong to Nanyang in Henan.

According to Suijian(2019)1802 issued by the Guangzhou Municipal Housing and Urban-Rural Development Bureau dated October 22, 2019, it was announced on February 26, 2020 by the Guangzhou Municipal Urban Planning and Resources Bureau that the Land Resumption of Zengcheng land has started. The Company will closely monitor the progress of the redevelopment and land resumption process concerning the Zengcheng land with an aim of attaining a favourable outcome towards the realisation of the value in the Zengcheng land.

As disclosed in the announcement of the Company dated June 6, 2019, PanAsia Aluminum Limited, a wholly-owned subsidiary of the Company, entered into the investment agreement ("**Investment Agreement**") with the Heshan City Government, pursuant to which the Heshan City Government agrees to carry out an open tender in respect of the land use right of a parcel of land situated in the Heshan City, Jiangmen, Guangdong Province area in the PRC. The Group conditionally agreed and intends to acquire the land use right in three phases through the open tender. Pursuant to the Investment Agreement, the Group intends to establish a new production base at the Heshan Industrial City District A (鶴山工業城A區)* for manufacture and production of high performance and high precision aluminium products including high-end aluminum alloys and moulds, hardware parts, heat sinks and other electronic parts mainly to fulfill the demand from the overseas market. Details of the Investment Agreement are set out in the announcement of the Company dated June 6, 2019.

Management Discussion and Analysis

The management has changed the strategy of supply chain to melt Aluminium ingots into rods which is one of the principal raw material for the Group's products. A newly established manufacturing facility for producing aluminium rods in Xinjiang also started production on June 4, 2019. With lower electricity charge on melting cost in Xinjiang, the Group could not only benefit from lower production costs but also enjoy a more stable supply of critical raw materials for the products of the Group in future.

The Group will continue to develop the markets for the products, put emphasis on sales to overseas customers, and endeavor to improve the gross profit margin.

Event After the Reporting Period

As reference to the aforesaid Investment Agreement and the Company's announcement dated March 3, 2020, PanAsia Enterprises (Jiangmen) Company Limited (榮陽實業(江門)有限公司), a wholly owned subsidiary of the Company established in the PRC, has succeeded in the bidding of the land use right of phase 1 of the target lands, which consists of a site area of approximately 133,332.99 square meters through an Open Tender on February 26, 2020 at the consideration of RMB46 million (equivalent to approximately HK$51.52 million). The particulars of phase 1 of the target lands are set out in the announcement of the Company dated March 3, 2020.

Following the outbreak of Coronavirus Disease 2019 in early 2020 in China and spread over the world, a series of precautionary and control measures have been and continued to be implemented across all operation sites of the Group postponement of work resumption after the Chinese New Year holiday in China offices, certain level of restrictions and controls over the travelling of people and traffic arrangements, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing, etc. The Group is still in the process of assessing the impacts and is currently unable to estimate the quantitative impacts to the Group.

Liquidity and Financial Resources

The Group mainly uses borrowings for financing for its capital expenditure and working capital, taking into account the operational results and status of cashflow of the Group. As at December 31, 2019 the Group had HK$15.9 million cash and cash equivalents (December 31, 2018: HK$22.7 million), HK$47.9 million pledged bank deposits (December 31, 2018: HK$3.6 million), interest-bearing borrowings of HK$1,533.9 million denominated in RMB (December 31, 2018: HK$887.5 million denominated in RMB) and no obligation under finance leases (December 31, 2018: HK$0.1 million denominated in HKD).

Borrowings

Particulars of borrowings of the Group as at December 31, 2019 are set out in Note 29 to the consolidated financial statements.

* *for identification purpose only*

Management Discussion and Analysis

Charges on Asset

HK$259 million (December 31, 2018: HK$270 million) of land use rights, HK$23 million (December 31, 2018: HK$25 million) of buildings, HK$115 million (December 31, 2018: HK$127 million) of plant and machinery, HK$45 million (December 31, 2018: HK$112 million) of trade receivables, HK$219 million (December 31, 2018: Nil) of inventories and HK$45 million (December 31, 2018: Nil) of bank deposits of the Group were pledged as security for the Group's borrowings.

Summary of Key Financial Ratios

	Year ended December 31, 2019	Year ended December 31, 2018
Gross Profit Margin (1)	**0.2%**	9.3%
Return on Equity (2)	**(203.7%)**	(31.3%)
Interest Coverage Ratio (3)	**(3.36)**	(2.27)

	As at December 31, 2019	As at December 31, 2018
Current Ratio (4)	**0.62**	0.60
Quick Ratio (5)	**0.44**	0.41
Gearing Ratio (6)	**630.6%**	119.2%
Debt to Equity Ratio (7)	**624.1%**	116.1%

(1) The calculation of Gross Profit Margin is based on gross profit divided by revenue and multiplied by 100%.

(2) The calculation of Return on Equity is based on profit attributable to owners of the Company divided by equity attributable to owners of the Company and multiplied by 100%.

(3) The calculation of Interest Coverage Ratio is based on profit before interest and tax expenses divided by finance costs.

(4) The calculation of Current Ratio is based on current assets divided by current liabilities.

(5) The calculation of Quick Ratio is based on current assets less inventories divided by current liabilities.

(6) The calculation of Gearing Ratio is based on total borrowings and obligations under finance leases divided by total equity multiplied by 100%.

(7) The calculation of Debt to Equity Ratio is based on total borrowings and obligations under finance leases less cash and cash equivalents divided by total equity multiplied by 100%.

Capital Structure

As at December 31, 2019 and December 31, 2018, the Company's issued share capital was HK$120,000,000, divided into 1,200,000,000 shares of HK$0.1 each.

Management Discussion and Analysis

Foreign Exchange and Other Risk

The Group continued to receive AUD, USD and RMB from the sales to major customers during the Year, while most of the Group's purchases of raw materials were settled in RMB. As RMB is not a freely convertible currency, any fluctuation in exchange rate of HKD against RMB may have impact on the Group's results. Currently, the Group has not entered into any agreements or purchased any instruments to hedge the Group's exchange rate risks. Any material fluctuation in the exchange rates of AUD and RMB may have an impact on the operating results of the Group.

The Group is exposed to commodity price risk because aluminium ingots are the major raw materials of the Group's products. During the Year, the Group has not entered into any instruments in order to mitigate the risk arising from fluctuations in aluminium price. Any change in aluminium price could affect the Group's financial performance.

Capital Commitments

Capital commitments contracted by the Group but not yet provided for in the consolidated financial statements as at December 31, 2019 amounted to approximately HK$246 million (December 31, 2018: approximately HK$279 million), which was mainly related to the acquisition of machineries in the PRC.

Contingent Liabilities

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

Employee Information and Remuneration Policies

As at December 31, 2019 the Group employed approximately 2,700 staff (December 31, 2018: 2,900). The Group's remuneration package is determined with reference to the experience and qualifications of the individual employee and general market conditions. The Group also ensures that all employees are provided with adequate training and continued professional opportunities according to their needs. During the Year, the Group incurred staff costs (including Directors' emoluments) of HK$351 million (year ended December 31, 2018: HK$306 million).

Qualified Opinion

A. Management Analysis on the Impact of the Qualified Opinion on the Company's financial position

(1) *Receivables from, and possible relationship with a customer*

Given that this Audit Qualification regarding the carrying amount of the trade receivables due from Customer C relates to comparability of 2018 figures in the financial statements of the Group for the year ended December 31, 2019, the management is of the view that this Audit Qualification does not have any actual impact on the Company's and the Group's financial position as at December 31, 2019.

(2) *Investment in and advances to a former associated company*

Given that the Group disposed of its entire equity interest in Leading Sense Limited ("Leading Sense") during the year ended December 31, 2018, Leading Sense is no longer part of the Group, a detailed review of the recovery of the advances to Leading Sense and its subsidiaries (the "Leading Sense Group") has been carried out. The Audit Qualification relates to comparability of 2018 figures in the financial statements of the Group for the year ended December 31, 2019, the management is of the view that this Audit Qualification does not have any actual impact on the Company's and the Group's financial position as at December 31, 2019.

Save for the above, the Company does not expect the Audit Qualifications to have any potential impact on the Company's and the Group's financial position.

Management Discussion and Analysis

B. The Management's and the Audit Committee's view on the Audit Qualifications

The management was given to understand the basis of the audit modification issued by the auditor were mainly due to the inherent limitation carried forward from previous years. The following summarizes the management's view on the Audit Qualifications:

(1) *Receivables from, and possible relationship with a customer*

The Company has taken and completed the appropriate legal actions against Customer C for the related receivables and carried out a detailed review on the recovery during 2018. The management considers that the trade receivables due from Customer C is HK$Nil as at December 31, 2018 and the Company has exhausted all reasonable means of recovery from this customer prior to the writing off of its carrying amount. The management is confident that the Company's existing internal control measures and financial reporting procedures will prevent similar incidents from occurring in the future and the internal control adviser is satisfied that the measures put in place are adequate and effective.

The management has considered the auditors' view as mentioned in the "Basis of Qualified Opinion" of the Independent Auditor's Report and is of the view that this qualification has been properly addressed.

(2) *Investment in and advances to a former associated company*

The Company has terminated all transactions and connections with the Leading Sense Group since December, 2014. Further, the Company has sought legal advice in respect of: (i) the recoverability of certain receivables with the former associated company; and (ii) the disposal of its 45% interest in Leading Sense Group and/or the winding up of Leading Sense Group. The Group has entered into an agreement to dispose of its entire 45% equity interest in Leading Sense to an independent third party at a consideration of US$1 with effective on June 26, 2018. Leading Sense is no longer part of the Group.

The management is of the view that they have taken and completed the appropriate legal actions against the Leading Sense Group for the related receivables and carried out a detailed review of recovery during 2018. The management has considered the auditors' view as mentioned in the "Basis of Qualified Opinion" of the Independent Auditor's Report and is of the view that this qualification has been properly addressed.

The Audit Committee has also reviewed the Independent Auditor's Report, which highlighted, among other things, the key issues and findings during their audit and the details of the Audit Qualifications.

Also, the Audit Committee reviewed and discussed with the management regarding the potential impact of the Audit Qualifications. The Audit Committee is of the view that if there were future potential impact of the Audit Qualifications, it would be positive to the extent the amounts written off previously somehow become recoverable. The Audit Committee also questioned whether the auditors concurs that the judgements made by the management were regarded as fair. The auditors confirmed that they are not aware of any material misstatement in respect of the judgements adopted for the preparation of financial statements as at December 31, 2019 except for the possible effects as mentioned in the "Basis of Qualified Opinion". After due consideration and discussion, the Audit Committee agrees with the management of the Company in relation to the management's position concerning major judgemental areas relating to the Audit Qualifications.

Management Discussion and Analysis

C. The Company's proposed plans and timetable to address the Audit Qualifications

(1) *Receivables from, and possible relationship with a customer*

Customer C

The Company has taken all reasonable measures to address this Audit Qualification and the Board expects that this audit qualification will not be further carried forward to the Group's financial statements for the year ending December 31, 2020.

In respect of the Audit Qualification relating to the related party disclosures, the Company has taken and completed all reasonable measures to address this Audit Qualification and the Board is of the view that this qualification will not be further carried forward to the Group's financial statements for the year ending December 31, 2020.

(2) *Investment in and advances to a former associated company*

The Company has taken all reasonable measures to address this Audit Qualification and the Board expects that this audit qualification will not be further carried forward to the Group's financial statements for the year ending December 31, 2020.

Biographical Details of Existing Directors

Set out below are the biographical details of the Company's director as at the date of this annual report:

Executive Directors

Ms. Li Jiewen – Chief Executive Officer

Ms. Li Jiewen ("**Ms. Li**"), aged 55, has been appointed as an executive Director and Joint CEO of the Company with effect from November 6, 2018, and has been re-designated from joint chief executive officer to chief executive officer of the Company on August 2, 2019. Ms. Li is also a member of each of the nomination committee and the remuneration committee of the Company, with effect from August 2, 2019. Ms. Li is also a director of certain subsidiaries of the Group. Ms. Li is a senior economist and Certified Senior Enterprise Risk Manager and a member of CPA Australia. Ms. Li graduated from Shanghai Jiao Tong University with a bachelor's degree in Naval Architecture and Ocean Engineering in 1987. She received a master's degree in Management from Zhejiang University in 2001. Ms. Li joined China National Offshore Oil Corporation ("**CNOOC**") in 1987 and has been working in the oil and gas industry for over 30 years. From 1987 to 1989, Ms. Li was an Assistant Engineer in Nanhai East Oil Corporation of CNOOC. From 1989 to 2004, she worked as the Assistant Engineer, Budget and Planning Engineer, Budget Supervisor, Assistant Finance Manager of CACT (CNOOC-AGIP-Chevron-Texaco) Operators Group. From February 2004 to October 2006, she served as the Finance Manager of CNOOC China Limited Shenzhen Branch. From October 2006 to November 2010, Ms. Li was the Deputy General Manager of the Controllers Department of CNOOC Limited (Stock Code: 883). Ms. Li served as the General Manager of the Controllers Department of CNOOC Limited from November 2010 to June 2016. Ms. Li also served as the Director of Nexen Energy ULC, a subsidiary of CNOOC Limited. Ms. Li was as the General Manager (Director) of the Investor Relations Department (Office for the Board of Directors) of CNOOC Limited from October 2015 to November 2018. Ms. Li was the joint company secretary of the CNOOC Limited from November 27, 2015 to November 19, 2018.

Mr. Gao Mingjie

Mr. Gao Mingjie ("**Mr. Gao**"), aged 48, has been appointed as an executive director of the Company on August 2, 2019. He is also the deputy general manager (China region) of the Company and a director of certain subsidiaries of the Group. Mr. Gao has worked in the non-ferrous aluminium processing industry for nearly 25 years and has extensive experience in technology research and development and business operations and management. Mr. Gao joined the Group in 2015 and is responsible for the coordination between the Group and the government, and is in charge of the Group's administrative affairs and the business development and operations in the northwest region. Mr. Gao is also a legal representative, the general manager, and factory director of the Xinjiang branch company of the Company. Mr. Gao graduated from Lanzhou University with a bachelor's degree in materials mechanics and metallic materials engineering in 1995. He obtained a master's degree in material forming and engineering control from the Lanzhou University of Technology in 2010. Mr. Gao is a senior engineer and the vice-president of the sixth session of the Council of Xinjiang Non-ferrous Metals Society* (新疆有色金屬學會). During the period from 2010 to 2015, Mr. Gao was variously the chief engineer and general manager of the Panel, Strip, and Foil Company* (板帶箔公司) of the Suntown Technology Group Co., Ltd. From 1995 to 2010, Mr. Gao joined Northwest Aluminum Fabrication Company* (西北鋁加工分公司) of Aluminum Corporation of China Limited and focused on aluminium processing technology and material forming technology.

Biographical Details of Existing Directors

Independent Non-Executive Directors

Mr. Mar Selwyn

Mr. Mar Selwyn ("**Mr. Mar**"), aged 84, has been appointed as an independent non-executive director, chairman of the audit committee, a member of each of the nomination committee and remuneration committee of the Company, all with effect from February 8, 2017. Mr. Mar graduated from the London School of Economics, University of London. He is a fellow member of the Institute of Chartered Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants. He is a director of Nexia Charles Mar Fan Limited. He is also an independent non-executive director and the chairman of the audit committee of Minmetals Land Limited (Stock Code: 230), Man Yue Technology Holdings Limited (Stock Code: 894) and China Everbright International Limited (Stock Code: 257). He was also an independent non-executive director and the chairman of the audit committee of Standard Bank Asia Limited. He was the President of Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants) in 1991. Mr. Mar is an Honorary Fellow and Honorary Court Member of Lingnan University.

Mr. Leung Ka Tin

Mr. Leung Ka Tin ("**Mr. Leung**"), aged 66, has been appointed as an independent non-executive director, chairman of the nomination committee, a member of each of the audit committee and remuneration committee of the Company since February 24, 2017. Mr. Leung holds a Diploma in Management Studies, and has over 35 years of management experience in banking, treasury operation, project finance, telecommunication, corporate finance, logistics and human resource management. He was a member of the senior management team in financial institutions including FPB Asia Limited, Nedcor (Asia) Limited, BfG: Finance Asia Limited, and Delta Asia Financial Group as well as companies in the logistics and telecommunication sectors including EAS Da Tong Group and Trident Telecom Ventures Limited. Mr. Leung's experience covers both professional management and entrepreneurship. Mr. Leung joined SSC Mandarin Group Limited in March 2010, a corporate financial advisory firm, as a project director. From January 2012 to May 2013, Mr. Leung joined Chun On Management Limited as a consultant. Mr. Leung then became a consultant of Galaxy Master Fund SPC in September 2012.

Mr. Leung was appointed as an independent non-executive director of Narnia (Hong Kong) Group Company Limited (stock code: 8607) from January 29, 2019 to September 27, 2019 and Rentian Technology Holdings Limited (stock code: 885) from May 6, 2019 to March 16, 2020. Mr. Leung was also the executive director of National Agricultural Holdings Limited (stock code: 1236) from October 4, 2019 to October 21, 2019.

Mr. Leung is currently an independent non-executive director of China Apex Group Limited, (formerly known as KEE Holdings Company Limited, stock code: 2011) since February 17, 2016.

Biographical Details of Existing Directors

Dr. Cheung Wah Keung – Independent Non-executive Chairman

Dr. Cheung Wah Keung ("**Dr. Cheung**"), aged 59, has been appointed as an independent non-executive director, chairman of the remuneration committee, a member of each of the audit committee and nomination committee of the Company since March 22, 2018. Dr. Cheung has additionally been appointed as the independent non-executive chairman of the Company on August 2, 2019. Dr. Cheung holds a Bachelor Degree in Business Administration, a Master Degree in Global Political Economy from the Chinese University of Hong Kong and a Master Degree in Corporate Governance, a Doctor Degree in Business Administration from the Hong Kong Polytechnic University.

Dr. Cheung is currently the chairman of Shinhint Group and Tai Sing Industrial Company Limited. He has more than 30 years of experience in trading and manufacturing of consumer electronic products. He is currently an independent non-executive director of Sky Light Holdings Limited (stock code: 3882) since June 12, 2015, Casablanca Group Limited (stock code: 2223) since May 26, 2017, and Activation Group Holdings Limited (stock code: 9919) since December 19, 2019.

Dr. Cheung was awarded as "Young Industrialist of Hong Kong" in 2005 and "Certificates of Merit in Directorship" by the Hong Kong Institutes of Directors in 2006. He has taken up a variety of roles, including the president of the Hong Kong Young Industrialists Council from 2015 to 2016, the chairman of each of Departmental Advisory Committee of Marketing Department of the City University of Hong Kong and the Advisory Board for Master of Corporate Governance of the Hong Kong Polytechnic University. Furthermore, he is a committee member of Council of the Hang Seng University of Hong Kong.

Mr. Chan Kai Nang

Mr. Chan Kai Nang ("**Mr. Chan**"), aged 74, holds a Postgraduate Diploma in Management Studies from The University of Hong Kong and a Bachelor's degree of Laws from the University of London. Mr. Chan also completed the Stanford Executive Program from the Graduate Business School of Stanford University and the Senior Transport Management Programme from the Ashridge Centre for Transport Management. Mr. Chan is an associate member of The Chartered Institute of Management Accountants (formerly known as The Institute of Cost and Management Accountants) in the United Kingdom, a member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Certified Accountants. During the past 45 years, Mr. Chan worked as senior executive in major multinational and local corporations engaged in different industries ranging from textile, toys, electronics, and electrical manufacturing, transportation, property developments and hotel operations as well as construction materials manufacturing (including cement and steel slake).

Mr. Chan is currently an independent non-executive director of Soundwill Holdings Limited (stock code: 878) since March 11, 2009. Mr. Chan was an independent non-executive director of the Company from February 24, 2017 to January 24, 2018. He was also an independent non-executive director of Dafy Holdings Limited (stock code: 1826) (formerly known as FDB Holdings Limited) between September 16, 2015 to January 12, 2018 and Prosperity International Holdings (H.K.) Limited (stock code: 803) between August 17, 2010 to September 26, 2019.

Directors' Report

This report is presented by the board of directors comprising, Ms. Li Jiewen, Mr. Gao Mingjie, Mr. Mar Selwyn, Mr. Leung Ka Tin, Dr. Cheung Wah Keung and Mr. Chan Kai Nang ("**Board**") based on the information available to them for the year ended December 31, 2019 ("**Year**").

General Information

The Group is principally engaged in the manufacturing and trading of aluminium products. The principal activity of the Company is investment holding. Detail of the principal activities of the Company's principal subsidiaries are set out in Note 17 to the consolidated financial statements.

Business Review and Performance

The business review for the Company during the Year is set out in the section of Management Discussion and Analysis of this report on pages 4 to 11.

Environmental Performance

The Company is committed to building its own brand by way of sustainable development. The Company is very concerned about the environmental impact of emissions generated from operations and is committed to the implementation of environmental protection measures. With the implementation of the "Emission and Control Procedure for Waste Water, Exhaust Gas and Noise Pollution" by Nanyang Plant, impacts on the environment are reduced as waste water, exhaust gas and noise generated during the process of operation are put under control.

