# ANNUAL REPORT 2019

長城一帶一路
Great Wall Belt & Road

**Great Wall Belt & Road Holdings Limited**
**長城一帶一路控股有限公司**

(Incorporated in Bermuda with limited liability)
(Stock Code: 524)

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

Zhao Ruiyong *(Chairman)*
Li Bing *(Chief Executive Officer)*
Cheung Ka Heng Frankie *(Vice-Chairman)*
Cheung Siu Fai
*(appointed with effect from 20 February 2020)*

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Zhao Guangming
Huang Tao
Fong Wai Ho
*(appointed with effect from 20 February 2020)*
Leung Wai Kei
*(appointed with effect from 20 February 2020)*
Lam Chik Shun Marcus
*(appointed with effect from 20 February 2020)*

## COMPANY SECRETARY

Law Hoi Ching

## AUDITOR

Mazars CPA Limited
*Certified Public Accountants*

## LEGAL ADVISERS

Conyers Dill & Pearman
King & Wood Mallesons (as to Hong Kong laws)

## PRINCIPAL BANKERS

Hang Seng Bank Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1402, 14/F
Henley Building
No.5 Queen's Road Central
Central
Hong Kong

## STOCK CODE

The Stock Exchange of Hong Kong Limited: 524

## WEBSITE

www.gwbrhk.com

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th floor North Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

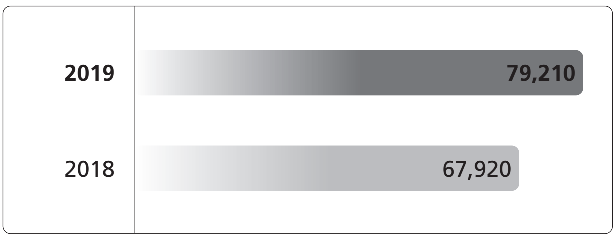
## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

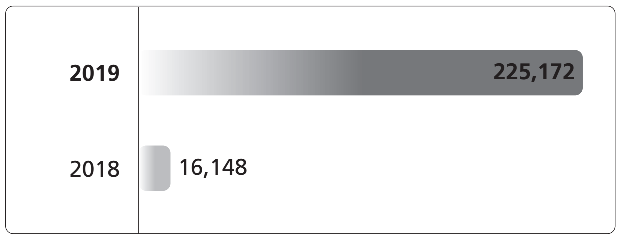
# FINANCIAL HIGHLIGHTS

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| Revenue | **79,210** | 67,920 |
| Loss for the Year | **(225,172)** | (16,148) |
| Net Assets | **1,899** | 228,745 |
| Bank Balances and cash | **6,672** | 13,915 |

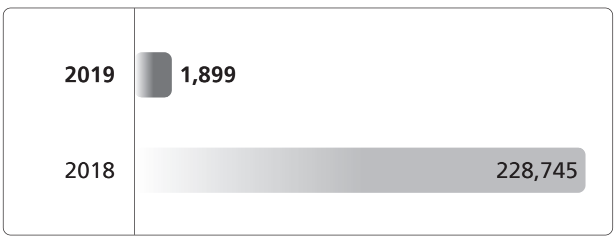
**Revenue**
**(HK$'000)**



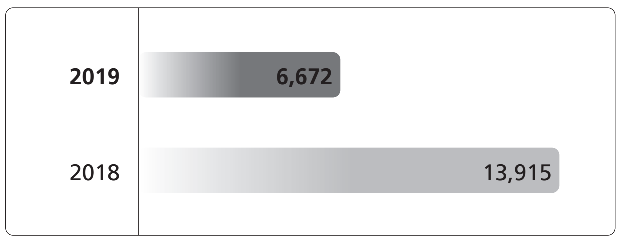

**Loss for the Year**
**(HK$'000)**




**Net Assets**
**(HK$'000)**




**Bank Balances and Cash**
**(HK$'000)**




Great Wall Belt & Road Holdings Limited currently has a portfolio of business interests in the telecommunication, information technology, financial solution, software development and distribution sectors in Hong Kong, Singapore and the People's Republic of China (the "PRC") and is actively pursuing other opportunities that are complementary to its existing operations or have high growth potential, with ability to generate healthy cashflows and capabilities to maximise the Group's long-term value. The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 524).

# CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Great Wall Belt & Road Holdings Limited (formerly known as e-Kong Group Limited) (the "Company" together with its subsidiaries, the "Group"), I am pleased to present the Group's annual report for the year ended 31 December 2019.

During the year under review, the Group has been constantly reviewing its business portfolio and striving to strike a balance in deploying the Group's resources between developing its telecommunication and information technology business (the "Telecom Business") in Asia and seeking for new businesses and investments, aimed at diversifying the Group's business in order to enhance shareholders' value and maintain long-term sustainable growth.

Facing the intensified competitive pressure in Telecom Business, the Group has been striving to expand its wholesale voice telecommunications and/or channel-driven service distribution business segment(s) so as to maintain a comparable level of business activities of the Telecom Business. The Group is advancing its progress in building its infrastructure and team in servicing the wholesale voice telecommunications segment, while diligent in rationalising its cost structure for the Telecom Business. At the same time, the Group is pursuing different opportunities that may expand the business portfolio of the group in the Telecommunications, Media & Technology (TMT) sector.

Facing increasingly uncertain economy prospect due to COVID-19, the Group has been considering streamlining its existing business portfolio. As Hangzhou Susong Technology Company Limited*（杭州蘇頌科技有限公司）has underperformed since the acquisition in 2016, the Group will carry on the effort to strive to dispose this business segment. As the characteristic town project in Wusu city has been delayed due to the safety consideration arising from an oil and gas transportation pipeline that was found under the originally planned construction land while the new construction land is still under planning and discussion status, the Group expect this project will not generate investment returns to the Group in the short term. As disclosed in the announcement of the Company dated 13 May 2020, the Company has entered into a legally binding sales and purchase agreement with an independent third party in relation to disposal of entire equity interest in B&R Investment Holding Limited, which in turn holds 25% equity interest in a PRC company engaging in the development of the aforesaid characteristic town project. This potential disposal is still subject to the approval on special general meeting by shareholders. The possible divesting of above business segments will help strengthen our financial and liquidity positions.

Going forward, the Group will strive to diversify its business portfolio by engaging in new business opportunities arising from the Belt and Road Initiative as well as other potential investment opportunities. Moreover, the Group also believes that there would still be potential business opportunities in the industries of new emerging technology and information technology during the period of economic downturn due to COVID-19 in the future. The Board is optimistic that in a long view, business diversification will enhance shareholder value and contribute sustainable growth.

On behalf of the Board, I would like to express our appreciation to all the fellow directors, employees and business partners for their great support, hard work, dedication and commitment to the Group.

**Zhao Ruiyong**
*Chairman*

15 May 2020

# BUSINESS REVIEW

## OVERALL REVIEW

Over the past decade, the Group has been focusing on the Telecom Business. During the year under review, as a result of our process of streamlining the Telecom Business, the Group's revenue increased by 16.6% to approximately HK$79.2 million compared to approximately HK$67.9 million for the prior year, and the overall gross margin of the Group (as a percentage of its revenue) dropped to 17.0% compared to 45.3% for the prior year.

Loss from operations for the year was approximately HK$40.8 million, representing a decrease of 12.8% compared to loss of approximately HK$46.8 million for the previous year due to more efficient management of cost control. Loss attributable to equity holders of the Company of approximately HK$219.0 million was recorded for the Year as compared with loss of approximately HK$11.7 million for the prior year. Such significant increase of loss was mainly attributable to the net loss on disposal of listed securities and unrealised fair value losses in respect of investment in listed securities held for trading and the impairment loss on the intangible assets and other receivables.

## TELECOM BUSINESS (TELECOMMUNICATION AND INFORMATION TECHNOLOGY BUSINESS)

Total revenue recorded by the Telecom Business, which comprises the voice telecommunication and information technology businesses in Singapore and Hong Kong, and remains as the Group's major revenue contributor in 2019, was approximately HK$75.1 million, representing an increase of 62.9% compared to approximately HK$46.1 million for the prior year. Such increase was mainly attributable to the expansion of the Group's wholesale voice telecommunications segment of the Telecom Business during the year under review. In view of the growth of the wholesale voice telecommunication business, barring the unforeseen circumstances, the Group will keep striving to develop its wholesale voice telecommunications, and/or channel-driven service distribution business segment(s) so as to maintain a comparable level of business activities of the Telecom Business as in past years.