Apart from it, the Company also developed the "Control Procedures for the Disposal of Hazardous Wastes" for the control of environmental pollution resulted from disposed wastes", "Control System for Energy Saving and Emission Reduction" according to relevant laws and regulations of the PRC in respect of energy saving, and "Control Procedures for Non-compliance of Environmental Safety", which differentiates different types of environmental safety incidents, and clearly defines the management process. The Company strives to explore the business models of sustainable development, integrate environmental management and social care into its business decisions.

For details, please refer to the Environmental, Social and Governance Report 2019 which will be published at the end of July 2020.

Compliance with laws and regulations

The Company recognizes the importance of compliance with regulatory requirements and the risk of non-compliance with relevant requirements could lead to adverse impact on business operation and financial position of the Company.

The Company's operations are mainly carried out by the Company's subsidiaries in Hong Kong and the PRC while the Company itself was incorporated in Cayman Islands and listed on The Stock Exchange of Hong Kong Limited ("**Exchange**") in Hong Kong. The Company's establishment and operations accordingly shall comply with relevant laws and regulations in Hong Kong, Cayman Islands and the PRC. The Board as a whole is responsible to ensure the Company is in compliance with relevant laws and regulations that have a significant impact on the Company.

During the course of the business operations, the Company shall comply with different laws and regulations, including, but not limited to, i) laws regarding employee recruitment and benefits, such as the "Labor Law of the PRC", the "Labor Contract Law of the PRC", and the "Rulings of Implementing the Labor Contract Law of the PRC"; and ii) the PRC national and local laws and regulations with respect to environmental protection, including the Environmental Protection Law of the PRC. For the Year, the Company was in strict compliance with these said laws and regulations.

Directors' Report

Key relationships with stakeholders

1. Employees

Human resources are the most valuable asset of the Company. Developing and retaining talents are vital to success. The Company is committed to providing employees with a safe, pleasant and healthy working environment. The Company rewards and recognizes employees by competitive remuneration package and implements a key performance index performance evaluation program with appropriate incentives, and promote career development by providing opportunities for career advancement to employees. In addition, each department of the Company is responsible for determining its training needs for employees and workers in its department and any suggested applicable training courses either arranged internally or by external service providers shall be submitted to the senior management of the Company for approval. Knowledge, skills and capacities of employees are vital to continuous improvement, business growth and success of the Company. The Company strives to ensure that all employees can fulfill as well as enhance the relevant job qualifications in terms of education, training, technical and work experience.

2. Suppliers

The Group have developed long term relationships with various vendors and ensure that they share the Group's value and commitment to quality, ethics and environment. Suppliers are selected carefully and are required to satisfy certain assessment criteria including track record, experience, financial strength, reputation, ability to produce high-quality products, quality control effectiveness and environmental issues.

3. Distributors and customers

The Group sell products to distributors and customers. Distributors and customers are required to comply with the relevant laws and regulations, credit policy, as well as the Group's sales and marketing policies, including but not limited to selling price, promotional activities and use of the Group's ordering system. The Group also monitor the financial condition as well as repayment capability and timeliness of the distributors and customers, and sales performance of them.

Principal risks and uncertainties

The Company is exposed to various risks and uncertainties which was also disclosed in Note 3 to the consolidated financial statements of this report. The effects of such risks may vary over time. The following paragraphs set forth material risks classified by the Company and the relevant alleviating measures for each material risk for the management of such risks.

Business Risk

Most of the Group's revenue was generated from customers in the PRC, Australia and Hong Kong. Should there be any material adverse change in the political, economic, legal or social conditions in the PRC, Australia and Hong Kong and the Group is unable to divert sales to other markets outside of the PRC, Australia and Hong Kong, the turnover, profitability and prospects may be adversely affected. In order to alleviate such risk, the Group will put efforts to expand overseas market and increase the proportion of overseas sales. During the Year, we have export sales to United Kingdom and North America, etc. The Group will also continue to review competitive edges of the Group in the industry and market trend. The Group also acknowledge that the overall performance of the Group's sales is inherently subject to risks associated with international trade and global economic conditions. The outbreak of the Sino-U.S. trade war, the overall economic slowdown since 2019 and the occurrence of similar events may result in a decrease in demand for the Group's products and a reduction of the Group's revenue.

Directors' Report

The Company's production activities of aluminium profiles rely on, among other things, sufficient and uninterrupted supply of aluminium ingots, being the principal raw materials. The Company procures such principal raw materials from several major suppliers and has only entered into long-term purchase contracts with some of the major suppliers of aluminium ingots which provide the Group flexibility (but not commitment) in purchasing aluminium ingots at competitive prices at various times from domestic as well as foreign suppliers. In order to alleviate such business risk, the Company will conduct review and assessment on the Company's suppliers periodically to ensure stable supply source of raw materials. The outbreak of any severe communicable disease, such as COVID-19, if uncontrolled, could have an adverse effect on the operations and the overall business sentiments and environment in the PRC, Hong Kong, and Australia, which in turn could have an adverse impact on the domestic and international consumption and, possibly, the overall business growth.

Financial risks

Delinquent payments of customers who were granted credit terms by the Company will increase the Company's exposure to financial risks and have impacts on the financial performance and operating cash flows of the Company. In order to alleviate such risk, the Company has conducted regular review of accounts receivable due from all customers to control the outstanding amounts and ageing. The Company will also continue to manage and maintain strict control internally and devote additional efforts in collecting overdue trade receivables on a timely basis.

Cyber security risk

During the Year, the Company obtained the foundation for implementing phase-by-phase cyber risk vulnerability controls management and evaluation objectives with reference to CoBit by ISACA. The cyber security plan includes, but not limited to, enhancing the following: 1) training and staff development; 2) secure wireless networks; 3) keep software updated; 4) access control management; 5) boundary defense; and 6) backup and recovery of data.

The Company has internal control on data-fraud. The Company always values the importance of the internal control systems, and has been taking into account certain critical aspects of organizational governance, business ethics, fraud and financial reporting established by Internal Audit in their audit planning and objectives when assessing the effectiveness of internal controls. Such systems are designed to manage rather than eliminate the risk of fraud or failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Environmental and social risks

The environmental and social risks encountered by the Group include, amongst others, those arising from whether safety and environmental protection standards are met by the production of the products, management of human resources, sales, supply chains and information system, insufficient innovation, inspection and verification of technologies and products. In view of the above risks, the Group has focused on the control and monitoring of dust, high temperature and chemical hazard, discharged sewage according to the total amount and concentration allowed under the pollutant discharge license, formulated the status-quo assessment on energy conservation and emission reduction as well as medium and long term planning, timely updated the staff handbook and implemented applicable labor laws and regulations, introduced advanced technologies and talents, solved the innovation problems through technological exchange and cooperation. Meanwhile, the Group strives to inspect regularly and maintain the facilities of the information system and provide staff training.

Legal risks

The legal risks encountered by the Group include, amongst others, those arising from the physical or existing default operations, legal disputes, default behaviors, intellectual property and human rights protection. In view of the above risks, the Group has implemented the measures such as the contracts review and approval procedure with the routine support of the general legal advisor and regular third-party audit to monitor compliance so as to mitigate the impact of such risks on the Group.

Directors' Report

Dividend Policy

The amount of dividend actually distributed to the Shareholders will depend upon the earnings and financial condition, operating requirements, capital requirements and any other conditions that the Directors may deem relevant and will be subject to approval of the Shareholders.

The payment of dividends by the Company is also subject to the requirements of the Cayman Islands law and the Articles of Association.

Results and Distribution

No interim dividend was declared for the six months ended June 30, 2019 (six months ended June 30, 2018: Nil) and the Board does not recommend payment of a final dividend in respect of the Year (year ended December 31, 2018: Nil).

There is no arrangement pursuant to which a shareholder of the Company ("**Shareholder**") has waived or agreed to waive any dividends.

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on pages 44 to 45.

Financial Statements

The statements of the results, assets and liabilities of the Group for the last five financial years/period are set out on page 134 of this report. This summary does not form part of the audited consolidated financial statements to the Group.

Reserves

Movements in the reserves of the Group during the Year are set out on page 48.

Distributable Reserves

Under the Companies Law of the Cayman Islands, the share premium of the Company is available for distribution of dividends to the Shareholders subject to the provisions of the Company's articles of association ("**Articles of Association**"). With the sanction of an ordinary resolution, dividends may be declared and paid out of share premium account of any other fund or account which can be authorized for this purpose. As at December 31, 2019, the Company had nil balance of distributable reserves (December 31, 2018: Nil).

Share Capital

Changes in share capital of the Company for the Year and as at that date are set out in Note 23 to the consolidated financial statements.

Directors' Report

Pre-emptive Rights

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

Share Option Scheme

On January 18, 2013, the Company adopted a share option scheme ("**Share Option Scheme**") whereby the Board can grant options for the subscription of the Company's shares to the employees, managerial staff and senior employees and those other persons that the Board considers that they will contribute or have contributed to the Group (the "**Participants**") as described in the Share Option Scheme in order to serve as compliment and to reciprocate their contribution to the Group. The maximum number of shares that can be issued according to the Share Option Scheme is 120,000,000 shares which is equivalent to 10% of the issued capital of the Company after completion of the global offering ("**Global Offering**", as defined in the prospectus dated January 23, 2013 ("**Prospectus**"). The number of options that may be granted pursuant to the terms of the Share Option Scheme shall not exceed 10% of the issued shares immediately after the completion of the Global Offering. Unless otherwise approved by the Shareholders in general meeting, the number of shares that may be granted to any one Participant under the options shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders (as defined in the Listing Rules), or the total number of shares that may be granted under the options to the independent non-executive Directors or any of their respective connected persons shall not exceed 0.1% of the shares in issue of the Company from time to time. There is no minimum period that the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board, however no options shall be exercised 10 years after they have been granted. The exercise price of the option shall be the higher of (a) the closing price of the shares on the daily quotation sheet of the Exchange on the date of grant; (b) the average closing price of the shares on the daily quotation sheet of the Exchange for the five business days immediately preceding the date of grant; and (c) nominal value of the share.

Each grantee shall pay a consideration of HK$1.00 at the time the option is granted. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

As at the date of this report, the outstanding number of options available for issue under the Share Option Scheme is 48,000,000, representing 4% of the issued Shares.

Directors' Report

Details of the share options movements during the Year under the Share Option Scheme are as follows:

Name or category of grantee	Date of grant of share option	Exercise price (HKD)	Exercise period	Number of share options: Balance as at January 1, 2019	Granted during the Year	Exercised during the Year	Lapsed during the Year	Cancelled during the Year	Surrendered during the Year	Balance as at December 31, 2019
Directors										
Ms. Li Jiewen	23/12/2019	0.396 *(Note 1)*	23/12/2019 – 22/12/2029 *(Note 2)*	–	12,000,000	–	–	–	–	12,000,000
Mr. Gao Mingjie	23/12/2019	0.396 *(Note 1)*	23/12/2019 – 22/12/2029 *(Note 2)*	–	6,000,000	–	–	–	–	6,000,000
Mr. Mar Selwyn	23/12/2019	0.396 *(Note 1)*	23/12/2019 – 22/12/2029 *(Note 2)*	–	1,200,000	–	–	–	–	1,200,000
Mr. Leung Ka Tin	23/12/2019	0.396 *(Note 1)*	23/12/2019 – 22/12/2029 *(Note 2)*	–	1,200,000	–	–	–	–	1,200,000
Dr. Cheung Wah Keung	23/12/2019	0.396 *(Note 1)*	23/12/2019 – 22/12/2029 *(Note 2)*	–	1,200,000	–	–	–	–	1,200,000
Other Participants										
Employees *(Note 3)*	23/12/2019	0.396 *(Note 1)*	23/12/2019 – 22/12/2029 *(Note 2)*	–	39,600,000	–	–	–	80,000 *(Note 4)*	39,520,000
Others	23/12/2019	0.396 *(Note 1)*	23/12/2019 – 22/12/2029 *(Note 2)*	–	10,800,000	–	–	–	–	10,800,000
Total				–	72,000,000	–	–	–	80,000	71,920,000

Notes:

1. The closing price of the shares immediately before December 23, 2019, on which those options were granted, was HKD0.38.

2. The Share Options are exercisable for a period of ten years from the date of grant, subject to the vesting period as follows: (i) 60% of the Share Options be vested on the date of grant; and (ii) 40% of the Share Options be vested on the first anniversary of the date of grant.

3. Mr. Chan Kai Nang has been appointed as the independent non-executive Director with effect from January 1, 2020.

4, 80,000 share options had been surrendered by certain grantee as the grantee had ceased as an eligible participant of the Company under the Share Option Scheme on December 31, 2019.

Directors' Report

Share Award Scheme

The share award scheme ("**Share Award Scheme**") of the Company has been adopted on March 3, 2014 ("**Adoption Date**").

Who May Join

Employee(s) are selected by the Board pursuant to the scheme rules for participation in the Share Award Scheme ("**Selected Employee(s)**").

The Purpose and Objective of the Share Award Scheme

The purposes of the Share Award Scheme are to recognize the contributions by Selected Employees and to give incentives thereto in order to retain them for the continual operation and development of the Group as part of talent retention program of the Group, and to attract suitable personnel for further development of the Group.

Operation of the Share Award Scheme

Bank of Communications Trustee Limited has been appointed as the trustee of the Share Award Scheme ("**Trustee**"). Pursuant to the scheme rules and the trust deed entered into with the Trustee, the Trustee shall purchase from the market or subscribe for the relevant number of Shares awarded out of the Company's resources and shall transfer the relevant Shares to that Selected Employee at no cost in accordance with the scheme rules.

The Share Award Scheme came into effect on March 3, 2014, and shall terminate on the earlier of (i) the tenth (10) anniversary date of the Adoption Date; or (ii) such date of early termination as determined by the Board.

During the Year, no Shares were purchased by the Trustee on the market for the purpose of the Share Award Scheme.

No Shares were granted to Employees during the Year, details of which are set out in Note 24 to the consolidated financial statement.

Major Suppliers and Customers

During the Year, aggregate sales attributable to the Group's five largest customers comprised approximately 48% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 16% of the Group's total sales. The aggregate purchases during the Year attributable to the Group's five largest suppliers were approximately 54% of the Group's cost of sales and the purchases attributable to the Group's largest supplier were approximately 23% of the Group's cost of sales.

Based on the confirmations received from certain Directors who were in their positions during the Year and to the best knowledge of the Company, none of the Directors, nor any of their associates or any Shareholders which, to the knowledge of the Directors, own more than 5% of the Company's issued shares had any interest in the five largest customers and suppliers of the Group.

Directors' Report

Property, Plant and Equipment

During the Year, the Group held property, plant and equipment of approximately HK$1,009 million. Details of the movements are set out in Note 14 to the consolidated financial statements.

In late February 2018, the Guangzhou Urban Renewal Bureau announced that the Zengcheng land where the Group's Zengcheng factory situated fell under the Zengcheng city's redevelopment scheme. According to Suijian(2019)1802 issued by the Guangzhou Municipal Housing and Urban-Rural Development Bureau dated October 22, 2019, it was announced on February 26, 2020 by the Guangzhou Municipal Urban Planning and Resources Bureau that the Land Resumption of Zengcheng land has started. The Company will closely monitor the progress of the redevelopment and land resumption process concerning the Zengcheng land with an aim of attaining a favourable outcome towards the realisation of the value in the Zengcheng land.

Purchase, Sale or Redemption of the Company's Shares

The Company and any of its subsidiaries have not redeemed any of its listed securities during the Year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the Year.

Equity-linked agreements

Other than the share option scheme of the Company as set out under the heading "Share Option Scheme", no 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 or subsisting during the Year.

Directors

The directors of the Company in office during the Year:

Executive Directors

Dr. Huang Gang (resigned and ceased as Chairman on August 2, 2019)
Mr. Wong Kwok Wai, Eddy (resigned on January 31, 2020)
Ms. Li Jiewen (re-designated as the chief executive officer on August 2, 2019)
Mr. Gao Mingjie (appointed on August 2, 2019)

Non-Executive Directors

Mr. Cosimo Borrelli (resigned on May 3, 2019)
Ms. Chi Lai Man Jocelyn (resigned on May 3, 2019)
Ms. Cai Xinyu, Annabelle (resigned on May 3, 2019)

Independent Non-executive Directors

Mr. Mar Selwyn
Mr. Leung Ka Tin
Dr. Cheung Wah Keung (appointed as independent non-executive Chairman on August 2, 2019)

Directors' Report

Board Committees

Audit Committee

Mr. Mar Selwyn (Chairman)
Mr. Leung Ka Tin
Dr. Cheung Wah Keung

Remuneration Committee

Dr. Cheung Wah Keung (Chairman)
Dr. Huang Gang (resigned on August 2, 2019)
Mr. Mar Selwyn
Mr. Leung Ka Tin
Ms. Li Jiewen (appointed on August 2, 2019)

Nomination Committee

Mr. Leung Ka Tin (Chairman)
Dr. Huang Gang (resigned on August 2, 2019)
Mr. Mar Selwyn
Dr. Cheung Wah Keung
Ms. Li Jiewen (appointed on August 2, 2019)

Directors' Service Contracts

Pursuant to Article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his or her appointment and be subject to re-election at such meeting and any Director appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with Article 84 of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation and being eligible, offer themselves for re-election at each annual general meeting, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Ms. Li Jiewen and Mr. Gao Mingjie have each entered into a service contract with the Company for a term of 3 years with effect from November 6, 2018 and August 2, 2019 respectively.

Mr. Mar Selwyn, Mr. Leung Ka Tin and Dr. Cheung Wah Keung, the independent non-executive Directors, have each entered into a letter of appointment with the Company for a specific term of commencing from February 8, 2019 to March 31, 2021, from February 24, 2019 to March 31, 2021 and from March 22, 2019 to March 31, 2021 respectively. Mr. Chan Kai Nang, the independent non-executive Director, has entered into a letter of appointment with the Company for a term of 1 year commencing from January 1, 2020.

The emolument of Mr. Mar Selwyn, the chairman of the audit committee of the Company, and Dr. Cheung Wah Keung, the independent non-executive chairman of the Board, was increased from HK$30,000 to HK$40,000 per month, with effect from April 1, 2020, which were determinded by the Board reference to their experience, duties and responsibilities in the Company.

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

Directors' Report

Permitted Indemnity Provision

Pursuant to the Company's Articles of Association, subject to the relevant statutes, every Director shall be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in or about the execution of his/her office or which may attach thereto.

Directors' Interests in Transactions, Arrangements and Contracts of Significance

To the best knowledge of the Company and with the information available to the Company, there was no transaction, arrangement and contract of significance in relation to the Group's business to which the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party and in which a Director or an entity connected with him/her had a material interest, whether directly or indirectly, and subsisted at the end of the Year or at any time during the Year save as disclosed under the paragraph headed "Significant Investment, Material Acquisition and Disposal" in the section headed "Management Discussion and Analysis" in this report.

Directors' Rights to Purchase Shares or Debentures

Save as disclosed under the headings "Share Option Scheme" and "Share Award Scheme", at no time during the Year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Management Contracts

During the Year, to the best knowledge of the Company and with the information available to the Company, no contracts, other than a contract of service with any Director or any person engaged in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

Directors' Report

Interests and Short Positions of the Directors and Chief Executives of the Company in the Shares, Underlying Shares and Debentures

As at December 31, 2019, the interests or short positions of the Directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required, pursuant to Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules ("**Model Code**"), are as follows:

Long Position in the Shares

Name of Director	Nature of interest	Number of ordinary shares	Number of underlying shares held pursuant to share options *(Note 1)*	Percentage of the issued share capital of the Company *(Note 2)*
Ms. Li Jiewen	Beneficial owner	–	12,000,000	1.00%
Mr. Gao Mingjie	Beneficial owner	–	6,000,000	0.50%
Mr. Mar Selwyn	Beneficial owner	–	1,200,000	0.10%
Mr. Leung Ka Tin	Beneficial owner	–	1,200,000	0.10%
Dr. Cheung Wah Keung	Beneficial owner	–	1,200,000	0.10%

Notes:

1. Details of share options held by Directors are set out in the section headed "Share Option Scheme".

2. The percentage represents the number of Shares interested divided by the number of the issued Shares as at December 31, 2019 (i.e. 1,200,000,000 Shares).

Save as disclosed above, as at December 31, 2019, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be 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 Exchange pursuant to the Model Code.

Directors' Report

Substantial Shareholders' Interests and Short Positions

As at December 31, 2019, the following persons (other than the Directors and chief executives of the Company) had or deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed 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:

Long Position in the Shares

Name	Capacity	Number of Shares	Approximate Percentage of Shareholding
Easy Star Holdings Limited ("Easy Star") *(Note)*	Beneficial Owner	900,000,000	75%
Marina Star Limited *(Note)*	Interest in controlled corporation	900,000,000	75%
HSBC International Trustee Limited *(Note)*	Trustee	900,000,000	75%

Note:

Easy Star was the registered holder of the 900,000,000 shares. Easy Star was wholly-owned by Marina Star Limited. The entire issued shares of Marina Star Limited was owned by HSBC International Trustee Limited as trustee for The Pan Family Trust. The Pan Family Trust was a discretionary trust established by Mr. Marcus Pan as settlor. Ms. Shao Liyu was removed as the beneficiary of The Pan Family Trust on November 4, 2019.

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Sufficiency of Public Float

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

Corporate Governance

Please refer to the Corporate Governance Report in this report of the Company for the Year.

Disclosure under Rule 13.20 of the Listing Rules

The Directors were not aware of any circumstances resulting in the responsibility of disclosure under Rule 13.20 of the Listing Rules regarding the provision of advances by the Company to an entity.

Directors' Interests in Competing Business

To the best knowledge of the Company, it was not aware of any business or interest of the Directors nor the controlling Shareholder nor any of their respective associates that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group during Year.

Directors' Report

Connected Transactions

During the Year, the Company had entered a consultancy service agreement with, a related company controlled by a director of PRC subsidiaries of the Company, for an amount of HK$2,400,000 (the "**Consultancy Service**"). As the Consultancy Service constitutes a de minimis connected transaction and is fully exempt from the connected transaction requirements pursuant to Chapter 14A of the Listing Rules.

Related Party Transactions

The related party transactions of the Group are disclosed in Note 32 to the consolidated financial statements. These related party transactions did not fall under the definition of connected transaction or continuing connected transaction pursuant to Chapter 14A of the Listing Rules.

Employee and Remuneration Policies

As of December 31, 2019, the Group had an aggregate of approximately 2,700 full-time employees. The Group recruited and promoted individual persons according to their strength and development potential. The Group determined the remuneration packages of all employees (including the Directors) with reference to corporate performance, individual performance and current market salary scale. The Group also operated the mandatory provident fund scheme for its Hong Kong staff and participates in the employee social security plan as required by the regulations in the PRC.

Taxation

Shareholders are urged to consult their tax advisers regarding the PRC, Hong Kong and other tax consequences of owing and disposing of the Company's shares.

Audit Committee

The Company has an audit committee ("**Audit Committee**") which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises four members who are the independent non-executive Directors, namely Mr. Mar Selwyn, Mr. Leung Ka Tin, Dr. Cheung Wah Keung and Mr. Chan Kai Nang.

The Audit Committee and the Management have reviewed the accounting principles and practices adopted by the Group, as well as the audited consolidated financial statements for the Year and has recommended their adoption to the Board.

Auditors

The consolidated financial statements for the years ended December 31, 2017, 2018 and 2019 were audited by BDO Limited, who will retire and, being eligible, offer themselves for re-appointment upon conclusion of the forthcoming annual general meeting of the Company. A resolution for the re-appointment of BDO Limited as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

By order of the Board
Cheung Wah Keung
Independent Non-executive Chairman
and Independent Non-Executive Director

Hong Kong, May 8, 2020

Corporate Governance Report

Corporate Governance Practices

The Board, with the best information available, confirmed that the Company had complied with the Code on Corporate Governance Practice ("**CG Code**") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Exchange**") ("**Listing Rules**").

The Board of Directors

As at the date of this annual report, the Board comprised six Directors, including two executive Directors, namely Ms. Li Jiewen as the CEO and Mr. Gao Mingjie; and four independent non-executive Directors, namely Mr. Mar Selwyn, Mr. Leung Ka Tin, Mr. Chan Kai Nang and Dr. Cheung Wah Keung as the independent non-executive chairman of the Company ("**Independent Non-executive Chairman**"). Biographical details of the Directors are shown on pages 12 to 14 and set out on the website of the Company.

Responsibilities

The Board is responsible for overseeing the overall development of the Company's business with the objective of enhancing value of the Shareholders including setting and approving the Company's strategic implementation, considering substantial investments, reviewing the Group's financial performance and developing and reviewing the Group's policies and practices on corporate governance.

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

Directors' Securities Transaction

The Company has adopted the Model Code as its code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry, all Directors confirmed that they had complied with the Model Code provisions during the Year.

Relationship with Directors

During the Year, Mr. Cosimo Borrelli, former non-executive Director who resigned on May 3, 2019, is a managing director and shareholder interested in over 25% of the shares of Borrelli Walsh; and Ms. Chi Lai Man Jocelyn, former non-executive Director who resigned on May 3, 2019, is a director and shareholder interested in less than 10% of the shares of Borrelli Walsh. Ms. Cai Xinyu Annabelle, former non-executive Director who resigned on May 3, 2019, is also a director of Borrelli Walsh.

During the service tenure of Mr. Cosimo Borrelli and Ms. Chi Lai Man Jocelyn till May 3, 2019, both are also authorized representatives of the directors of Easy Star Holdings Limited, which is interested in 75% of the issued shares of the Company. Easy Star Holdings Limited is wholly-owned by Marina Star Limited, which is in turn wholly-owned by HSBC International Trustee Limited as trustee for The Pan Family Trust. The Pan Family Trust was a discretionary trust established by Mr. Marcus Pan, the former spouse of Ms. Shao Liyu, the former executive Director, as settlor, Ms. Shao Liyu was removed as the beneficiary of The Pan Family Trust on November 4, 2019.

Saved for the above mentioned and up to the date of this annual report, to the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among members of the Board.

Independence Confirmation

The Company has received annual confirmations from each of the independent non-executive Directors as to their independence pursuant to Rule 3.13 of the Listing Rules, and considered all the independent non-executive Directors to be independent.

Corporate Governance Report

Appointment and Re-election of Directors

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed by the Board to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by the Shareholders at the first general meeting after appointment.

Term of Appointment of the Non-Executive Director and Independent Non-Executive Directors

During the Year, the non-executive Directors and independent non-executive Directors were appointed for a term of 3 years and a specific term respectively with specific terms referred in their respective contracts and are subject to retirement by rotation and re-election in accordance with the Articles of Association.

Mr. Mar Selwyn, Mr. Leung Ka Tin, Dr. Cheung Wah Keung and Mr. Chan Kai Nang, the independent non-executive Directors, have each entered into a letter of appointment with the Company for a specific term of commencing from February 8, 2019 to March 31, 2021, from February 24, 2019 to March 31, 2021, from March 22, 2019 to March 31, 2021 and from January 1, 2020 to December 31, 2020 respectively.

Chairman and Chief Executive Officer

Dr. Huang Gang was the chairman of the Company ("**Chairman**") between August 3, 2018 to August 2, 2019 and Dr. Cheung Wah Keung is currently the independent non-executive Chairman since August 2, 2019.

Ms. Li Jiewen and Mr. Wong Kwok Wai were the joint chief executive officer ("**Joint CEO**") since November 6, 2018. Following the re-designation of Mr. Wong Kwok Wai from the Joint CEO to the chief commercial officer and the re-designation of Ms. Li Jiewen from the Joint CEO to the chief executive officer of the Company ("**CEO**"), all with effect on August 2, 2019, Ms. Li Jiewen currently serves as the CEO.

Dr. Cheung Wah Keung provides leadership for the Board, attends to management development and provides strategic plan guidance. Ms. Li Jiewen is responsible for the overall strategic planning, operation and sales and marketing of the Group, and overall control system and supervision of the management team.

Both of Dr. Huang Gang, the former Chairman, and Dr. Cheung Wah Keung, the current Independent Non-executive Chairman, met with the independent non-executive Directors without the presence of other Directors in the Year.

The responsibilities of the Chairman and the CEO have been clearly defined in the Company's "Job Descriptions for Directors and Senior Management."

Corporate Governance Report

Directors' Training

The Company has arranged induction training for newly appointed Directors. All Directors are encouraged to participate in continuous professional development trainings to develop and refresh their knowledge and skills.

The individual training record of each Directors who confirmed they had received trainings for the Year is summarized as follows:

Directors	Type of continuous professional development programmes
Executive Directors	
Dr. Huang Gang	B
Mr. Wong Kwok Wai Eddy	A
Ms. Li Jiewen	A and B
Mr. Gao Mingjie	A and B
Non-executive Directors	
Mr. Cosimo Borrelli	B
Ms. Chi Lai Man Jocelyn	B
Ms. Cai Xinyu Annabelle	B
Independent non-executive Directors	
Mr. Mar Selwyn	A and B
Mr. Leung Ka Tin	A and B
Dr. Cheung Wah Keung	A and B

Notes:

A: attending seminars/forums/workshops/conferences relevant to the business or directors' duties

B: reading regulatory updates

Delegation by the Board

The Board undertakes the responsibility for decision making in major matters of the Company, with the day-to-day management delegated to the CEO and senior management. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, for discharge of their duties.

Corporate Governance Report

Board Committees

The Board has established three standing committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are available to Shareholders on the Company's website.

Nomination Committee

During the Year, the majority members of the Nomination Committee were independent non-executive Directors, with Mr. Leung Ka Tin acted as the chairman of the Nomination Committee. The members of the Nomination Committee for the Year were:

Mr. Leung Ka Tin (Chairman)
Dr. Huang Gang (resigned on August 2, 2019)
Mr. Mar Selwyn
Dr. Cheung Wah Keung
Ms. Li Jiewen (appointed on August 2, 2019)

The duties of the Nomination Committee shall be:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;

- to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on selection of individuals nominated for directorships;

- to assess the independence of independent non-executive Directors, having regard to the requirements under the applicable laws, rules and regulations;

- to make recommendations to the Board on relevant matters relating to the appointment and re-appointment of the Directors and, in particular, the chairman and the chief executive officer of the Company;

- to review the policy on Board diversity ("**Board Diversity Policy**"), the policy on director nomination ("**Nomination Policy**") and any measurable objectives for implementing such Board Diversity Policy and Nomination Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and

- to make disclosure of its review results in the annual report of the Company annually.

During the Year, the Nomination Committee held 2 meetings for nominating or considering the candidates of potential board members, making recommendations to the Board on the appointment and re-appointment of Directors, re-election of Directors at the general meeting, the Board Diversity Policy and the Nomination Policy; reviewing the structure, size, composition and diversity of the Board members and assessing the independence of the independent non-executive Director. The individual attendance record of the Directors at the meeting of Nomination Committee is set out in the paragraph headed "Attendance Records of Board and Committee Meetings" of this Corporate Governance Report.

Corporate Governance Report

Board Diversity Policy

The Board has adopted the Board Diversity Policy which sets out the approach to achieve diversity on the Board. Accordingly, selection of candidates to the Board is based on a range of measurable objectives, including but not limited to gender, age, cultural and educational background, professional experience and qualifications, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time. With the existing Board members coming from a variety of business and professional background, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company's business.

Director Nomination Policy

The Nomination Policy of the Group and was adopted in writing with effect from January 1, 2019. The Nomination Policy sets out the procedures, process and criteria for identifying and recommending candidates for election to the Board.

Remuneration Committee

During the Year, the majority of members of the Remuneration Committee were independent non-executive Directors, with Dr. Cheung Wah Keung acted as the chairman of the Remuneration Committee. The members of the Remuneration Committee were:

Dr. Cheung Wah Keung (Chairman)
Dr. Huang Gang (resigned on August 2, 2019)
Mr. Mar Selwyn
Mr. Leung Ka Tin
Ms. Li Jiewen (appointed on August 2, 2019)

The duties of the Remuneration Committee shall be:

- to make recommendations to the Board on the Company's policy and structure for all remunerations of Directors and senior management and on the establishment of formal and transparent procedures for developing policies on all such remunerations;

- to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management;

- to review and approve performance-based remunerations by reference to corporate goals and objectives resolved by the Board from time to time;

- to make recommendations to the Board on the remuneration of non-executive Directors;

- to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

- to review and approve compensation payable to executive Directors and senior management members of the Company in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is fair and not excessive for the Company;

- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is reasonable and appropriate; and

- to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

Corporate Governance Report

During the Year, the Remuneration Committee held 2 meetings for reviewing (i) the remuneration package for Directors and (ii) the policy and structure of the remuneration packages for Directors and making recommendations to the Board on (i) the remuneration proposals for the Directors and (ii) the grant of share options to the Directors, employees of the Group and other eligible participant. The individual attendance record of the Directors at the meeting of Remuneration Committee is set out in the paragraph headed "Attendance Records of Board and Committee Meetings" of this Corporate Governance Report.

Audit Committee

During the Year, the Audit Committee comprised all independent non-executive Directors, with Mr. Mar Selwyn acted as the chairman of the Audit Committee. The members of Audit Committee during the Year were:

Mr. Mar Selwyn (Chairman)
Mr. Leung Ka Tin
Dr. Cheung Wah Keung

The duties of the Audit Committee shall be:

- to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that external auditor;

- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

- to develop and implement policy on the engagement of an external auditor to supply non-audit services;

- to monitor integrity of financial statements of the Company and the Company's annual report and accounts and half-year reports and to review significant financial reporting judgments contained in them;

- to review the Company's financial controls, internal control and risk management systems annually;

- to discuss with management the system of internal control and ensure that management has discharged its duty to have an effective internal control system;

- to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

- to review the Group's financial and accounting policies and practices; and

- to review the external auditor's management letter, any material queries raised by the auditor to the management in respect of the accounting records, financial accounts or systems of control and management's response, and to ensure that the Board provides a timely response to the issues raised.

During the Year, the Audit Committee held 3 meetings for considering and reviewing the internal control procedures, internal audit, whistleblowing policy, risk management, cash flow, taxation, compliance testing, financial results, accounting policies and related matters, adequacy of staff experience, qualifications, resources of the company's accounting and financial reporting departments, training programs and budget, re-appointment of auditor, engagement of internal control and compliance review services, and outstanding issues raised by the auditor. The individual attendance record of the Directors at the meeting of Audit Committee is set out in the paragraph headed "Attendance Records of Board and Committee Meetings" of this Corporate Governance Report.

Corporate Governance Report

Corporate governance functions

The Company's corporate governance function is carried out by the Board in compliance with code provision D.3.1 of the CG Code, which include (i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (ii) to review and monitor the training and continuous professional development of Directors; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report. During the Year, the Board has reviewed the policy of the corporate governance and the corporate governance report of the Company.

Board Practices and Conduct of Meetings

The Directors can attend meetings in person or through other means of electronic communication or by way of written resolution in accordance with the Articles of Association. All minutes of Board and committee meetings were recorded in sufficient detail the matters considered by the Board and the decisions reached.

Attendance Records of Board and Committee Meetings

The Board meets regularly discuss the Company's affairs and operations. During the Year, the Board held 8 Board meetings which were convened when board-level decisions on particular matters were required in person, by phone or through other electronic means of communication. The attendance records of each Director at the Board, Nomination Committee, Remuneration Committee, Audit Committee meetings and general meetings for the Year are set out below:

	Attendance/Number of Meetings				
	Board Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	Audit Committee Meetings	General Meetings
Executive Directors					
Dr. Huang Gang (resigned on August 2, 2019)	5/5	1/1	1/1	N/A	1/1
Mr. Wong Kwok Wai, Eddy (resigned on January 31, 2020)	8/8	N/A	N/A	N/A	1/1
Ms. Li Jiewen	8/8	0/0	0/0	N/A	1/1
Mr. Gao Mingjie (appointed on August 2, 2019)	2/2	N/A	N/A	N/A	0/0
Non-executive Directors					
Mr. Cosimo Borrelli (resigned on May 3, 2019)	2/3	N/A	N/A	N/A	0/0
Ms. Chi Lai Man Jocelyn (resigned on May 3, 2019)	3/3	N/A	N/A	N/A	0/0
Ms. Cai Xinyu, Annabelle (resigned on May 3, 2019)	2/3	N/A	N/A	N/A	0/0
Independent Non-executive Directors					
Mr. Mar Selwyn	8/8	2/2	2/2	3/3	1/1
Mr. Leung Ka Tin	8/8	2/2	2/2	3/3	1/1
Dr. Cheung Wah Keung	8/8	2/2	2/2	3/3	1/1

Corporate Governance Report

For the Year, apart from the meetings of the Board, Nomination Committee, Remuneration Committee and Audit Committee, consent/approval from the Board and Board committees had also been obtained by written resolutions on a number of matters.

Annual Report and Financial Statements

All Directors acknowledge their responsibilities to prepare financial statements for the Year which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statements, and announcements to the Shareholders. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects of the financial statements of the Group.

The statements of the external auditor of the Company, BDO Limited, about their reporting responsibilities on the financial statements of the Group are set out in the Independent Auditor's Report on pages 38 to 43 of the Annual report.

Risk Management and Internal Control

The Board is responsible for evaluating and determining the nature and extent of the risks that 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 for reviewing their effectiveness annually. The system of internal controls is designed to facilitate effective and efficient operations, to safeguard assets and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. It is also designed to provide reasonable, but not absolute, assurance that material loss can be avoided, and to manage and minimize risks of failure in operation systems. The Company has established Audit Committee and Internal Audit Department to conduct analysis and independent assessments on the effectiveness of the risk management and internal control systems of the Company. The Company is committed to implementing stricter and more regulated internal control procedures in the new financial year.

The Audit Committee reviews the risk management and internal controls that are significant to the Group on an on-going basis. The Audit Committee would consider the adequacy of resources, qualifications and experience and training of staff and external advisor of the Group's accounting, internal audit and financial reporting function.

The management of the Group is responsible for designing, maintaining, implementing and monitoring of the risk management and internal control system to ensure adequate control in place to safeguard the Group's assets and stakeholder's interest.

The Group has established risk management procedures to address and handle significant risks associated with the business of the Group including strategic risk, financial risk, business risk, environmental and social risk, and legal risk. The Board would perform annual review on significant change of the business environment and establish procedures to response to the risks resulted from significant changes of business environment. The risk management and internal control systems are designed to mitigate the potential losses of the business.

The management would identify the risks associated with the business of the Group by considering both internal and external factors and events which include political, economic, technological, environmental, social and staff. Each of the risks has been assessed and prioritized based on their relevant impacts and occurrence opportunities. The relevant risk management strategy would be applied to each type of risk according to the assessment results. Types of risk management strategy are: (i) risk reduction; (ii) risk avoidance; (iii) risk diversification; and (iv) risk transfer.

The internal control systems are designed and implemented to reduce the risks associated with the business accepted by the Group and minimize the adverse impact resulted from the risks. The risk management and internal control system are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Corporate Governance Report

The management confirmed to the Board that, for the Year, the risk management and internal control system and procedures of the Group, covering all material controls including financial, operational and compliance controls and risk management functions were reasonably effective and adequate.

Company Secretary

During the Year, Ms. Kwok Ka Huen ("**Ms. Kwok**"), delegated by an external service provider, was appointed as the Company Secretary on November 10, 2017. Ms. Kwok has confirmed that she has taken not less than 15 hours of appropriate professional training as required under Rule 3.29 of the Listing Rules. Ms. Kwok's primary corporate contact is Ms. Li Jiewen, an executive Director and the CEO.

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 38 to 43.

During the Year, the remuneration paid/payable to the Company's external auditor, BDO Limited, is set out below:

Type of Services	Fees Paid/ Payable (HK$'000)
Year end audit services	
– Audit of annual financial statements	4,000
Non-Audit Services	
– Tax advisory	180
Total	4,180

Shareholders' Rights

Convening an extraordinary general meeting by Shareholders

Procedures for Shareholders to convene an extraordinary general meeting (including making proposals/moving a resolution at the extraordinary general meeting)

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company ("**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at an extraordinary general meeting. Eligible Shareholders who wish to convene an extraordinary general meeting for the purpose of making proposals or moving a resolution at an extraordinary general meeting must deposit a written requisition ("**Requisition**") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong. The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an extraordinary general meeting, the agenda proposed to be included, the details of the business(es) proposed to be transacted in the extraordinary general meeting, signed by the Eligible Shareholder(s) concerned. If within 21 days of the deposit of the Requisition, the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene an extraordinary general meeting, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Articles of Associations, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Corporate Governance Report

Investors Relations

During the Year, there was no change in the Company's constitutional documents.

Communication with Shareholders and Making Enquiry to the Board

The Company has updated its status to Shareholders from time to time through announcements and information as appeared on the website of the Company.

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post or email to ir@palum.com.

The Company will hold an annual general meeting to approve the financial results for the Year as soon as practicable in 2020. The notice of annual general meeting will be sent to Shareholders at least 20 clear business days before the annual general meeting.

Independent Auditor's Report

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To the Shareholders of Panasialum Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

Qualified Opinion

We have audited the consolidated financial statements of PanAsialum Holdings Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 44 to 133, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 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 issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

(1) Receivables from, and possible relationship with a customer

As set out in Note 2.1.2 to the consolidated financial statements, an investigation performed by an independent professional advisor was completed in August 2017 (the "Investigation"). The Investigation and other documents revealed possible connection between the Group and one of its customers, Customer C, as detailed in Note 2.1.2(A) to the consolidated financial statements.

During the year ended December 31, 2018, management had taken into account the new developments in 2018 as set out in Note 2.1.2(A) to the consolidated financial statements in their impairment assessment of trade receivables due from Customer C and they concluded that they had no reasonable expectations of recovering the trade receivables due from Customer C and therefore the trade receivables were derecognized as at December 31, 2018. Such trade receivables was fully impaired in prior years. However in our audit of the Group's consolidated financial statements for the year ended December 31, 2017, we were unable to obtain sufficient appropriate audit evidence regarding the carrying amount of trade receivables due from Customer C of HK$Nil as at December 31, 2017 was fairly stated. Due to such audit scope limitation, our audit opinion on the Group's consolidated financial statements for the year ended December 31, 2018 ("2018 consolidated financial statements") was modified as we were unable to satisfy ourselves whether no write-down on such trade receivables due from Customer C recognized during the year ended December 31, 2018 was appropriate. Our audit opinion on the consolidated financial statements for the year ended December 31, 2019 is also modified because of the possible effect of our audit scope limitation on 2018 consolidated financial statements on the comparability of the related 2019 figures and the 2018 figures in the consolidated financial statements for the year ended December 31, 2019 ("2019 consolidated financial statements").