The Group is advancing its progress in building its infrastructure and team in servicing the wholesale voice telecommunications segment, while diligent in rationalising its cost structure for the Telecom Business. At the same time, the Group is also pursuing different opportunities that may expand the business portfolio of the Group in the Telecommunications, Media & Technology (TMT) sector.

## IT AND DISTRIBUTION BUSINESS (FINANCIAL PAYMENT PROCESSING SOLUTION AND SOFTWARE DEVELOPMENT SERVICES, AND DISTRIBUTION BUSINESS)

Total revenue from the IT and Distribution Business was approximately HK$4.2 million that was all attributable to the financial payment processing solution and software development services segment, and recorded a decrease of 80.7% compared to approximately HK$21.8 million for the previous year, mainly due to that no revenue was generated from distribution business segment during the year under review.

As at the date of this report, Hangzhou Susong Technology Company Limited*（杭州蘇頌科技有限公司）("Hangzhou Susong"), an indirect subsidiary of the Company, has not recovered the advances to Zhejiang Hong Lan Investment Company Limited*（浙江宏瀾投資有限公司）("Hong Lan") as per the announcement of the Company dated 28 April 2019. The Group will keep striving to look for solutions to recover the advances including taking necessary legal actions against relevant parties of Hong Lan and requesting for the execution of the indemnity. Due to the effect of COVID-19 causing the difficulty of traveling, investigation and negotiation in Hangzhou China the business area of the related parties, the Group is still discussing about any potential effective action plan regarding to the legal actions or the execution of indemnity. In addition, after continuously reviewing the possibility of receiving other account receivables by Hangzhou Susong, the Group is taking prudent view to make necessary provision to such other account receivables considering the age and the overall business environment.

Due to the significant decrease of revenue from IT and Distribution Business of which the performance has been falling short of our expectation as originally contemplated at the time of acquisition of such business in 2016, and facing increasingly challenging and uncertain business environment, the Company will continue to negotiate with potential buyers in relation to potential disposal of entire equity interest in Stage Charm Limited (the holding company of IT and Distribution Business).

## PROPERTY DEVELOPMENT AND TOURISM BUSINESS

During the year under review, the construction plan for the characteristic town in Wusu city has been delayed due to safety consideration arising from an oil and gas transportation pipeline that was found under the originally planned construction land of Wusu characteristic town. Though the new construction land is under planning and discussion status, we expect that the characteristic town project in Wusu city will not generate investment returns to the Group in the short term.

As disclosed in the announcement of the Company dated 13 May 2020, the Company has entered into the legally binding sales and purchase agreement with an independent third party in relation to potential disposal of entire equity interest in B&R Investment Holding Limited, which in turn holds 25% equity interest in a PRC company engaging in the development of the aforesaid characteristic town project. The potential disposal constitutes a major transaction of the Company and is subject to its shareholders' approval. We believe the potential disposal is an opportunity to enable the Group's capital resources to be utilised more efficiently to support the Group's operation and business plan.

## OUTLOOK

Looking ahead, facing the increasing uncertainties arising from the outbreak of COVID-19 that severely impacts the global economy, and the ongoing uncertainties arising from US-China trade tensions that adversely affects economic environment and confidence, the Group will carry on its journey in finding a delicate balance in deploying its resources between maintaining the sustainability and relevance of the Telecom Business in the competitive market, and diversifying its business portfolio by engaging in new business opportunities arising from the Belt and Road Initiative as well as other potential investment opportunities. Moreover, the Group also believes that there would still be potential business opportunities in the industries of new emerging technology and information technology during the period of economic downturn due to COVID-19 in the future.

Through actively pursuing other investment opportunities to improve business performance, increasing operational efficiency and realising business synergy, it is expected that sustainable and steady business growth can be achieved and a more promising return can be offered to the Group and its shareholders as a whole.