Independent Auditor's Report

Basis for Qualified Opinion *(Continued)*

(1) Receivables from, and possible relationship with a customer *(Continued)*

In our audit of 2018 consolidated financial statements, management was not able to provide us with sufficient information and explanations about the relationship between the Group and Customer C. As a result, we were unable to satisfy ourselves whether the Group had any related party relationship with Customer C and thus the accuracy and completeness of the disclosure of related party transaction in the 2018 consolidated financial statements. Our audit opinion on the 2019 consolidated financial statements is also modified because of the possible effect of our audit scope limitation on 2018 consolidated financial statements on the comparability of related party disclosures in the 2019 consolidated financial statements.

(2) Investment in and advances to a former associated company

As set out in Note 2.1.2(B) to the consolidated financial statements, as at December 31, 2017, the Group had an 45% equity interest in Leading Sense Limited ("Leading Sense"), which was accounted for as an associated company of the Group with carrying value of HK$Nil, and recorded an advance with carrying value of HK$Nil (after impairment loss) to Leading Sense and its subsidiaries (the "Leading Sense Group"). These balances of HK$Nil were brought forward from prior years.

During the year ended December 31, 2018, management has taken into account the new developments in 2018 as set out in Note 2.1.2(B) to the consolidated financial statements in their impairment assessment of advance due from the Leading Sense Group and they concluded that they had no reasonable expectations of recovering the advance and therefore the advance was derecognized as at December 31, 2018. However in our audit of the Group's consolidated financial statements for the year ended December 31, 2017, we were unable to obtain sufficient appropriate audit evidence regarding whether the carrying amount of advance due from the Leading Sense Group of HK$Nil as at December 31, 2017 was fairly stated. Due to such audit limitation, we are not able to satisfy ourselves whether no write-down on advance due from the Leading Sense Group recognized during the year ended December 31, 2018 was appropriate. Our audit opinion on the 2018 consolidated financial statements was qualified accordingly. Our audit opinion on the consolidated financial statements for the year ended December 31, 2019 is also modified because of the possible effect of our modified opinion on 2018 consolidated financial statements on the comparability of the related 2019 figures and the 2018 figures in the 2019 consolidated financial statements.

During the year ended December 31, 2018, the Group disposed of its entire equity interest in Leading Sense and recorded disposal gain of US$1 (equivalent to HK$8). Management was not able to obtain the financial information of the Leading Sense Group, nor were they able to contact the other shareholders or management of the Leading Sense Group since January 2015. Therefore, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as whether the share of its results of an associated company of HK$Nil and the gain on disposal of an associated company of HK$8 were fairly stated in the 2018 consolidated financial statements. Our audit opinion on the 2018 consolidated financial statements was modified accordingly. Our audit opinion on the 2019 consolidated financial statements is also modified because of the possible effect of our audit scope limitation on 2018 consolidated financial statements on the comparability of the related 2019 figures and the 2018 figures in the 2019 consolidated financial statements.

Independent Auditor's Report

Basis for Qualified Opinion *(Continued)*

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

Other Information in the Annual Report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the "Basis for Qualified Opinion" section above, we were not able to obtain sufficient appropriate evidence about (1) receivables from, and possible relationship with a customer; and (2) investment in and advances to a former associated company in our audit of the 2018 consolidated financial statements which may have a possible effect of the related 2019 figures and 2018 figures included in the other information. Accordingly we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

Key Audit Matters

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

Independent Auditor's Report

Impairment of property, plant and equipment and right-of-use assets

Refer to Notes 2, 4, 14 and 15 to the consolidated financial statements.

The carrying value of the Group's property, plant and equipment and right-of-use assets amounted to HK$1,009,088,000 and HK$290,989,000 respectively as at December 31, 2019. The Group sustained a loss for the year ended December 31, 2019 and accordingly, management considered that there were indicators of impairment of property, plant and equipment.

Following a detailed impairment review of the Group's CGUs, management has estimated that no impairment loss in respect of the Group's property, plant and equipment and right-of-use assets is necessary.

The directors' assessment on the impairment of property, plant and equipment is based on the value-in-use calculation of the Group's cash-generating units (the "CGUs") which involves judgment and estimates about the future results of the businesses. Key assumptions including budgeted gross margins, discount rate and growth rate applied to the future cash flow forecast.

Our response:

Our audit procedures included, amongst others, the following:

(1) Evaluating and checking the composition of the Group's future cash flow forecasts in the CGUs, and the process by which they were drawn up, including testing the underlying value-in-use calculations and comparing them to the latest approved budgets;

(2) Checking the key assumptions by comparing the current year actual results with the 2018 figures included in the prior year forecast, by reference to future plans and by performing independent market analysis; and

(3) Utilising our own valuation specialists' work when considering the appropriateness of the methodology and assumptions adopted in the valuation.

Independent Auditor's Report

Directors' Responsibilities for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

- 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.

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

BDO Limited
Certified Public Accountants

Chan Tsz Hung
Practising Certificate Number: P06693

Hong Kong, May 8, 2020

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2019

	Notes	**Year ended December 31, 2019 HK$'000**	Year ended December 31, 2018 HK$'000
Revenue	*5*	**1,717,428**	1,642,215
Cost of sales		**(1,714,695)**	(1,489,479)
Gross profit		**2,733**	152,736
Distribution and selling expenses		**(79,472)**	(69,815)
Administrative expenses		**(315,694)**	(247,279)
Other income	*8*	**12,699**	13,877
Other gains – net	*9*	**1,462**	5,700
Operating loss		**(378,272)**	(144,781)
Finance income	*10*	**1,139**	174
Finance costs	*10*	**(112,526)**	(64,167)
Finance costs – net	*10*	**(111,387)**	(63,993)
Share of results of investments accounted for using the equity method	*17(b)*	**–**	(662)
Loss before income tax		**(489,659)**	(209,436)
Income tax expense	*11*	**(5,935)**	(24,089)
Loss for the year		**(495,594)**	(233,525)
Loss attributable to:			
– Owners of the Company		**(495,594)**	(233,463)
– Non-controlling interests		**–**	(62)
		(495,594)	(233,525)
Loss per share for loss attributable to owners of the Company			
Basic and diluted (HK cents per share)	*12*	**(41.3)**	(19.5)

The notes on pages 50 to 133 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2019

	Year ended December 31, 2019 HK$'000	Year ended December 31, 2018 HK$'000
Loss for the year	**(495,594)**	(233,525)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**(10,722)**	(20,196)
Total comprehensive income for the year	**(506,316)**	(253,721)
Attributable to:		
– Owners of the Company	**(506,316)**	(253,655)
– Non-controlling interests	**–**	(66)
	(506,316)	(253,721)

The notes on pages 50 to 133 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at December 31, 2019

	Notes	December 31, 2019 HK$'000	December 31, 2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*14*	**1,009,088**	958,941
Right-of-use assets	*15(a)*	**290,989**	–
Land use rights	*15(b)*	**–**	278,598
Investment property	*16*	**11,496**	–
Deposits and lease prepayments		**609**	1,587
Prepayments for property, plant and equipment	*20*	**59,570**	80,027
		1,371,752	1,319,153
Current assets			
Inventories	*19*	**222,146**	243,523
Trade and bills receivables	*20*	**383,891**	419,977
Prepayments, deposits and other receivables	*20*	**118,304**	81,604
Pledged bank deposits	*22*	**47,950**	3,635
Cash and cash equivalents	*22*	**15,923**	22,720
		788,214	771,459
Total assets		**2,159,966**	2,090,612
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*23*	**120,000**	120,000
Reserves	*26*	**123,242**	624,888
Total equity attributable to owners of the Company		**243,242**	744,888

The notes on pages 50 to 133 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at December 31, 2019

	Notes	December 31, 2019 HK$'000	December 31, 2018 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	15(a)	**14,217**	–
Borrowings	29	**622,706**	70,509
		636,923	70,509
Current liabilities			
Trade payables	28	**76,713**	98,375
Contract liabilities, other payables and accrued charges	28	**184,597**	236,511
Due to a director	21	**645**	6,645
Borrowings	29	**911,203**	816,965
Obligations under finance leases	27	**–**	136
Lease liabilities	15(a)	**13,864**	–
Deferred income on government grants		**17,791**	18,469
Current income tax liabilities		**74,988**	98,114
		1,279,801	1,275,215
Total liabilities		**1,916,724**	1,345,724
Total equity and liabilities		**2,159,966**	2,090,612

The consolidated financial statements on pages 44 to 133 were approved by the Board of Directors on May 8, 2020 and were signed on its behalf.

Li Jiewen
Director

Gao Mingjie
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2019

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Shares held for share award scheme HK$'000	Employee share-based compensation reserves HK$'000	Other reserves* HK$'000	Retained earnings/ (accumulated losses) HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at January 1, 2019	**120,000**	**1,001,287**	**(774)**	**–**	**(29,985)**	**(345,640)**	**–**	**744,888**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(495,594)**	**–**	**(495,594)**
Other comprehensive income:								
Currency translation differences	**–**	**–**	**–**	**–**	**(10,722)**	**–**	**–**	**(10,722)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(10,722)**	**(495,594)**	**–**	**(506,316)**
Equity-settled share-based payment *(Note 25)*	**–**	**–**	**–**	**4,670**	**–**	**–**	**–**	**4,670**
Balance at December 31, 2019	**120,000**	**1,001,287**	**(774)**	**4,670**	**(40,707)**	**(841,234)**	**–**	**243,242**
Balance at January 1, 2018	120,000	1,001,287	(774)	–	(9,793)	(112,177)	66	998,609
Loss for the year	–	–	–	–	–	(233,463)	(62)	(233,525)
Other comprehensive income:								
Currency translation differences	–	–	–	–	(20,192)	–	(4)	(20,196)
Total comprehensive income for the year	–	–	–	–	(20,192)	(233,463)	(66)	(253,721)
Balance at December 31, 2018	120,000	1,001,287	(774)	–	(29,985)	(345,640)	–	744,888

* The other reserves comprises foreign currency translation reserve of debit balance of HK$59,952,000 (December 31, 2018: debit balance of HK$49,230,000) and statutory reserves of HK$19,245,000 (December 31, 2018: HK$19,245,000). There was no movement in the statutory reserves during the year ended December 31, 2018 and the year ended December 31, 2019, further details of which are set out in Note 26.

The notes on pages 50 to 133 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2019

	Notes	Year ended December 31, 2019 HK$'000	Year ended December 31, 2018 HK$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	*30(a)*	**(297,419)**	40,172
Income tax paid		**(27,886)**	(13,259)
Net cash (used in)/generated from operating activities		**(325,305)**	26,913
Cash flows from investing activities			
Purchase of property, plant and equipment and construction in progress	*14*	**(184,418)**	(69,963)
Decrease/(Increase) in prepayments for property, plant and equipment		**19,350**	(2,129)
Proceeds from sales of property, plant and equipment	*30(b)*	**1,930**	7,990
Proceeds from disposal of investments accounted for using the equity method		**–**	4,591
Decrease in due from the investments accounted for using the equity method		**–**	7,084
(Decrease)/increase in due to a director		**(6,000)**	6,645
Interest received		**1,139**	174
Net cash used in investing activities		**(167,999)**	(45,608)
Cash flows from financing activities			
Proceeds from borrowings	*30(c)*	**1,112,593**	693,414
Repayments of borrowings	*30(c)*	**(451,740)**	(614,545)
Repayment of obligations under finance leases		**–**	(3,504)
(Increase)/decrease in pledged bank deposits		**(44,821)**	4,077
Payment for lease liabilities	*30(c)*	**(13,206)**	–
Interest paid	*30(c)*	**(112,526)**	(64,167)
Net cash generated from financing activities		**490,300**	15,275
Net decrease in cash and cash equivalents		**(3,004)**	(3,420)
Cash and cash equivalents at beginning of the year		**22,720**	26,336
Exchange loss on cash and cash equivalents		**(3,793)**	(196)
Cash and cash equivalents at end of the year	*22*	**15,923**	22,720

The notes on pages 50 to 133 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

PanAsialum Holdings Company Limited (the "**Company**") and its subsidiaries (together the "**Group**") are principally engaged in the manufacturing and trading of aluminium products. The Company is an investment holding company. The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands on October 7, 2005 under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Exchange**") since February 5, 2013.

These consolidated financial statements are presented in Hong Kong Dollar ("**HK$**" or "**HKD**"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors (the "**Board**") on May 8, 2020.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Exchange. The consolidated financial statements have been prepared under the historical cost convention, except for investment property which is measured at fair value, as explained in the accounting policies set out below.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The directors of the Company (the "**Directors**") have given careful consideration to the going concern status of the Group in light of the fact that (i) the Group incurred a loss attributable to owners of the Company of approximately HK$496 million for the year ended December 31, 2019, (ii) the Group's current liabilities exceeded its current assets by approximately HK$492 million as at December 31, 2019 and (iii) the Group had cash and cash equivalents of approximately HK$16 million against the Group's borrowings amounted to approximately HK$911 million, which will be due within twelve months after December 31, 2019. The Directors have evaluated the Group's current undrawn facilities and renewable borrowings and are confident that the Group is able to meet its financial obligations when they become due and payable. In order to improve liquidity, the management has been closely monitoring and managing the Group's cash position and conducts on-going negotiations with financial institutions to ensure that the existing facilities will be successfully renewed and additional facilities are obtained when necessary to meet the Group's working capital requirements.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

The Directors have assessed the situation and taken the following measures to improve its liquidity position:

(i) as at December 31, 2019, included in the Group's borrowings are revolving borrowings amounted to HK$375 million, for which the Group can continue to utilize these amounts on the maturity dates which are after December 31, 2020;

(ii) the Group has been proactively negotiating with the financial institutions in the PRC to seek for renewing the existing facilities and obtaining new facilities. The Directors have evaluated all the relevant facts available to them and are of the opinion that there are good track records and relationship with the relevant financial institutions which enhance the Group's ability to renew the existing interest-bearing borrowings upon expiry. Subsequent to December 31, 2019, its current non-revolving borrowings as at December 31, 2019 in the amount of not less than HK$162 million and HK$185 million have been successfully renewed to a repayment date after December 31, 2020 and until the compensation received from the proposed disposal of Zengcheng land where the Group's Zengcheng factory situated respectively; and

(iii) as at December 31, 2019, the Group has undrawn facilities of HK$253 million (Note 29).

The Directors are of the opinion that, taking into account the successful implementation of measures of the Group as described above, the uncertainty will not have significant impact to the Group and the Group will have sufficient working capital to meet its cashflow requirements in the next twelve months. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

Should the going concern basis be determined to be not appropriate, adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable values, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

2.1.1 Changes in accounting policy and disclosure

(a) New, revised or amended standards and interpretation adopted by the Group

The following new and amended standards have been adopted by the Group for the first time for the current year's financial statements:

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

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from January 1, 2019 did not have any significant impact on the Group's accounting policies.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosure (Continued)

(a) New, revised or amended standards and interpretation adopted by the Group (Continued)

HKFRS 16 – Leases

Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases–Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognized in the consolidated statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iii) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognized all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of December 31, 2018 to that of January 1, 2019 as follows:

Consolidated statement of financial position as at	December 31, 2018 HK$'000	Initial application of HKFRS 16 HK$'000	January 1, 2019 HK$'000
Right-of-use assets	–	308,287	308,287
Land use rights	278,598	(278,598)	–
Motor vehicles presented in property, plant and equipment	333	(333)	–
Lease liabilities (current)	–	(12,504)	(12,504)
Lease liabilities (non-current)	–	(16,988)	(16,988)
Obligations under finance leases	(136)	136	–

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosure (Continued)

(a) New, revised or amended standards and interpretation adopted by the Group (Continued)

HKFRS 16 – Leases (Continued)

Impact of the adoption of HKFRS 16 (Continued)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of December 31, 2018 could be reconciled to the lease liabilities at the date of initial application recognized in the consolidated statement of financial position as at January 1, 2019:

	HK$'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as of December 31, 2018	32,355
Less:future interest expenses	(2,999)
Add:finance lease liabilities as of December 31, 2018	136
Total lease liabilities as of January 1, 2019	29,492

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized in the consolidated statement of financial position as at January 1, 2019 is 7.24%.

(i) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosure (Continued)

(a) New, revised or amended standards and interpretation adopted by the Group (Continued)

HKFRS 16 – Leases (Continued)

Impact of the adoption of HKFRS 16 (Continued)

(ii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognize the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognized in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalized in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognize right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognized a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognized at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosure (Continued)

(a) New, revised or amended standards and interpretation adopted by the Group (Continued)

HKFRS 16 – Leases (Continued)

Impact of the adoption of HKFRS 16 (Continued)

(ii) Accounting as a lessee (Continued)

Right-of-use asset (Continued)

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

Lease liability

The lease liability should be recognized at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosure (Continued)

(a) New, revised or amended standards and interpretation adopted by the Group (Continued)

HKFRS 16 – Leases (Continued)

Impact of the adoption of HKFRS 16 (Continued)

(iii) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognized all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application (January 1, 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognized the lease liabilities at the date of January 1, 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at January 1, 2019.

The Group has elected to recognize all the right-of-use assets at January 1, 2019 for leases previously classified operating leases under HKAS 17 as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application. For all these right-of-use assets, the Group has applied "HKAS 36 Impairment of Assets" at January 1, 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognize right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (January 1, 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at January 1, 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

The Group has also leased certain of its motor vehicle which previously were classified as finance leases under HKAS 17. As the Group has elected to adopt the cumulative effect method over the adoption of HKFRS 16, for those finance leases under HKAS 17, the right-of-use assets and the corresponding lease liabilities at January 1, 2019 were the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date. For those leases, the Group has accounted for the right-of-use assets and the lease liabilities applying HKFRS 16 from January 1, 2019.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosure (Continued)

(a) New, revised or amended standards and interpretation adopted by the Group (Continued)

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Saved as disclosed in Note 11, the Group adopted this interpretation did not result to significant impact to these financial statements.

Amendments to HKAS 19 – Plan amendments, curtailment or settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the year. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

The adoption of these amendments has no impact on these financial statements as the Group does not have any defined benefit plans.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortized cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

The adoption of these amendments has no impact on these financial statements as the Group does not have any prepayable financial assets with negative compensation.

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

The adoption of these amendments has no impact on these financial statements as the Group does not have any net investment in the associates or joint ventures.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosure (Continued)

(a) New, revised or amended standards and interpretation adopted by the Group (Continued)

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

The adoption of these amendments has no impact on these financial statements as the Group does not have any joint operations.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

The adoption of these amendments has no impact on these financial statements as the Group does not have any joint arrangements.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

The adoption of these amendments has no impact on these financial statements as the Group does not have any dividends recognized during the year.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

The adoption of these amendments has no impact on these financial statements as the Group does not have any borrowing costs that fulfilled the capitalization requirements in accordance to HKAS 23.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosure (Continued)

(b) New and amendments to standards, interpretations and improvements not yet adopted

The following new and amendments to standards, interpretations and improvements have been issued, but are not effective for the financial year beginning on January 1, 2019 and have not been early adopted by the Group:

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

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

Amendments to HKFRS 3 – Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosure (Continued)

(b) New and amendments to standards, interpretations and improvements not yet adopted (Continued)

HKFRS 17 – Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognized when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognized in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognized only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

2.1.2 Prior years investigation

In prior years, the Group established an independent committee which had engaged an independent professional adviser to investigate into certain matters during the course of the audit of the consolidated financial statements for the year ended September 30, 2014 (the "**Investigation**") on (i) discrepancies in aluminium ingots receipt and consumption records and recoverability of prepayments to certain suppliers; (ii) transactions with a contractor for the construction of the Group's new manufacturing facility in Nanyang city, the PRC; (iii) recoverability of receivables from, and possible relationship with, certain customers; and (iv) certain transactions conducted through personal bank accounts. The Investigation was completed in August 2017. Moreover, the Company also engaged a legal adviser to identify any possible relationship between the Group and an associated company.

The Investigation had a number of limitations in respect of the nature and extent of the procedures conducted. During the course of the preparation of the consolidated financial statements of the Company for the year ended December 31, 2018, the Board had taken into account the following findings of the Investigation, considered the relevant information and supporting evidence available and had used their best effort to estimate the relevant financial impact of the matters identified in the Investigation. The Board considered it appropriate to make certain accounting treatments in the Company's consolidated financial statements for the year ended December 31, 2018 in respect of the following matters which are relevant to these consolidated financial statements.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.2 Prior years investigation (Continued)

(A) Receivables from, and possible relationship with a customer

During the year ended September 30, 2014, there were also sales to a new customer in Australia ("**Customer C**"), which was incorporated in the British Virgin Islands (the "**BVI**"), by the Group. Based on the information in the winding up petitions against Australia Customer B, certain goods sold to Customer C were resold to Australia Customer B. During the year ended September 30, 2014, the Group had written down the outstanding trade receivables of HK$15,740,000 due from Customer C. During the year ended September 30, 2015, the Group recognized revenue of HK$36,352,000 for sales to Customer C. However, Customer C had delayed its settlement. The Group had continuously demanded Customer C for settlement but in vain. The Group had therefore recognized an additional write-down of the outstanding trade receivables from Customer C of HK$36,352,000 to administrative expenses during the year ended September 30, 2015. From the fifteen months ended December 31, 2016 onwards, no further sales to Customer C were recorded by the Group.

Taking into account the circumstances, inter alia, the legal opinion and the legal action taken during the year ended December 31, 2018 as well as the estimated further legal costs and the likelihood of recovery of amounts, the Group has determined it is not beneficial to the Group for taking further legal actions to recover the trade receivables from the Customer C, and accordingly the Directors concluded that they had no reasonable expectations of recovering the trade receivables due from Customer C and therefore such trade receivables were derecognized as at December 31, 2018.

(B) Investment in and advances to an associated company

In August 2014, the Group invested an amount of HK$17,524,000 to acquire a 45% equity interest in Leading Sense Limited ("**Leading Sense**"), which was principally engaged in manufacturing and trading of mobile phones (the "**Mobile Business**"). Leading Sense was accounted for as an associated company.

As at September 30, 2015 and December 31, 2016 and 2017, the Group had an outstanding advance of HK$44,841,000 (before write-down) to Leading Sense and its subsidiaries (the "**Leading Sense Group**").

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.2 Prior years investigation (Continued)

(B) Investment in and advances to an associated company *(Continued)*

According to the findings of a legal adviser of the Company, one of the registered shareholders of Leading Sense might have a possible connection with the former chairman of the Company. Despite this, the Board did not consider such person and Leading Sense as related parties of the Group, as the Group did not have significant influence over them before the subscription of the issued share capital of Leading Sense in August 2014.

Upon the acquisition in August 2014, management of the Company was provided with, on a monthly basis, the management accounts of the Leading Sense Group which had been unavailable since January 2015. In addition, the other shareholders or the management of the Leading Sense Group ceased to be contactable since January 2015. Based on the latest available management accounts for the three months ended December 31, 2014 of the Leading Sense Group, management estimated that the Group's attributable share of loss of the Leading Sense Group to be HK$9,493,000, which had been recorded as share of loss of an associated company during the year ended September 30, 2015.

As the management of the Company was unable to obtain further financial information from the Leading Sense Group and in view of the financial position of the Leading Sense Group based on the latest available management accounts as well as the discontinuation of the Mobile Business in 2015, the Board resolved to fully write down the investment in an associated company of HK$5,893,000 and the amount due from an associated company totalling HK$44,841,000. The total amounts written down were charged to administrative expenses in the Company's consolidated financial statements for the year ended September 30, 2015. No material subsequent reversal of write-down was recognized for the fifteen months ended December 31, 2016 and the year ended December 31, 2017. Taking into account the circumstances, inter alia, the legal opinion and the legal action taken during the current year as well as the estimated further legal costs and the likelihood of recovery of amounts, the Group has determined it is not beneficial to the Group for taking further legal actions to recover the advances from the Leading Sense Group, and accordingly the Directors concluded that they had no reasonable expectations of recovering the advances and therefore such advances were derecognized as at December 31, 2018.

During the year ended December 31, 2018, the Group entered into a disposal agreement to dispose of its entire 45% equity interest in Leading Sense to an independent third party at a consideration of US$1 with effective on June 26, 2018.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition-date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of comprehensive income.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation (Continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Investments accounted for using the equity method

An associated company is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Under HKFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures only.

Investments in an associated company and a joint venture are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in an associated company and a joint venture include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associated company and a joint venture, any difference between the cost of the associated company or a joint venture or the Group's share of the net fair value of the associated company's or the joint venture's identifiable assets and liabilities is accounted for as goodwill.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.3 Investments accounted for using the equity method *(Continued)*

The Group's share of post-acquisition profit or loss is recognized in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of results in the investment equals or exceeds its interest in the investment, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying amount and recognizes the amount in the consolidated statement of comprehensive income.

Impairment testing of the investment is required upon receiving dividends from this investment if the dividend exceeds the total comprehensive income of the investment in the period the dividend is declared or if the carrying amount of the investment in the Company's separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Profits and losses resulting from upstream and downstream transactions between the Group and its associated company or a joint venture are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associated company or a joint venture. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of the investment have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains and losses on dilution arising in investments accounted for using the equity method are recognized in the consolidated statement of comprehensive income.

2.4 Structured entity

The Group controls a structured entity, the trust constituted by the trust deed, which is set up solely for the purpose of purchasing, administering and holding the Company shares for an employees' share award scheme. As the Group has the power to direct the relevant activities of the trust and it has the ability to use its power over the trust to affect its exposure to returns, the assets and liabilities of trust are included in the consolidated statement of financial position and the Company shares held by the trust are presented as a deduction in equity as shares held for share award scheme.

2.5 Segment reporting

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.6 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at FVTPL are recognized in profit or loss as part of the fair value gain or loss.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting date;

– income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

2.7 Land use rights (accounting policies applied until December 31, 2018)

Land use rights are stated at cost less accumulated amortization and impairment losses. Cost mainly represents consideration paid for the rights to use the land from the date the respective rights were granted. Amortization of land use rights is calculated on a straight-line basis over the period of the rights, i.e. 50 years.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation of property, plant and equipment is calculated using straight-line method to allocate their costs, less their estimated residual value, if any, over their estimated useful lives, as follows:

Buildings	20 years
Plant and machinery	3 – 10 years
Office equipment	3 – 5 years
Furniture and fixtures	5 years
Motor vehicles	4 – 10 years

Construction in progress, which includes direct expenditures for construction of buildings, is stated at cost. Capitalized costs include costs incurred during the construction phase which directly relates to the asset under construction. Once all the activities necessary to prepare an asset to be available for its intended use are substantially completed, the construction in progress is transferred to property, plant and equipment. No depreciation is provided in respect of construction in progress.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is higher than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated statement of comprehensive income.

2.9 Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life – for instance, goodwill – are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial instruments

2.11.1 Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Financial assets at amortized cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain on derecognition is recognized in profit or loss.

FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.11 Financial instruments *(Continued)*

2.11.1 Financial assets (Continued)

Debt instruments *(Continued)*

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVTOCI are measured at fair value. Dividend income are recognized in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognized in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognized in profit or loss.

2.11.2 Impairment loss on financial assets

The Group recognizes loss allowances for expected credit loss ("**ECL**") on trade receivables, contract assets, financial assets measured at amortized cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.11 Financial instruments *(Continued)*

2.11.2 Impairment loss on financial assets (Continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due unless the Group has reasonable and supportable information that a more lagging default criteria is more appropriate.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (2) the financial asset is more than 90 days past due or unless the Group has reasonable and supportable information that a more lagging default criteria is more appropriate.

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

2.11.3 Financial liabilities

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

Financial liabilities at amortized cost

Financial liabilities at amortized cost are subsequently measured at amortized cost, using the effective interest method. The related interest expense is recognized in profit or loss.

Gains or losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

2.11.4 Effective interest method

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

2.11.5 Derecognition

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

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.11 Financial Instruments *(Continued)*

2.11.5 Derecognition (Continued)

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

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.13 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.14 Cash and cash equivalents

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

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs, net of tax, directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.17 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis difference

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.17 Current and deferred income tax *(Continued)*

(b) Deferred income tax (Continued)

Inside basis difference (Continued)

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis difference

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated company and joint arrangement except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associated company and joint arrangement only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 Revenue recognition

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

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

If control of the goods or services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods or service.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.18 Revenue recognition *(Continued)*

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

Sales of goods

Customers obtain control of the products when the goods are delivered to and have been accepted. Revenue is thus recognized when the customers accepted the products. There is generally only one performance obligation. Invoices are usually payable within 30 to 90 days. In the comparative period, revenue from sales of goods is recognized on transfer of risks and rewards of ownership, which was taken as at the time of delivery and the title is passed to customer.

Processing services

Revenue is recognized over time as those services are provided. Invoices for processing services are issued on a monthly basis and are usually payable within 90 days. For any satisfied performance obligation but where the Group does not have an unconditional right to consideration, a contract asset is recognized.

Other income

- Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.
- Dividend income is recognized when the right to receive the dividend is established.

2.19 Employee benefits

(a) *Employee leave entitlements*

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

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

(b) *Pension obligations*

The Group participates in defined contribution schemes which are available to eligible employees, the assets of which are held in separate trustee administered funds. The Group's contributions to the defined contribution retirement schemes are expensed as incurred. The Group has no further obligation once the contributions have been paid.

The Group also participates in the employee social security plan (the "**Plan**") as required by the regulations in the PRC. The Group is required to make welfare contributions to the Plan which is based on a certain percentage of the employees' relevant income.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.19 Employee benefits *(Continued)*

(c) Bonus plans

The Group recognizes a liability and an expense for bonus plans that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliges or where there is a past practice that has created a constructive obligation.

(d) Equity-settled share-based payment transactions

(i) Share award

The Group operates a share award scheme, under which the entity receives services from employees as consideration for equity instruments of the Group and the share awards were granted under the share award scheme to employees as part of their compensation package.

The amount to be expensed as share-based compensation expenses is determined by reference to the fair value of the award shares granted, taking into account all non-vesting conditions associated with the grants. The total expense is recognized over the relevant vesting periods (or on the grant date if the shares vest immediately), with a corresponding credit to an employee share-based compensation reserve under equity.

Upon vesting and transfer to the awardees, the related costs of the shares are credited to shares held for share award scheme, and the related fair value of the shares are debited to employee share-based compensation reserve. The difference between the cost and the fair value of the shares is credited to share premium if the fair value is higher than the cost or debited against retained earnings if the fair value is less than the cost.

(ii) Share options

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognized in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

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

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.20 Leases (accounting policies applied from January 1, 2019)

All leases (irrespective of they are operating leases or finance leases) are required to be capitalized in the consolidated statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognize right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognized at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group has leased a number of properties under tenancy agreements which the Group exercises it judgment and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognized at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.21 Leases (accounting policies applied until December 31, 2018)

(a) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss for the year on a straight-line basis over the period of the lease.

(b) Finance leases

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in current and non-current liabilities. The interest element of the finance costs is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2.22 Government grants and subsidies

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

Under these circumstances, the grants and subsidies are recognized as income or matched with the associated costs which the grants and subsidies are intended to compensate.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies *(Continued)*

2.23 Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group is not exposed to material equity price risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group's management regularly monitors the exposures and implements timely and effective policies to mitigate potential risks. Risk management is carried out by the group treasury department under policies approved by the Board. Financial risks are identified and evaluated in different units with close cooperation with the group treasury. Based on the policies, the Group can also use derivative financial instruments to hedge certain risk exposures.

(a) *Market risk*

Foreign exchange risk

The Group mainly operates in Hong Kong, Macao and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar ("**USD**"), Renminbi ("**RMB**"), and Australian Dollar ("**AUD**"). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The results of net foreign exchange difference arise from relevant foreign currencies denominated trade and other receivables, cash and bank deposits, other payables and current accounts with group companies. The Group's exposure to different currencies is disclosed in the following table:

	2019 Increase/ (decrease) on loss for the year HK$'000	2018 Increase/ (decrease) on loss for the year HK$'000
For companies with HKD as their functional currency:		
RMB weakens against HKD by 10%	**519**	577
RMB strengthens against HKD by 10%	**(519)**	(577)
For companies with RMB as their functional currency:		
USD weakens against RMB by 10%	**(25)**	(55)
USD strengthens against RMB by 10%	**25**	55
For companies with USD as their functional currency:		
AUD weakens against USD by 10%	**33**	200
AUD strengthens against USD by 10%	**(33)**	(200)

Notes to the Consolidated Financial Statements

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, these evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers and, where appropriate, credit guarantee insurance cover is purchased. Normally, the Group does not obtain collateral from customers.

The credit risk is characterized by high concentration of business with several customers. At the end of reporting period, the Group has a certain concentration of credit risk as 12% (2018: 34%) and 76% (2018: 50%) of the total trade and other receivables due from the Group's largest customer and the five largest customers respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECL, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Loss allowances for other receivables are also measured at an amount equal to lifetime ECLs. No impairment for these financial assets as at January 1, 2018 was bought forward and HK$1,827,000 is recognized during the year ended December 31, 2019 as the amount of additional impairment measured under the ECLs model.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at December 31, 2019:

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000	Net carrying amount HK$'000
Current	0.0%	244,323	–	244,323
1-30 days	1.32%	64,848	856	63,992
31-60 days	5.05%	21,504	1,086	20,418
61-90 days	9.70%	20,771	2,015	18,756
91-180 days	17.66%	31,373	5,540	25,833
181 days - 1 year	32.90%	2,216	729	1,487
More than 1 year	83.03%	7,817	6,490	1,327
		392,852	16,716	376,136

Notes to the Consolidated Financial Statements

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk (Continued)

Expected loss rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Prior to January 1, 2018, an impairment loss was recognized only when there was objective evidence of impairment.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2019 **HK$'000**	2018 HK$'000
Balance at beginning of year	**6,011**	7,384
Amounts written off during the year	**(119)**	(4,933)
Impairment loss recognized during the year	**10,718**	3,560
Exchange differences	**106**	–
Balance at end of year	**16,716**	6,011

The Group maintains frequent communications with these customers to ensure relevant transactions are running effectively and smoothly and balances are reconciled. Management believes that the credit risk related to these customers is not significant in respect of the net trade receivables.

Settlements from the customers are closely monitored on an ongoing basis by management of the Group to ensure any overdue debts are identified and follow-up action is taken to recover the overdue debts.

Notes to the Consolidated Financial Statements

3 Financial risk management *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of an adequate amount of credit facilities.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flows, further details of which are set out in Note 2.1.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining years at the reporting date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
At December 31, 2019					
Borrowings	**1,533,909**	**1,684,249**	**978,495**	**108,863**	**596,891**
Trade and other payables	**249,112**	**249,112**	**249,112**	**–**	**–**
Due to a director	**645**	**645**	**645**	**–**	**–**
Lease liabilities	**28,081**	**30,407**	**15,435**	**10,890**	**4,082**

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
At December 31, 2018					
Borrowings	887,474	915,652	835,786	–	79,866
Trade and other payables	324,104	324,104	324,104	–	–
Due to a director	6,645	6,645	6,645	–	–
Obligations under finance leases	136	136	136	–	–

Notes to the Consolidated Financial Statements

3 Financial risk management *(Continued)*

3.2 Capital risk management

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

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

The gearing ratios of the Group as at December 31, 2018 and 2019 were as follows:

	December 31, 2019 HK$'000	December 31, 2018 HK$'000
Total borrowings	**1,533,909**	887,610
Less: Cash and cash equivalents	**(15,923)**	(22,720)
Net debt	**1,517,986**	864,890
Total equity	**243,242**	744,888
Total capital and net debt	**1,761,228**	1,609,778
Gearing ratio	**86%**	54%

The Board is of the view that the increase in the gearing ratio as at December 31, 2019 was the result of loss and increase in total borrowings during the year ended December 31, 2019.

3.3 Fair value estimation

The carrying amounts of the Group's financial assets and liabilities approximate their fair values due to their short maturity.

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and judgments

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Save as disclosed in Note 2.1, the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

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

(b) Provision for impairment of receivables

The loss allowances for financial assets are based on assumptions about risk default and ECLs rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

The carrying amount and impairment of trade receivables are disclosed in Note 20.

(c) Identification of functional currencies

The functional currency for each entity in the Group is the currency of the primary economic environment in which it operates. Determination of functional currency involves significant judgment. The Group reconsiders the functional currency of its entities if there is a change in the underlying transactions, events and conditions which determine their primary economic environment.

(d) Estimated useful lives and impairment of property, plant and equipment

Management estimates useful lives of the property, plant and equipment by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the assets, expected repair and maintenance, the technical or commercial obsolescence arising from changes or improvements in the market. Residual values of the property, plant and equipment are determined based on prevailing market values for equivalent aged assets taking into account the condition of the relevant assets and other economic considerations. Depreciation would be significantly affected by the useful lives and residual values of the property, plant and equipment as estimated by management.

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and judgments *(Continued)*

(e) Impairment of property, plant and equipment and right-of-use assets

The Group's major operating assets represent property, plant and equipment and right-of-use assets which are carried at cost less depreciation and impairment. Management performs review for impairment of the property, plant and equipment and right-of-use assets whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position.

5 Revenue and Segment information

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. The Board has determined the operating segments based on these reports.

The Board considers the business from both product and geographical perspectives. The Board regularly reviews the consolidated financial statements from both product and geographical perspectives to assess performance and make resources allocation decisions. The operating segments are determined to be based on products. Management assesses the performance of the operating segments based on a measure of gross profit.

The Group derives its revenue from three product segments, namely the electronics parts, construction and industrial products and door and window frames systems which are operating in five geographical areas, namely The PRC (excluding Hong Kong), Australia, North America, Hong Kong and others.

The description of each reportable product segment is as follows:

Reportable product segment	Type of products
Revenue from contracts with customer within scope of HKFRS 15:	
Electronics parts	Aluminium parts for consumer electronics products, examples include heat sinks and chassis for computers
Construction and industrial products	Products sold for construction and industrial use, examples include window and door frames, curtain walls, guardrails, body parts for transportation, mechanical and electrical equipment and consumer durable goods
Door and Window Frames Systems	Products sold for door and window frames systems

Notes to the Consolidated Financial Statements

5 Revenue and Segment information *(Continued)*

The segment information for the operating segments for the year ended December 31, 2019 is as follows:

	Electronics parts HK$'000	Construction and industrial products HK$'000	Door and Window Frames Systems HK$'000	Total HK$'000
Sales to external customers	**408,473**	**1,218,019**	**90,936**	**1,717,428**
Cost of sales	**(363,936)**	**(1,240,967)**	**(109,792)**	**(1,714,695)**
Segment gross profit/(loss)	**44,537**	**(22,948)**	**(18,856)**	**2,733**
Unallocated operating costs				**(395,166)**
Other income				**12,699**
Other gains – net				**1,462**
Finance costs – net				**(111,387)**
Loss before income tax				**(489,659)**

Unallocated operating costs mainly comprise salaries and allowance, rent and rates and other general selling and administrative expenses.

The segment information for the operating segments for the year ended December 31, 2018 is as follows:

	Electronics parts HK$'000	Construction and industrial products HK$'000	Door and Window Frames Systems HK$'000	Total HK$'000
Sales to external customers	717,516	788,828	135,871	1,642,215
Cost of sales	(602,449)	(762,150)	(124,880)	(1,489,479)
Segment gross profit	115,067	26,678	10,991	152,736
Unallocated operating costs				(317,094)
Other income				13,877
Other gains – net				5,700
Finance costs – net				(63,993)
Share of results of investments accounted for using the equity method				(662)
Loss before income tax				(209,436)

Notes to the Consolidated Financial Statements

5 Revenue and Segment information *(Continued)*

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

	Disaggregation of revenue from contracts with customers Year ended December 31, 2019			
	Electronic parts HK$'000	Construction and industrial products HK$'000	Door and Window Frames Systems HK$'000	Total HK$'000
Primary geographical markets				
The PRC	408,473	717,207	90,936	1,216,616
Australia	–	236,544	–	236,544
North America	–	50,619	–	50,619
Hong Kong	–	71,173	–	71,173
Others	–	142,476	–	142,476
Total	408,473	1,218,019	90,936	1,717,428
Major products/Services				
Sales of goods	407,362	1,218,019	90,936	1,716,317
Processing fees	1,111	–	–	1,111
	408,473	1,218,019	90,936	1,717,428
Timing of revenue recognition				
At a point in time	407,362	1,218,019	90,936	1,716,317
Transferred over time	1,111	–	–	1,111
	408,473	1,218,019	90,936	1,717,428

Notes to the Consolidated Financial Statements

5 Revenue and Segment information *(Continued)*

	Disaggregation of revenue from contracts with customers Year ended December 31, 2018			
	Electronic parts HK$'000	Construction and industrial products HK$'000	Door and Window Frames Systems HK$'000	Total HK$'000
Primary geographical markets				
The PRC	717,516	262,206	135,871	1,115,593
Australia	–	301,286	–	301,286
North America	–	53,100	–	53,100
Hong Kong	–	75,177	–	75,177
Others	–	97,059	–	97,059
Total	717,516	788,828	135,871	1,642,215
Major products/Services				
Sales of goods	712,490	788,828	135,871	1,637,189
Processing fees	5,026	–	–	5,026
	717,516	788,828	135,871	1,642,215
Timing of revenue recognition				
At a point in time	712,490	788,828	135,871	1,637,189
Transferred over time	5,026	–	–	5,026
	717,516	788,828	135,871	1,642,215

The analysis of the Group's revenue and gross profit from external customers attributed to the locations in which the sales originated during the years ended December 31, 2018 and 2019 consists of the following:

	Year ended December 31, 2019					
	The PRC HK$'000	**Australia HK$'000**	**North America HK$'000**	**Hong Kong HK$'000**	**Others HK$'000**	**Total HK$'000**
Sales to external customers	**1,216,616**	**236,544**	**50,619**	**71,173**	**142,476**	**1,717,428**
Cost of sales	**(1,258,669)**	**(200,573)**	**(35,322)**	**(67,456)**	**(152,675)**	**(1,714,695)**
Gross (loss)/profit	**(42,053)**	**35,971**	**15,297**	**3,717**	**(10,199)**	**2,733**

Notes to the Consolidated Financial Statements

5 Revenue and Segment information *(Continued)*

	Year ended December 31, 2018					
	The PRC HK$'000	Australia HK$'000	North America HK$'000	Hong Kong HK$'000	Others HK$'000	Total HK$'000
Sales to external customers	1,115,593	301,286	53,100	75,177	97,059	1,642,215
Cost of sales	(1,014,665)	(267,253)	(40,069)	(66,210)	(101,282)	(1,489,479)
Gross profit/(loss)	100,928	34,033	13,031	8,967	(4,223)	152,736

Details of customers accounting for 10% or more of total revenue are as follows:

	Year ended December 31, 2019 HK$'000	Year ended December 31, 2018 HK$'000
PRC Customer A	**269,477**	476,208
PRC Customer B	**239,019**	–

The geographical locations of non-current assets are determined based on the countries of domicile of the companies now comprising the Group. The total of non-current assets, excluding investments accounted for using the equity method, located in respective geographical locations is as follows:

	December 31, 2019 HK$'000	December 31, 2018 HK$'000
The PRC	**1,341,876**	1,299,305
Hong Kong	**4,193**	4,637
Other countries	**25,683**	15,211
	1,371,752	1,319,153

Analysis of segment assets and liabilities for each reportable segment has not been presented as such amounts are not regularly provided to the Board.

Notes to the Consolidated Financial Statements

6 Expenses by nature

Expenses included in cost of sales, distribution and selling expenses and administrative expenses are analyzed as follows:

	Year ended December 31, 2019 HK$'000	Year ended December 31, 2018 HK$'000
Auditor's remuneration – current year	**4,000**	4,700
Operating leases – land and buildings	**–**	17,880
Cost of inventories recognized as expenses	**1,714,695**	1,489,479
Loss on disposal of property, plant and equipment *(Note 30(b))*	**5,625**	3,109
Loss on disposal of investments accounted for using the equity method	**–**	2,683
Employee benefit expenses *(Note 7)*	**350,527**	305,645
Revaluation loss on property, plant and equipment *(Note 14)*	**630**	–
Depreciation:		
– Owned property, plant and equipment	**105,363**	95,018
– Leased property, plant and equipment	**–**	2,306
– Right-of-use assets – land and buildings *(Note 15(a))*	**19,446**	–
Amortization of land use rights *(Note 15(b))*	**–**	6,412
Write off of inventories	**–**	4,117
Write off of trade receivables, net	**119**	2,967
Write off of right-of-use assets *(Note 15(a))*	**4,904**	–
Direct operating expenses arising from investment property that generated rental income	**145**	–
Impairment loss on inventories	**6,893**	–
Impairment loss on trade receivables *(Note 3.1(b))*	**10,718**	3,560
Impairment loss on other receivables	**1,827**	–
Legal and professional fees	**19,626**	17,763
Equity settled share-based payments to the consultant of the Group	**570**	–

7 Employee benefit expenses (including directors' emoluments) and five highest paid individuals

	Year ended December 31, 2019 HK$'000	Year ended December 31, 2018 HK$'000
Wages and salaries	**305,923**	266,597
Contributions to defined contribution plans	**27,794**	23,798
Equity-settled share-based payment expenses	**4,100**	–
Other benefits	**12,710**	15,250
	350,527	305,645

Notes to the Consolidated Financial Statements

7 Employee benefit expenses (including directors' emoluments) and five highest paid individuals *(Continued)*

Five highest paid individuals

For the year ended December 31, 2019, the five individuals whose emoluments were the highest in the Group include 5 directors (year ended December 31, 2018: 4), whose emoluments are reflected in the analysis presented in Note 35. The emolument paid to the remaining 1 individual for the year ended December 31, 2018 is as follows:

	Year ended December 31, 2018 HK$'000
Salaries and allowances	910
Contributions to defined contribution plans	18
	928

The emolument of this remaining individual fells within the following emolument band:

	Year ended December 31, 2018
HK$Nil to HK$1,000,000	1

During the year ended December 31, 2019, none of the directors of the Company or the five highest paid individuals of the Group (i) received any emolument from the Group as an inducement to join or upon joining the Group; (ii) received any compensation for loss of office as a director or management of any member of the Group; or (iii) waived or has agreed to waive any emoluments (year ended December 31, 2018: Same).

Notes to the Consolidated Financial Statements

8 Other income

	Year ended December 31, 2019 HK$'000	Year ended December 31, 2018 HK$'000
Government grants(i)	**4,371**	3,801
Forfeiture of customer deposits	**–**	338
Insurance claims	**139**	450
Scrap sales, net	**3,614**	7,762
Rental income	**930**	–
Customs refund	**1,264**	–
Others	**2,381**	1,526
	12,699	13,877

(i) For the year ended December 31, 2019, government grants include HK$3,989,000 (year ended December 31, 2018: HK$3,430,000) received from several PRC government authorities for the development of intellectual property patent, social security allowance and technical renovation of the Group's equipment. There were no conditions to be fulfilled or contingencies related to these grants. The remaining amounts were transferred from deferred income to consolidated statement of comprehensive income during the respective year.

9 Other gains – net

	Year ended December 31, 2019 HK$'000	Year ended December 31, 2018 HK$'000
Net exchange gains/(losses)	**1,462**	(27,754)
Gain on disposal of subsidiaries *(Note 33)*	**–**	33,454
	1,462	5,700

Notes to the Consolidated Financial Statements

10 Finance income and costs

	Year ended December 31, 2019 HK$'000	Year ended December 31, 2018 HK$'000
Interest income:		
Interest income on bank deposits	**662**	174
Interest from overdue trade receivables	**477**	–
Finance income	**1,139**	174
Interest expenses:		
Interest expense on borrowings *(Note 30(c))*	**(110,392)**	(63,755)
Interest element of obligations under finance leases *(Note 30(c))*	**–**	(412)
Interest expense on lease liabilities *(Note 15(a))*	**(2,134)**	–
Finance costs	**(112,526)**	(64,167)
Finance costs – net	**(111,387)**	(63,993)

11 Income tax expense

Hong Kong profits tax is calculated at two-tiered rates on the estimated assessable profits arising in Hong Kong at 8.25% on assessable profits up to HK$2 million and 16.5% on any part of assessable profits over HK$2 million for the year ended December 31, 2019 (year ended December 31, 2018: 16.5% on the estimated assessable profits).

The Group's operations in the PRC are subject to the PRC corporate income tax. No PRC corporate income tax has been provided as the Group has no estimated assessable profit for the year ended December 31, 2019 (year ended December 31, 2018: Same). The standard PRC corporate income tax rate was 25% for the year ended December 31, 2019 (year ended December 31, 2018: Same).

Pursuant to Article 12 of Decree-Law No. 58/99/M issued by the Macao Government, OPAL (defined in Note 17(a)) is exempted from Macao Complementary Tax during the year ended December 31, 2019 (year ended December 31, 2018: Same).

	Year ended December 31, 2019 HK$'000	Year ended December 31, 2018 HK$'000
Hong Kong profits tax		
– under-provisions in respect of prior years	**4,110**	20,271
Overseas taxation		
– current year	**1,825**	3,818
	5,935	24,089

Notes to the Consolidated Financial Statements

11 Income tax expense *(Continued)*

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to results of the companies comprising the Group as follows:

	Year ended December 31, 2019 HK$'000	Year ended December 31, 2018 HK$'000
Loss before income tax	**(489,659)**	(209,436)
Tax calculated at Hong Kong profits tax rate	**(80,794)**	(34,557)
Income not subject to tax	**–**	(5,545)
Expenses not deductible for tax purposes	**10,492**	9,754
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(34,176)**	(27,015)
Tax losses for which no deferred income tax asset was recognized	**98,591**	56,617
Share of results of investments accounted for using equity method	**–**	166
Under-provision in respect of prior years	**4,110**	20,271
Other temporary differences not recognized	**7,712**	4,398
Income tax expense	**5,935**	24,089

As at December 31, 2019, the Group had unused tax losses arising in Hong Kong of HK$188,945,000 (December 31, 2018: HK$179,997,000) and the PRC of approximately HK$712,140,000 (December 31, 2018: HK$342,470,000) which are available for offset against future taxable profits of the Group in which the losses arose for an indefinite period and a period of five years respectively. Deferred tax assets have not been recognized in respect of these losses as they have arisen in the group companies that have been loss-making for some years.

As at December 31, 2019, the subsidiaries have no unremitted earnings with deferred income tax liability arising thereon. Management is of the view that unremitted earnings are intended for re-investment in the PRC and there is no current plan for distribution (December 31, 2018: Same).

The Hong Kong Inland Revenue Department ("**IRD**") issued protective estimated assessments for the years of assessment 2006/07 to 2013/14 to the Company and certain of its subsidiaries, demanding profits tax payments. Notices of objection have been lodged and the IRD has granted unconditional holdover orders in respect of certain protective estimated assessments and the profits tax payments demanded.

Notes to the Consolidated Financial Statements

11 Income tax expense *(Continued)*

It is the management's understanding that the protective estimated assessments were merely issued to keep the relevant assessment years open in view of the statutory time-bar, and the case is in the information collection stage. Management is of the view that the tax position taken by the Company and the relevant subsidiaries are supported by sustainable facts and technical grounds. Management is however also of the view that, as at the date of this report, the under-provision in respect of prior years was approximately HK$4,110,000 based on the best estimate of the Group with reference to the currently available information, and the related provision was made during the year ended December 31, 2019. However, there is no reliable basis for estimating, and providing for the corresponding penalty and interest, if any.

12 Loss per share

Basic

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

	Year ended December 31, 2019	Year ended December 31, 2018
Loss attributable to owners of the Company (HK$'000)	**(495,594)**	(233,463)
Weighted average number of ordinary shares in issue less shares held for share award scheme (thousands)	**1,199,405**	1,199,405

Diluted

For the year ended December 31, 2019, the computation of diluted loss per share does not assume the subscription of the Company's outstanding potential ordinary shares as they are anti-dilutive. For the year ended December 31, 2019, diluted loss per share is of the same amount as the basic loss per share as there were no potential dilutive ordinary shares outstanding as at December 31, 2018.

13 Dividends

No dividend has been paid or declared by the Company during the year ended December 31, 2019 (year ended December 31, 2018: Nil).

Notes to the Consolidated Financial Statements

14 Property, plant and equipment

	Buildings HK$'000	Plant and machinery HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
January 1, 2018							
Cost	280,086	1,083,334	24,853	7,871	27,965	143,873	1,567,982
Accumulated depreciation	(38,244)	(423,422)	(18,784)	(5,782)	(19,028)	–	(505,260)
Net book amount	241,842	659,912	6,069	2,089	8,937	143,873	1,062,722
Year ended December 31, 2018							
Opening net book amount	241,842	659,912	6,069	2,089	8,937	143,873	1,062,722
Exchange differences	(11,882)	(30,291)	(438)	(21)	(625)	(7,173)	(50,430)
Additions	–	21,549	3,458	1,480	35	43,441	69,963
Transfers	5,871	4,871	–	–	–	(10,742)	–
Disposals *(Note 30(b))*	–	(11,095)	(2)	(2)	–	–	(11,099)
Disposal of subsidiaries *(Note 33)*	(4,800)	(9,075)	(747)	(117)	(152)	–	(14,891)
Depreciation *(Note 6)*	(19,510)	(71,494)	(1,667)	(1,685)	(2,968)	–	(97,324)
Closing net book value	211,521	564,377	6,673	1,744	5,227	169,399	958,941
At December 31, 2018 and January 1, 2019							
Cost	266,716	1,031,120	25,270	3,395	26,216	169,399	1,522,116
Accumulated depreciation	(55,195)	(466,743)	(18,597)	(1,651)	(20,989)	–	(563,175)
Net book amount	211,521	564,377	6,673	1,744	5,227	169,399	958,941
Year ended December 31, 2019							
Opening net book amount	211,521	564,377	6,673	1,744	5,227	169,399	958,941
Initial application of HKFRS 16	–	–	–	–	(333)	–	(333)
Restated balance as at January 1, 2019	211,521	564,377	6,673	1,744	4,894	169,399	958,608
Exchange differences	(2,938)	(8,124)	(71)	–	(72)	(2,753)	(13,958)
Additions	6,713	29,312	3,588	–	2,393	142,412	184,418
Transfers	160,978	61,503	–	1,102	–	(223,583)	–
Transfers to investment property *(Note 16)*	(6,432)	–	–	–	–	–	(6,432)
Disposal *(Note (30(b))*	(312)	(7,100)	(12)	(37)	(94)	–	(7,555)
Depreciation *(Note 6)*	(22,088)	(77,516)	(3,126)	(712)	(1,921)	–	(105,363)
Revaluation loss *(Note 6)*	(630)	–	–	–	–	–	(630)
Closing net book value	**346,812**	**562,452**	**7,052**	**2,097**	**5,200**	**85,475**	**1,009,088**
At December 31, 2019							
Cost	421,888	1,092,520	28,507	4,386	26,424	85,475	1,659,200
Accumulated depreciation	(75,076)	(530,068)	(21,455)	(2,289)	(21,224)	–	(650,112)
Net book amount	**346,812**	**562,452**	**7,052**	**2,097**	**5,200**	**85,475**	**1,009,088**

Notes to the Consolidated Financial Statements

14 Property, plant and equipment *(Continued)*

During the year ended December 31, 2019, the use of a property located in Australia previously held for own use has been changed to long term leasing purpose, as evidenced by the signing of the lease agreement with the tenant for a term of 2 years on January 14, 2019. Accordingly, the carrying amounts of the related building (after revaluation upon the transfer) under property, plant and equipment and right-of-use assets of HK$6,432,000 (Note 14) and HK$5,433,000 (Note 15(a)) respectively as at the date of transfer were transferred to investment property of the Group. Since the fair value of the building fell below its then carrying amount, the revaluation gave rise to a loss of HK$630,000 recognized in profit or loss during the year ended December 31, 2019.

As at December 31, 2019, the net book amount of buildings pledged as securities for the Group's borrowing facilities was HK$22,819,000 (December 31, 2018: HK$25,069,000) (Note 29).

As at December 31, 2019, the net book value of plant and machinery pledged as securities for the Group's borrowing facilities was HK$115,429,000 (December 31, 2018: HK$127,291,000) (Note 29).

As at December 31, 2018, the net book amount of a motor vehicle held by the Group under finance leases was as follows:

	December 31, 2018 HK$'000
Cost – Capitalized finance leases	2,495
Accumulated depreciation	(2,162)
Net book amount	333

Upon the adoption of HKFRS 16, the motor vehicle was reclassified under the Group's right-of-use assets on January 1, 2019.

Depreciation expense of the Group's property, plant and equipment has been charged to the consolidated statement of comprehensive income as follows:

	December 31, 2019 HK$'000	December 31, 2018 HK$'000
Cost of sales	**94,398**	88,017
Administrative expenses	**10,965**	9,307
	105,363	97,324

As at December 31, 2019 all buildings are located in the PRC (December 31, 2018: PRC and Australia).

Notes to the Consolidated Financial Statements

15 Leases

This note provides information for leases where the group is a lessee.

(a) Right-of-use assets and lease liabilities

(i) Amount recognized in the statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

Reconciliation of right-of-use assets	Buildings HK$'000	Land use rights HK$'000	Motor vehicles HK$'000	Total HK$'000
At January 1, 2019 *(Note 2.1)*	29,356	278,598	333	308,287
Addition	17,049	–	–	17,049
Depreciation for the year *(Note 6)*	(12,935)	(6,178)	(333)	(19,446)
Written-off *(Note 6)*	(4,904)	–	–	(4,904)
Transfers to investment property *(Note 16)*	–	(5,433)	–	(5,433)
Exchange differences	(351)	(4,213)	–	(4,564)
At December 31, 2019	28,215	262,774	–	290,989

Reconciliation of lease liabilities	Buildings HK$'000	Land use rights HK$'000	Motor vehicles HK$'000	Total HK$'000
At January 1, 2019 *(Note 2.1)*	29,356	–	136	29,492
Addition	17,049	–	–	17,049
Interest	2,134	–	–	2,134
Written-off	(4,904)	–	–	(4,904)
Lease payments	(13,070)	–	(136)	(13,206)
Interest paid	(2,134)	–	–	(2,134)
Exchange differences	(350)	–	–	(350)
At December 31, 2019	28,081	–	–	28,081

	December 31, 2019 HK$'000	January 1, 2019* HK$'000
Lease liabilities		
Current	**13,864**	12,504
Non-current	**14,217**	16,988
	28,081	29,492

* For adjustments recognized on adoption of HKFRS 16 on January 1, 2019, please refer to Note 2.1.

As at December 31, 2019, right-of-use assets with net book value of HK$259,072,000 were pledged as securities for the Group's borrowings (Note 29).

Notes to the Consolidated Financial Statements

15 Leases *(Continued)*

(a) Right-of-use assets and lease liabilities *(Continued)*

(ii) Amount recognized in the statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	Notes	**Year ended December 31, 2019 HK$'000**	Year ended December 31, 2018 HK$'000
Depreciation charge of right-of-use assets			
Buildings		**12,935**	–
Land use rights		**6,178**	–
Motor vehicles		**333**	–
	6	**19,446**	–
Interest expense (included in finance cost)	*10*	**2,134**	–

(iii) Future lease payments are due as follows:

	Minimum lease payments December 31, 2019 HK$'000	**Interest December 31, 2019 HK$'000**	**Present value December 31, 2019 HK$'000**
Not later than one year	**15,435**	**1,571**	**13,864**
Later than one year and not later than two years	**10,890**	**675**	**10,215**
Later than two years and not later than five years	**4,082**	**80**	**4,002**
	30,407	**2,326**	**28,081**

Notes to the Consolidated Financial Statements

15 Leases *(Continued)*

(a) Right-of-use assets and lease liabilities *(Continued)*

(iii) Future lease payments are due as follows: (Continued)

	Minimum lease payments January 1, 2019 HK$'000	Interest January 1, 2019 HK$'000	Present value January 1, 2019 HK$'000
Not later than one year	14,221	1,717	12,504
Later than one year and not later than two years	13,262	1,095	12,167
Later than two years and not later than five years	5,008	187	4,821
	32,491	2,999	29,492

	Minimum lease payments December 31, 2018 HK$'000	Interest December 31, 2018 HK$'000	Present value December 31, 2018 HK$'000
Not later than one year	136	–	136

The Group has initially applied HKFRS 16 using the cumulative effect approach and adjusted the opening balances at January 1, 2019 to recognize lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at December 31, 2018 has not been restated and relates solely to leases previously classified as finance leases. See Note 2.1 for further details about transition.

Notes to the Consolidated Financial Statements

15 Leases *(Continued)*

(a) Right-of-use assets and lease liabilities *(Continued)*

(iv) Operating leases – lessee

The total future minimum lease payments for the year ended December 31, 2018 are due as follows:

	Year ended December 31, 2018 HK$'000
Not later than one year	14,085
Later than one year and not later than five years	18,270
	32,355

(v) The Group's leasing activities

The Group leases various offices, warehouses, factories and motor vehicles. Rental contracts are typically made for fixed periods of two to five years, but may have extension options as described in (vi) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(vi) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. There are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The extension and termination options held are exercisable only by the Group and not by the respective lessor.

(vii) Residual value guarantees

To optimize lease costs during the contract period, the Group sometimes provides residual value guarantees in relation to equipment leases.

Notes to the Consolidated Financial Statements

15 Lease *(Continued)*

(b) Land use rights

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	December 31, 2018 HK$'000
The PRC, held on leases of between 10 to 50 years	273,313
Overseas, freehold	5,285
	278,598

	December 31, 2018 HK$'000
Opening net book value	299,569
Addition	1,685
Disposal of subsidiaries *(Note 33)*	(1,220)
Amortization for the year *(Note 6)*	(6,412)
Exchange differences	(15,024)
Closing net book value	278,598

As at December 31, 2018, land use rights with net book value of HK$269,468,000 were pledged as securities for the Group's borrowings (Note 29).

Amortization expense has been charged to "administrative expenses" in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

16 Investment Property

	2019 HK$'000	2018 HK$'000
Fair value		
At January 1,	–	–
Transfer from property, plant and equipment *(Note 14)*	6,432	–
Transfer from right-of-use assets *(Note 15(a))*	5,433	–
Exchange differences	(369)	–
At December 31,	11,496	–

The fair value of the Group's investment property at December 31, 2019 have been arrived at on market value basis carried out by Knight Frank Petty Limited, an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The fair value of investment property is a level 3 recurring fair value measurement.

Fair value is determined by applying the income approach, using the term and reversion method, based on the estimated rental value of the property. The valuation takes account the significant adjustment on term yield to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease.

Significant unobservable inputs	2019
Market yield (%)	6.8
Unit market rent (AUD/sqm)	77

The higher the market rent, the higher the fair value. The higher the market yield, the lower the fair value.

There were no changes to the valuation techniques during the period.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

During the year ended December 31, 2019 there were no transfers into or out of Level 3 or any other Level. The Group's policy is to recognize transfers between Levels of the fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the Consolidated Financial Statements

17 Subsidiaries, investments accounted for using the equity method and controlled structured entity

(a) Particulars of principal subsidiaries

The following is a list of the principal subsidiaries at December 31, 2019:

Name of company	Place of incorporation/ establishment and kind of legal entity	Issued and fully paid share capital/ registered capital	Equity interest	Principal activities and place of operations
PanAsia Aluminium (Hong Kong) Limited	Hong Kong, limited liability company	1,010,000 ordinary shares of HK$1 each	100% (indirect)	Trading of aluminium products/Hong Kong
PanAsia Aluminium Limited	Hong Kong, limited liability company	10,000 ordinary shares of HK$1 each	100% (indirect)	Investment holding and provision of management services/Hong Kong
PanAsia Trading Limited	Hong Kong, limited liability company	10,000 ordinary shares of HK$1 each	100% (indirect)	Trading of aluminium products/Hong Kong
OPAL (Macao Commercial Offshore) Limited ("**OPAL**")	Macao, limited liability company	Registered capital of MOP1,000,000	100% (indirect)	Trading of aluminium products/Macao
PanAsia Aluminium (China) Ltd.[#] ("**PACL**")	The PRC, limited liability company	Registered capital of US$106,800,000 and paid-up capital of US$106,800,000	100% (indirect)	Manufacturing and trading of aluminium products/ the PRC

Notes to the Consolidated Financial Statements

17 Subsidiaries, investments accounted for using the equity method and controlled structured entity *(Continued)*

(a) Particulars of principal subsidiaries *(Continued)*

The following is a list of the principal subsidiaries at December 31, 2019: *(Continued)*

Name of company	Place of incorporation/ establishment and kind of legal entity	Issued and fully paid share capital/ registered capital	Equity interest	Principal activities and place of operations
PanAsia Enterprises (Nanyang) Company Limited#	The PRC, limited liability company	Registered capital of USD226,650,000 and paid-up capital of USD179,364,298	100% (indirect)	Manufacturing and trading of aluminium products/ the PRC
PanAsia Aluminium Pty Ltd	Australia, limited liability company	AUD100	100% (indirect)	Trading of aluminium products/Australia
PanAsia Aluminium (UK) Limited	United Kingdom, limited liability company	GBP1,000	100% (indirect)	Trading of aluminium products/ United Kingdom
昌吉准東經濟技術開發區宏睿鋁業有限公司	The PRC, limited liability company	Registered capital and paid-up capital of RMB50,000,000 (December 31, 2018: RMB8,000,000)	100% (indirect)	Manufacturing and trading of aluminium products/ the PRC

The English names of certain subsidiaries referred in the above represent the best efforts by management of the Company in translating their Chinese names as they do not have official English names.

Notes to the Consolidated Financial Statements

17 Subsidiaries, investments accounted for using the equity method and controlled structured entity *(Continued)*

(b) Investments accounted for using the equity method

On August 28, 2014, PanAsia Enterprises Group Limited ("**PanAsia Enterprises**"), a wholly-owned subsidiary of the Company, entered into the subscription agreement pursuant to which PanAsia Enterprises agreed to subscribe for the shares of Leading Sense, a company incorporated in the BVI, which represented 45% issued share capital of Leading Sense. The consideration for the subscription was HK$17,524,000.

Leading Sense has issued share capital consisting solely of ordinary shares, with 2,000 ordinary shares of US$1 each.

Leading Sense is an investment holding company. The Leading Sense Group is principally engaged in the development, production and trading of smart phones, electronics products and related parts and components.

Write-down of investment in associate and amounts due from the Leading Sense Group of HK$5,893,000 and HK$44,841,000 respectively, had been charged to profit or loss in prior years. Included in the balance is the net book value of the Group's investment in and advances to the Leading Sense Group of HK$Nil as at December 31, 2017. During the year ended December 31, 2018, the Group's entire interest in the Leading Sense Group had been disposed of, and this advance was derecognized as at December 31, 2018, further details of which are set out in Note 2.1.2(B).

During the year ended December 31, 2018, the Group also disposed all of its equity interests in the investments accounted for using equity method. One of the joint ventures, namely Hunan OPLV Doors and Windows Systems Co., Ltd was disposed of during the year. The remaining equity interests in the investments accounted for using equity method were disposed together with a subsidiary as detailed in Note 33.

Notes to the Consolidated Financial Statements

17 Subsidiaries, investments accounted for using the equity method and controlled structured entity *(Continued)*

(b) Investments accounted for using the equity method *(Continued)*

	December 31, 2019 HK$'000	December 31, 2018 HK$'000
At beginning of year	–	4,463
Disposal	–	(3,552)
Share of results of investments accounted for using the equity method	–	(662)
Exchange differences	–	(249)
At end of year	–	–

(c) Controlled structured entity

The Group controls a structured entity which operates in Hong Kong, particulars of which are as follows:

Structured entity	**Principal activities**
Employees' share award scheme (Employee share trust)	Purchases, administers and holds the Company shares for the share award scheme for the benefit of the Group's eligible employees

As the employee share trust is set up solely for the purpose of purchasing, administering and holding Company's shares for the share award scheme, the Company has the power to direct the relevant activities of the employee share trust and it has the ability to use its power over the employee share trust to affect its exposure to returns. Therefore, the assets and liabilities of employee share trust are included in the consolidated and company statements of financial position and the Company's shares it held are presented as a deduction in equity as shares held for share award scheme.

Notes to the Consolidated Financial Statements

18 Financial instruments by category

	Financial assets at amortized cost HK$'000
Assets as per consolidated statement of financial position	
December 31, 2019	
Trade and bills receivables *(Note 20)*	**383,891**
Deposits and other receivables	**25,146**
Pledged bank deposits *(Note 22)*	**47,950**
Cash and cash equivalents *(Note 22)*	**15,923**
Total	**472,910**
December 31, 2018	
Trade and bills receivables *(Note 20)*	419,977
Deposits and other receivables	35,177
Pledged bank deposits *(Note 22)*	3,635
Cash and cash equivalents *(Note 22)*	22,720
Total	481,509

Notes to the Consolidated Financial Statements

18 Financial instruments by category *(Continued)*

	Other financial liabilities at amortized cost HK$'000
Liabilities as per consolidated statement of financial position	
December 31, 2019	
Trade payables *(Note 28)*	**76,713**
Other payables and accrued charges	**172,400**
Due to director	**645**
Lease liabilities *(Note 15(a))*	**28,081**
Borrowings *(Note 29)*	**1,533,909**
Total	**1,811,748**
December 31, 2018	
Trade payables *(Note 28)*	98,375
Other payables and accrued charges	225,729
Due to a director	6,645
Borrowings *(Note 29)*	887,474
Obligations under finance leases *(Note 27)*	136
Total	1,218,359

Notes to the Consolidated Financial Statements

19 Inventories

	December 31, 2019 HK$'000	December 31, 2018 HK$'000
Raw materials	**55,866**	52,886
Work-in-progress	**60,049**	66,722
Finished goods	**106,231**	123,915
Total inventories	**222,146**	243,523

As at December 31, 2019, the carrying amount of inventories pledged as security for bank borrowings amounted to HK$219,299,000 (2018: HK$Nil) (Note 29).

20 Trade and bills receivables, prepayments, deposits and other receivables

	December 31, 2019 HK$'000	December 31, 2018 HK$'000
Trade receivables	**392,852**	425,988
Less: impairment loss recognized *(Note 3.1(b))*	**(16,716)**	(6,011)
Trade receivables – net	**376,136**	419,977
Bill receivables	**7,755**	–
Trade and bills receivables – net	**383,891**	419,977

The carrying amounts of these receivables approximate their fair values. The Group's sales are mainly made on (i) cash on delivery; and (ii) credit terms of 30 to 90 days (December 31, 2018: 30 to 90 days). The Group does not hold any collateral as security.

Notes to the Consolidated Financial Statements

20 Trade and bills receivables, prepayments, deposits and other receivables *(Continued)*

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

As at December 31, 2019, the ageing analysis of the trade and bills receivables based on due date was as follows:

	December 31, 2019 HK$'000	December 31, 2018 HK$'000
Current	**245,107**	308,551
1 – 30 days	**70,963**	61,929
31 – 60 days	**20,418**	25,617
61 – 90 days	**18,756**	7,972
91 – 180 days	**25,833**	6,421
181 days – 1 year	**1,487**	3,214
More than 1 year	**1,327**	6,273
	383,891	419,977

As at December 31, 2019, receivables of HK$245,107,000 were neither past due nor impaired (December 31, 2018: HK$308,551,000). These receivables relate to customers for whom there is no recent history of default. The remaining receivables were past due, which related to a number of independent customers that have a good track record of payment with the Group.

During the years ended December 31, 2018 and 2019, the Group discounted part of its trade receivables with full recourse to financial institutions. In the event of default by the debtors, the Group is obliged to pay the financial institutions the amount in default. Interest is charged at 7.8% (2018: 9%) on the proceeds received from the financial institutions until the date the debtors pay. The Group is therefore exposed to the risks of credit losses and late payment in respect of the discounted debts.

The discounting transactions do not meet the requirements in HKFRS 9 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted trade receivables. At December 31, 2019, trade receivables of HK$44,755,000 (2018: HK$111,930,000) continue to be recognized in the Group's consolidated financial statements even though they have been legally transferred to the financial institutions. The proceeds of the discounting transactions are included in borrowings (Note 29) until the trade receivables are collected or the Group settles any losses suffered by the financial institutions. At December 31, 2019, the associated secured borrowings amounted to HK$38,151,000 (December 31, 2018: HK$90,161,000). The carrying amount of the transferred assets and their associated liabilities approximates their fair value as at December 31, 2018 and 2019.

As at December 31, 2019, all trade receivables were non-interest bearing (December 31, 2018: Same).

Notes to the Consolidated Financial Statements

20 Trade and bills receivables, prepayments, deposits and other receivables *(Continued)*

As at December 31, 2019, the carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	December 31, 2019 HK$'000	December 31, 2018 HK$'000
AUD	**33,338**	41,473
RMB	**274,656**	244,434
USD	**41,568**	102,222
HKD	**4,482**	11,232
Others	**29,847**	20,616
	383,891	419,977

Prepayments for property, plant and equipment represented the prepayments mainly made for purchase of plant and machinery.

As at December 31, 2019, breakdown of prepayments, deposits and other receivables under current assets was as follows:

	December 31, 2019 HK$'000	December 31, 2018 HK$'000
Current portion:		
Prepayments to suppliers for purchases of materials, net	**38,819**	15,362
Others	**79,485**	66,242
	118,304	81,604

Notes to the Consolidated Financial Statements

21 Due to a director

The amount due was unsecured, interest-free and repayable on demand. The carrying amount approximated its fair value.

22 Cash and cash equivalents and pledged bank deposits

	December 31, 2019 HK$'000	December 31, 2018 HK$'000
Cash in hand	**153**	141
Cash at bank	**15,770**	22,579
Cash and cash equivalents	**15,923**	22,720
Pledged bank deposits – Current	**47,950**	3,635
	63,873	26,355

As at December 31, 2019, bank deposits of HK$3,132,000 (December 31, 2018: HK$3,635,000) were pledged as securities for the purchases of raw materials and guarantees for renting warehouses, and bank deposits of HK$44,818,000 (December 31, 2018: HK$Nil) were pledged as securities for bank borrowings (Note 29).

The cash at bank and in hand and bank deposits are denominated in the following currencies:

	December 31, 2019 HK$'000	December 31, 2018 HK$'000
HKD	**3,344**	122
AUD	**7,614**	10,189
RMB	**50,609**	8,519
USD	**921**	6,024
Others	**1,385**	1,501
	63,873	26,355

Notes to the Consolidated Financial Statements

23 Share capital

	Ordinary shares of HK$0.10 each	
	Number of shares	HK$'000
Authorized:		
As at January 1, 2018, December 31, 2018, January 1, 2019 and December 31, 2019	2,400,000,000	240,000
Issued and fully paid:		
As at January 1, 2018, December 31, 2018, January 1, 2019 and December 31, 2019	1,200,000,000	120,000

24 Share award scheme

Since March 3, 2014, the Group's share award scheme has been in effect. The terms of the share award scheme provide for shares in the Company to be awarded to employees of the Group (including the executive director) as part of their compensation package.

On April 7, 2014, following the Board's decision to award a sum of up to HK$10 million, the awarded shares are purchased from the market. Before vesting, the awarded shares are held in a trust set up by the share award scheme.

No awarded shares were awarded for the years ended December 31, 2018 and 2019.

During the years ended December 31, 2018 and 2019, the share award scheme did not acquire any Company shares through purchases on the open market.

During the years ended December 31, 2018 and 2019, the share award scheme did not transfer any Company shares to the awardees upon vesting of awarded shares.

As at December 31, 2019, 595,000 shares were held by the trustee representing approximately 0.05% of the issued share capital of the Company (December 31, 2018: Same).

Notes to the Consolidated Financial Statements

25 Share option scheme

(a) Equity-settled share option scheme

The Group maintained a share options scheme for employee or compensation. All share-based employee compensation was settled in equity. The Group had no legal or constructive obligations to repurchase or settle the options.

On January 18, 2013, a share option scheme (the "**Share Option Scheme**") was adopted by the shareholders of the Company. The purpose of the Share Option Scheme is to grant options to eligible participants as incentives and rewards for their contribution or potential contribution to the success of the Group's operations. Under the terms of the Share Option Scheme, the Board may, at its discretion, grant options to any full-time or part-time employee and any director of the Company or its subsidiaries, including any executive, non-executive or independent non-executive directors. The total number of shares which may fall to be issued upon exercise of all of the outstanding options granted and yet to be exercised under the Share Option Scheme and other schemes of the Company must not exceed 30% of the shares in issue from time to time. The Share Option Scheme will remain in force for a period of ten years commencing the date on which the scheme becomes unconditional. The Share Option Scheme was adopted by the shareholders of the Company at the annual general meeting of the Company held on January 18, 2013.

The definition of eligible person in the Share Option Scheme include any suppliers, consultants, agents, advisors and distributors who, in the sole discretion of the Board, have contributed or may contribute to the Group. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of approval of the Share Option Scheme, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders.

Options granted to independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Any grant of options to a connected person (including but not limited to a Director, chief executive or substantial shareholder) or its associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

Where options are proposed to be granted to a connected person who is also a substantial shareholder or an independent non-executive Director or their respective associates and if such grant would result in the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant to such person representing in aggregate over 0.1% of the total issued Shares and having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5 million, then the proposed grant must be subject to the approval of shareholders of the Company taken on a poll in a general meeting. All connected persons of the Company must abstain from voting at such general meeting.

The exercise price for shares under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event must be at least the higher of: (i) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a Business Day, (ii) the average of the closing prices of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant; and (iii) the nominal value of the Share on the date of grant. Any options granted under the Share Option Scheme shall end in any event not later than ten years from the Commencement Date (as defined in the Share Option Scheme). A nominal value of HK$1.00 is payable on acceptance of each grant of options.

Notes to the Consolidated Financial Statements

25 Share option scheme *(Continued)*

(a) Equity-settled share option scheme *(Continued)*

Share options granted on December 23, 2019

On December 23, 2019, the Company granted share options to eligible participants to subscribe for a total of 61,200,000 ordinary shares of HK$0.1 each (with exercise price of HK$0.396 per share) in the share capital of the Company under the Share Option Scheme. Details of the share options granted and movement in such holding during the year are as follows:

2019

Name or category of participant	Date of grant	Exercise period	Exercise price HK$	Outstanding as at January 1, 2019	Granted during the year	Surrendered during the year	Outstanding as at December 31, 2019
Directors							
Ms. Li Jiewen	December 23, 2019	December 23, 2019 – December 22, 2029	0.396	–	12,000,000	–	12,000,000
Mr. Gao Mingjie	December 23, 2019	December 23, 2019 – December 22, 2029	0.396	–	6,000,000	–	6,000,000
Mr. Mar Selwyn	December 23, 2019	December 23, 2019 – December 22, 2029	0.396	–	1,200,000	–	1,200,000
Mr. Leung Ka Tin	December 23, 2019	December 23, 2019 – December 22, 2029	0.396	–	1,200,000	–	1,200,000
Dr. Cheung Wah Keung	December 23, 2019	December 23, 2019 – December 22, 2029	0.396	–	1,200,000	–	1,200,000
Sub-total				–	21,600,000	–	21,600,000
Others							
Employees	December 23, 2019	December 23, 2019 – December 22, 2029	0.396	–	39,600,000	80,000	39,520,000
Sub-total				–	39,600,000	80,000	39,520,000
Total				–	61,200,000	80,000	61,120,000

Notes to the Consolidated Financial Statements

25 Share option scheme *(Continued)*

(a) Equity-settled share option scheme *(Continued)*

The fair value of the share options granted to the directors and employees during the year of HK$1,203,000 (HK$0.0879 each) and HK$2,897,000 (HK$0.1301 each), of which the Group recognized the share-based payment of HK$4,100,000 during the year ended December 31, 2019 (Note 7).

The following information is relevant in the determination of the fair value of options granted during the year under the Share Option Scheme:

	2019
Option pricing model used	Binomial Option Pricing Model
Share price	HK$0.375
Exercise price	HK$0.396
Expected volatility	48.523%
Expected dividend rate	–
Risk-free interest rate	1.695%

(b) Equity-settled service contract

Share options granted on December 23, 2019

On July 1, 2019, the Company entered into a service contract with the consultant to appoint him as the Group's sales and marketing relations consultant for a term of 12 months (effective on the date of service rendered). In consideration of the services provided by the consultants, the Company granted 10,800,000 share options that are exercisable from December 23, 2019 to December 23, 2029.

The fair value of the services on December 23, 2019, at grant date, were HK$570,000, which was based on terms and conditions stated in the services contract.

The weighted average remaining contractual life was 9.98 years. No share options has been exercised for the year ended December 31, 2019.

The Company recognized the total expense of HK$570,000 for the year ended December 31, 2019 (2018: Nil) in relation to share options granted by the Company to this consultant.

Notes to the Consolidated Financial Statements

26 Reserves

The amounts of the Group's reserves and the movements therein for the years ended December 31, 2018 and 2019 are presented in the consolidated statement of changes in equity.

The statutory reserves are set up by the Group's subsidiaries, namely PACL and OPAL, by way of appropriation from the profit for the year in accordance with the relevant laws and regulations in the PRC and in Macao respectively.

In the PRC, PACL is required to allocate at least 10% of its net profit for each voting period as reported in its PRC statutory accounts to the statutory reserves until such reserve reaches 50% of registered capital. The reserve is designated for statutory surplus reserve fund and an enterprise expansion fund which are non-distributable. The statutory surplus reserve fund can be used to make up its prior years' losses, if any, and can be applied in conversion into capital by means of capitalization issue. The enterprise expansion fund can be used for expanding the capital base of PACL, by means of capitalization issue.

In Macao, the Macao Commercial Code#377 requires that OPAL should set aside a minimum of 25% of OPAL's profit for each voting period to the statutory reserve until the balance of the reserve reaches a level equivalent to 50% of the capital of OPAL. The reserve is non-distributable.

During the year ended December 31, 2019, there were no appropriations to the statutory reserves (year ended December 31, 2018: Nil).

27 Obligations under finance leases

As at December 31, 2018, the Group's finance lease liabilities were repayable as follows:

	December 31, 2018 HK$'000
Within one year	136
In the second to fifth year	–
	136
Future finance charges on finance leases	–
Present value of finance lease liabilities	136

The present value of finance lease liabilities is as follows:

	December 31, 2018 HK$'000
Within one year	136
In the second to fifth year	–
	136

Notes to the Consolidated Financial Statements

27 Obligations under finance leases *(Continued)*

The carrying amounts of the finance lease liabilities approximate their fair values. As at December 31, 2019, the Group has no asset under finance leases (December 31, 2018: motor vehicles under finance leases).

28 Trade payables, contract liabilities, other payables and accrued charges

	December 31, 2019 HK$'000	December 31, 2018 HK$'000
Trade payables	**76,713**	98,375
Contract liabilities *(Note)*	**12,198**	10,782
Accrued employee benefit expenses	**45,887**	60,923
Accrued operating expenses	**33,236**	38,676
Provision for sales rebate and claim to customers	**2,257**	2,888
Payable for purchase of property, plant and equipment	**36,411**	42,076
Other payables and accruals	**54,608**	81,166
Total contract liabilities, other payables and accrued charges	**184,597**	236,511

As at December 31, 2019, the ageing analysis of the Group's trade payables based on invoice date was as follows:

	December 31, 2019 HK$'000	December 31, 2018 HK$'000
0 – 30 days	**19,972**	37,711
31 – 60 days	**23,790**	40,211
61 – 90 days	**7,849**	5,675
Over 90 days	**25,102**	14,778
	76,713	98,375

Notes to the Consolidated Financial Statements

28 Trade payables, contract liabilities, other payables and accrued charges *(Continued)*

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	December 31, 2019 HK$'000	December 31, 2018 HK$'000
AUD	**2,165**	4,951
RMB	**73,561**	92,757
HKD	**624**	624
USD	**9**	43
GBP	**354**	–
	76,713	98,375

Note:

	December 31, 2019 HK$'000	December 31, 2018 HK$'000
Contract liabilities arising from:		
Sale of goods	**12,198**	10,782

Typical payment terms which impact on the amount of contract liabilities are as follows:

Sale of goods

For sale of goods, the Group may take a deposit on acceptance of the order, with the remainder of the consideration payable when the customers accepted the goods. The remainder of the consideration is classified as a contract liability until such time as the goods are accepted by the customers.

Movements in contract liabilities

	2019 HK$'000	2018 HK$'000
Balance at beginning of year	**10,782**	36,859
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year	**(5,698)**	(13,563)
Increase in contract liabilities as a result of receiving deposits	**7,114**	14,649
Decrease in contract liabilities as a result of disposal of subsidiaries *(Note 33)*	**–**	(27,163)
Balance at end of year	**12,198**	10,782

Notes to the Consolidated Financial Statements

29 Borrowings

	December 31, 2019 HK$'000	December 31, 2018 HK$'000
Current		
Collateralized borrowings of a financial institution *(Note 20)*	**38,151**	90,161
Other loans	**873,052**	726,804
	911,203	816,965
Non-current		
Other loans	**622,706**	70,509
Total	**1,533,909**	887,474

As at December 31, 2019, the effective interest rate of the interest-bearing borrowings was 7.85% per annum (December 31, 2018: 7.24% per annum).

The carrying amounts of all borrowings are carried at amortized cost and approximate their fair values which carry interest at fixed rates.

The carrying amounts of the borrowings are denominated in RMB.

Notes to the Consolidated Financial Statements

29 Borrowings *(Continued)*

The Group had the following undrawn borrowing facilities:

	December 31, 2019 HK$'000	December 31, 2018 HK$'000
Expiring within one year	**51,484**	137,629
Expiring in the second to fifth year inclusive	**201,681**	289,066
Total	**253,165**	426,695

The facilities expiring within one year are annual facilities subject to review at various dates during the year ending December 31, 2020.

During the year ended December 31, 2019, the Group's facilities were secured by the following:

(i) guarantees of the Company and certain subsidiaries (2018: Same);

(ii) guarantees of the former executive directors of the Company (2018: a former executive director of the Company);

(iii) guarantees of a director of a PRC subsidiary (2018: a director of a PRC subsidiary and a key management of a PRC subsidiary);

(iv) guarantees of two state-owned enterprises of the PRC (2018: Same);

(v) pledge of the Group's certain inventories (Note 19);

(vi) pledge of the Group's certain bank deposit (Note 22);

(vii) pledge of the Group's certain trade receivables (Note 20); and

(viii) pledge of the Group's certain property, plant and equipment (Note 14) and right-of-use assets (Note 15(a)).

Notes to the Consolidated Financial Statements

30 Notes to consolidated statement of cash flows

(a) Cash generated from operations

	Year ended December 31, 2019 HK$'000	Year ended December 31, 2018 HK$'000
Loss before income tax	**(489,659)**	(209,436)
Adjustments for:		
– Gain on disposal of subsidiaries *(Note 33)*	**–**	(33,454)
– Loss on disposal of property, plant and equipment *(Note 6)*	**5,625**	3,109
– Depreciation of property, plant and equipment *(Note 14)*	**105,363**	97,324
– Depreciation of right-of-use assets *(Note 15(a))*	**19,446**	–
– Share of results of the investments accounted for using the equity method *(Note 17(b))*	**–**	662
– Revaluation loss on property, plant and equipment *(Note 14)*	**630**	–
– Impairment loss on inventories	**6,893**	–
– Impairment loss on trade receivables *(Note 3.1(b))*	**10,718**	3,560
– Impairment loss on other receivables	**1,827**	–
– Loss on disposal of investments accounted for using the equity method *(Note 6)*	**–**	2,683
– Write off of inventories *(Note 6)*	**–**	4,117
– Write off of right-of-use assets *(Note 6)*	**4,904**	–
– Write off of trade receivables, net	**119**	2,967
– Write off of lease liabilities *(Note 15(a))*	**(4,904)**	–
– Amortization of prepaid land use right *(Note 15(b))*	**–**	6,412
– Interest expense on borrowings *(Note 10)*	**110,392**	63,755
– Interest expense on lease liabilities *(Note 10)*	**2,134**	–
– Interest element of finance leases *(Note 10)*	**–**	412
– Interest income on bank deposits *(Note 10)*	**(662)**	(174)
– Interest income from overdue trade receivables	**(477)**	–
– Equity-settled share-based payment expenses	**4,670**	–
	(222,981)	(58,063)
Changes in working capital:		
– Inventories	**11,929**	73,655
– Trade and bills receivables, prepayments, deposits and other receivables	**(16,497)**	60,335
– Trade payables, contract liabilities, other payables and accrued charges and deferred income	**(69,870)**	(35,755)
Cash (used in)/generated from operations	**(297,419)**	40,172

Notes to the Consolidated Financial Statements

30 Notes to consolidated statement of cash flows *(Continued)*

(b) An analysis of loss on disposal of property, plant and equipment is as follows:

	Year ended December 31, 2019 HK$'000	Year ended December 31, 2018 HK$'000
Net book amount *(Note 14)*	**7,555**	11,099
Loss on disposal of property, plant and equipment *(Note 6)*	**(5,625)**	(3,109)
Proceeds from disposal of property, plant and equipment	**1,930**	7,990

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Borrowings (Note 29) HK$'000	**Lease liabilities (Note 15(a)) HK$'000**	**Total HK$'000**
At December 31, 2018 as originally presented	**887,474**	**–**	**887,474**
Initial application of HKFRS 16 *(Note 2.1)*	**–**	**29,492**	**29,492**
Restated balance as at January 1, 2019	**887,474**	**29,492**	**916,966**
Changes from cash flows:			
Interest paid on borrowings	**(110,392)**	**–**	**(110,392)**
Interest paid on lease liabilities	**–**	**(2,134)**	**(2,134)**
Proceeds from borrowings	**1,112,593**	**–**	**1,112,593**
Repayments of borrowings	**(451,740)**	**–**	**(451,740)**
Payment for lease liabilities	**–**	**(13,206)**	**(13,206)**
Total changes from financing cash flows:	**550,461**	**(15,340)**	**535,121**
Other changes:			
Exchange adjustments:	**(14,418)**	**(350)**	**(14,768)**
Interest expense on borrowings	**110,392**	**–**	**110,392**
Interest expense of lease liabilities	**–**	**2,134**	**2,134**
Addition of lease liabilities	**–**	**17,049**	**17,049**
Write off of lease liabilities	**–**	**(4,904)**	**(4,904)**
Total other changes	**95,974**	**13,929**	**109,903**
At December 31, 2019	**1,533,909**	**28,081**	**1,561,990**

Notes to the Consolidated Financial Statements

30 Notes to consolidated statement of cash flows *(Continued)*

(c) Reconciliation of liabilities arising from financing activities *(Continued)*

	Borrowings HK$'000	Obligations under finance leases HK$'000	Total HK$'000
At January 1, 2018	874,769	3,640	878,409
Changes from cash flows:			
Interest paid on borrowings	(63,755)	–	(63,755)
Interest paid on finance leases	–	(412)	(412)
Repayment of obligations under finance leases	–	(3,504)	(3,504)
Proceeds from borrowings	693,414	–	693,414
Repayments of borrowings	(614,545)	–	(614,545)
Total changes from financing cash flows:	15,114	(3,916)	11,198
Other changes:			
Exchange adjustments:	(66,164)	–	(66,164)
Interest expense on borrowings	63,755	–	63,755
Interest element of obligations under finance leases	–	412	412
Total other changes	(2,409)	412	(1,997)
At December 31, 2018	887,474	136	887,610

Notes to the Consolidated Financial Statements

31 Capital commitments

	December 31, 2019 HK$'000	December 31, 2018 HK$'000
Contracted but not provided for:		
– Property, plant and equipment	**245,776**	278,870

The Group won the bids and acquired the land use rights of eight parcels of land located in the Nanyang City. Pursuant to the land use right transfer agreements, the Group agreed to invest an aggregate sum of RMB2,890,590,000 (equivalent to approximately HK$3,655,273,000) in the Nanyang City. As of December 31, 2019, the Group had invested RMB1,758,133,000 (equivalent to approximately HK$1,969,897,000) in the Nanyang City (December 31, 2018: RMB1,637,982,000 (equivalent to approximately HK$1,865,584,000)).

Moreover, the Group also committed a project in Xinjiang for establishing and investing in a new wholly-owned subsidiary with an estimated aggregate capital of at least RMB200 million (equivalent to approximately HK$254 million). The Group invested RMB162,634,000 (equivalent to approximately HK$182,223,000) therein as at December 31, 2019 (December 31, 2018: RMB119,972,000 (equivalent to approximately HK$136,643,000)).

During the year ended December 31, 2019, the Group entered into the Investment Agreement ("the Investment Agreement") with the Heshan City Government and established a new wholly-owned subsidiary and estimated that an aggregate of RMB1.05 billion will be invested in Phase 1 of the development of this project in the Heshan City, Jiangmen, Guangdong. The Group invested RMB12,256,000 (equivalent to approximately HK$13,733,000) as at December 31, 2019.

Notes to the Consolidated Financial Statements

32 Related party transactions

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following related party transactions during the years ended December 31, 2018 and 2019.

During the Year, no service fee was incurred by the Group (year ended December 31, 2018: HK$2,606,000) to a related company controlled by certain directors of the Company.

During the Year, HK$2,400,000 consultancy fee was incurred by the Group (year ended December 31, 2018: HK$Nil) to a related company controlled by a director of subsidiaries of the Company.

(i) Sales of goods

	Year ended December 31, 2019 HK$'000	Year ended December 31, 2018 HK$'000
Sales of aluminium extrusion materials		
Investments accounted for using equity method:		
Hunan OPLV Doors and Windows Systems Co., Ltd.	–	875
OPLV (Hubei) Doors and Windows Systems Co., Ltd.	–	2,440
Gansu OPLV Jiapin Entire System Doors and Windows Co., Ltd.	–	1,465
OPLV (Hainan) Doors and Windows Systems Co., Ltd	–	2,952

The English name of the related company established in the PRC represents the best effort by management of the Company in translating its Chinese name as it does not have official English name.

In the opinion of the directors, these transactions were entered into in the normal course of business of the Group at terms mutually agreed by the parties concerned.

(ii) Key management compensation

Key management includes executive directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	Year ended December 31, 2019 HK$'000	Year ended December 31, 2018 HK$'000
Salaries, bonus and allowances	**27,787**	17,940
Contributions to defined contribution plans	**291**	212
	28,078	18,152

Notes to the Consolidated Financial Statements

33 Disposal of subsidiaries

During the year ended December 31, 2018, the Group disposed of its entire 100% equity interest in OPLV (Nanyang) Doors and Windows Systems Co., Ltd and its subsidiaries (collectively the "**OPLV Group**") to an independent third party, at a consideration of RMB5,000,000 (equivalent to HK$5,695,000). The net liabilities of OPLV Group at the date of disposal was as follows:

	2018 HK$'000
Property, plant and equipment	14,891
Land use rights	1,220
Inventories	38,739
Trade and other receivables	64,123
Cash and cash equivalents	640
Trade and other payables	(215,397)
Contract liabilities	(27,163)
Borrowings	(22,469)
Current income tax liabilities	(1,992)
	(147,408)
Debts assignment	119,649*
Gain on disposal of subsidiaries	33,454
Total consideration	5,695
Satisfied by:	
Cash *(Note)*	–
Net cash flow arising on disposal	–

Note:

The consideration included in the other receivables as at December 31, 2018, has been subsequently received.

* As part of the disposal, the trade and other payables due by the OPLV Group to the Group in the amount of approximately HK$119,649,000 was assigned to the purchaser pursuant to the relevant deeds of assignment.

Notes to the Consolidated Financial Statements

34 Statement of financial position and reserves movement of the Company

	December 31, 2019 HK$'000	December 31, 2018 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	**–**	–
Current assets		
Due from a subsidiary	**244,162**	745,808
Cash and cash equivalents	**4**	4
	244,166	745,812
Total assets	**244,166**	745,812
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	**120,000**	120,000
Reserves	**123,242**	624,888
Total equity	**243,242**	744,888
LIABILITIES		
Current liabilities		
Other payables and accrued charges	**924**	924
Total liabilities	**924**	924
Total equity and liabilities	**244,166**	745,812

The statement of financial position was approved by the Board of Directors on May 8, 2020.

Li Jiewen
Director

Gao Mingjie
Director

Notes to the Consolidated Financial Statements

34 Statement of financial position and reserves movement of the Company *(Continued)*

	Share premium HK$'000	Shares held for share award scheme HK$'000	Share option reserve HK$'000	Other reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at January 1, 2019	**1,001,287**	**(774)**	**–**	**828,317**	**(1,203,942)**	**624,888**
Comprehensive income:						
Loss for the year	**–**	**–**	**–**	**–**	**(506,316)**	**(506,316)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(506,316)**	**(506,316)**
Equity-settled share-based payment	**–**	**–**	**4,670**	**–**	**–**	**4,670**
Balance at December 31, 2019	**1,001,287**	**(774)**	**4,670**	**828,317**	**(1,710,258)**	**123,242**
Balance at January 1, 2018	1,001,287	(774)	–	828,317	(950,221)	878,609
Comprehensive income:						
Loss for the year	–	–	–	–	(253,721)	(253,721)
Total comprehensive income for the year	–	–	–	–	(253,721)	(253,721)
Balance at December 31, 2018	1,001,287	(774)	–	828,317	(1,203,942)	624,888

Notes to the Consolidated Financial Statements

35 Benefits and interests of directors

The emoluments of individual directors of the Company during the years ended December 31, 2018 and 2019 were set out as follows:

Year ended December 31, 2019	Fees HK$'000	Salaries and allowance HK$'000	Share award scheme HK$'000	Share option scheme HK$'000	Discretionary and retirement bonus HK$'000	Contributions to defined contribution plans HK$'000	Total HK$'000
Name of Directors							
Executive Directors:							
Mr. Gao Mingjie ("**Mr. Gao**") *(Note i)*	50	508	–	317	–	10	885
Ms. Li Jiewen ("**Ms. Li**") *(Note ii)*	120	3,259	–	633	5,000	14	9,026
Dr. Huang Gang ("**Dr. Huang**") *(Note iii)*	80	5,220	–	–	5,000	7	10,307
Mr. Wong Kwok Wai Eddy *(Note iv)*	120	2,480	–	–	5,000	260	7,860
Non-executive Directors:							
Mr. Cosimo Borrelli *(Note v)*	123	–	–	–	5,000	–	5,123
Ms. Chi Lai Man Jocelyn *(Note vi)*	123	–	–	–	5,000	–	5,123
Ms. Cai Xinyu Annabelle *(Note vii)*	123	–	–	–	1,000	–	1,123
Independent non-executive Directors:							
Dr. Cheung Wah Keung *(Note viii)*	460	–	–	63	2,000	–	2,523
Mr. Mar Selwyn	460	–	–	63	2,000	–	2,523
Mr. Leung Ka Tin	460	–	–	63	2,000	–	2,523
	2,119	11,467	–	1,139	32,000	291	47,016

Notes to the Consolidated Financial Statements

35 Benefits and interests of directors *(Continued)*

Year ended December 31, 2018	Fees HK$'000	Salaries and allowances HK$'000	Share award scheme HK$'000	Discretionary and retirement bonus HK$'000	Contributions to defined contribution plans HK$'000	Total HK$'000
Name of Directors						
Executive Directors:						
Ms. Shao Li Yu ("**Ms. Shao**") *(Note ix)*	80	5,195	–	6,000	8	11,283
Mr. Chan Kai Lun Allan *(Note x)*	80	1,087	–	–	12	1,179
Mr. Zhu Hong Tao ("**Mr. Zhu**") *(Note xi)*	10	106	–	–	1	117
Ms. Li Jiewen ("**Ms. Li**") *(Note ii)*	20	457	–	–	1	478
Dr. Huang Gang ("**Dr. Huang**") *(Note iii)*	60	3,021	–	–	8	3,089
Mr. Wong Kwok Wai Eddy *(Note iv)*	100	1,724	–	–	182	2,006
Non-executive Directors:						
Mr. Cosimo Borrelli *(Note v)*	360	–	–	–	–	360
Ms. Chi Lai Man Jocelyn *(Note vi)*	360	–	–	–	–	360
Ms. Cai Xinyu Annabelle *(Note vii)*	170	–	–	–	–	170
Independent non-executive Directors:						
Dr. Cheung Wah Keung *(Note viii)*	466	–	–	–	–	466
Mr. Chan Kai Nang *(Note xii)*	39	–	–	–	–	39
Mr. Mar Selwyn	600	–	–	–	–	600
Mr. Leung Ka Tin	600	–	–	–	–	600
	2,945	11,590	–	6,000	212	20,747

Notes:

(i) Mr. Gao was appointed as an executive Director on August 2, 2019.

(ii) Ms. Li was appointed as an executive Director and joint chief executive officer of the Company ("**Joint CEO**") on November 6, 2018 and re-designated from Joint CEO to chief executive officer of the Company ("**CEO**") on August 2, 2019.

(iii) Dr. Huang was appointed as an executive Director and the Chairman on July 11, 2018 and August 3, 2018 respectively. Dr. Huang resigned as the chairman of the Board (the "**Chairman**") and the executive Director on August 2, 2019.

(iv) Mr. Wong Kwok Wai Eddy was appointed as an executive Director and CEO on March 2, 2018 and August 3, 2018. Mr. Wong Kwok Wai Eddy has been re-designated from CEO to Joint CEO on November 6, 2018 and re-designated from the Joint CEO to Chief Commercial Officer ("**CCO**") on August 2, 2019. Mr. Wong Kwok Wai Eddy resigned as the executive Director and CCO on January 31, 2020.

Notes to the Consolidated Financial Statements

35 Benefits and interests of directors *(Continued)*

Notes: (Continued)

(v) Mr. Cosimo Borrelli was appointed as a non-executive Director on May 27, 2016 and was the non-executive Chairman during the period from November 9, 2017 to August 3, 2018. Mr. Cosimo Borrelli resigned as the non-executive Director on May 3, 2019.

(vi) Ms. Chi Lai Man Jocelyn resigned as the non-executive Director on May 3, 2019.

(vii) Ms. Cai Xinyu Annabelle was appointed as a non-executive Director on July 11, 2018. Ms. Cai Xinyu Annabelle resigned as the non-executive Director on May 3, 2019.

(viii) Dr. Cheung Wah Keung was appointed as an independent non-executive Director and the independent non-executive Chairman on March 22, 2018 and August 2, 2019 respectively.

(ix) Ms. Shao resigned as the executive Director on August 3, 2018.

(x) Mr. Chan Kai Lun Allan resigned on May 11, 2018.

(xi) Mr. Zhu retired as an executive Director on January 24, 2018.

(xii) Mr. Chan Kai Nang was appointed as an independent non-executive Director on February 24, 2017 and retired on January 24, 2018. Mr. Chan Kai Nang was appointed as an independent non-executive Director on January 1, 2020.

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the companies comprising the Group during the year ended December 31, 2019 (year ended December 31, 2018: Same).

36 Event after the reporting period

(a) Save as disclosed elsewhere in the consolidated financial statements, the following event took place subsequently to December 31, 2019:

As disclosed in the announcement of the Company dated March 3, 2020, a wholly owned subsidiary of the Company established in the PRC has succeeded in the bidding of the land use right in Heshan Industrial City, Heshan City, the PRC, which consists of a site area of approximately 133,332.99 square meters through an open tendering process conducted by Jiangmen City Public Resources Exchange Centre and Jiangmen City Public Resources Exchange Centre (Heshan Branch) on February 26, 2020 at the consideration of RMB46 million (equivalent to approximately HK$51.52 million). This transaction is completed on April 16, 2020.

(b) Following the outbreak of Coronavirus Disease 2019 in early 2020 in China and spread over the world, a series of precautionary and control measures have been and continued to be implemented across all operation sites of the Group postponement of work resumption after the Chinese New Year holiday in China offices, certain level of restrictions and controls over the travelling of people and traffic arrangements, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing, etc. The Group is still in the process of assessing the impacts and is currently unable to estimate the quantitative impacts to the Group.

Financial Summary

Consolidated Results

	Year ended December 31, 2019 HK$'000	Year ended December 31, 2018 HK$'000	Year ended December 31, 2017 HK$'000	Fifteen months ended December 31, 2016 HK$'000	Year ended September 30, 2015 HK$'000
Revenue	**1,717,428**	1,642,215	1,778,683	2,236,024	1,821,850
Loss before income tax	**(489,659)**	(209,436)	(150,473)	(195,676)	(313,692)
Income tax expense	**(5,935)**	(24,089)	(7,989)	(38,023)	(22,985)
Loss for the year	**(495,594)**	(233,525)	(158,462)	(233,699)	(336,677)
Other comprehensive income	**(10,722)**	(20,196)	46,812	(85,439)	(30,691)
Total comprehensive income attributable to owners of the Company	**(506,316)**	(253,655)	(109,567)	(317,354)	(367,368)
Loss per share (HK cents)	**(41.3)**	(19.5)	(13.0)	(19.3)	(28.1)

Consolidated Assets and Liabilities

		December 31,			September 30,
	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Total assets	**2,159,966**	2,090,612	2,472,998	2,223,477	2,133,547
Total liabilities	**1,916,724**	1,345,724	1,474,389	1,114,001	708,083
Net assets attributable to owners of the Company	**243,242**	744,888	998,543	1,108,110	1,425,464