# FINANCIAL REVIEW

## TURNOVER AND RESULTS

The revenue of the Group for the Year amounted to approximately HK$79.2 million, representing an increase of 16.6% compared to the prior year, mainly due to the increase in revenue from the Telecom Business.

The overall gross margin of the Group for the Year was 17.0%, compared to 45.3% for the prior year. The gross profit for the Year decreased by 56.2% to approximately HK$13.5 million, compared to approximately HK$30.8 million for the previous year. The decrease in gross profit was mainly due to the decline in revenue contribution of the IT and Distribution Business in 2019. In addition, the Group expanded wholesale voice telecommunications segment of the Telecom Business in 2019 which has lower gross margin. The change in business mix resulted in lower gross margin in 2019.

Total operating expenses of the Group for the Year amounted to approximately HK$56.1 million, compared to approximately HK$81.9 million in the previous year. The decrease was mainly due to lower staff costs and selling and distribution expenses after the streamline of business portfolio of the Telecom Business, rental deduction after the termination of an office lease in September 2018.

The Group recorded unrealised net loss on fair value changes and a net loss on disposal and fair value changes of approximately HK$54.5 million and approximately HK$60.6 million respectively (2018: approximately HK$54.4 million of unrealised net gain on fair value changes and approximately HK$17.8 million of net gain on disposal and fair value changes) in respect of financial assets at FVPL in 2019. The unrealised net loss on fair value changes was mainly due to significant drop of fair value in SingAsia Shares in 2019.

The Group has appointed independent professional valuer to perform an appraisal of the values in use of Hangzhou Susong as at 31 December 2019. As a result of downward adjustment on the financial forecast, the Group recorded an impairment loss on goodwill and intangible assets of approximately HK$7.3 million and HK$32.4 million respectively (2018: approximately HK$5.1 million and nil).

The operating loss of the Group amounted to approximately HK$40.8 million, as compared to a loss of approximately HK$46.8 million for the previous year.

Loss attributable to the equity holders of the Company amounted to approximately HK$219.0 million, as compared to a loss of approximately HK$11.7 million for the previous year.

## CIRCUMSTANCES LEADING TO THE IMPAIRMENT LOSS OF HANGZHOU SUSONG

Total revenue of Hangzhou Susong in 2019 decreased by 80.7% compared to 2018, mainly due to that no revenue was generated from distribution business segment during the year.

In light of the declining revenue and challenging business environment in the IT and Distribution Business, the Group anticipated a lower financial forecast in the IT and Distribution Business, resulting in the recognition of impairment loss on goodwill and intangible assets of approximately HK$7.3 million and HK$32.4 million respectively in 2019.

The table below sets out the valuation method, major assumptions and details of the value of inputs used in the valuation for determining the impairment made in 2018 and 2019 respectively:

| | **Valuation in relation to the 2019 Impairment** | **Valuation in relation to the 2018 Impairment** |
|---|---|---|
| Valuation date | 31 December 2019 | 31 December 2018 |
| Valuation methodology | Discounted cash flow, income approach | Discounted cash flow, income approach |
| Major assumptions | Revenue growth | Revenue growth |
| | • Average growth rate of –1% from 2020 to 2024 | • Average growth rate of 5% from 2019 to 2023 |
| | • Average growth rate of 0% for IT Business from 2020 to 2024 | • Average growth rate of –2% for IT Business from 2019 to 2023 |
| | • Average growth rate of –2% for distribution business from 2020 to 2024 | • Average growth rate of 14% for distribution business from 2019 to 2023 |
| | Gross margins | Gross margins |
| | Range from 73% to 74% during the forecast period between 2020 to 2024 | Range from 82% to 90% during the forecast period between 2019 and 2023 |
| | Corporate tax rate | Corporate tax rate |
| | 25% | 25% |
| | Terminal growth | Terminal growth |
| | 2% | 2% |
| Discount rate (pre-tax) | 23%<br>23% for IT Business<br>23% for distribution business | 31%<br>33% for IT Business<br>30% for distribution business |

## REASONS FOR THE CHANGE IN ASSUMPTIONS USED IN THE VALUATION FOR THE 2019 IMPAIRMENT AS COMPARED WITH THE ASSUMPTIONS USED IN THE VALUATION FOR THE 2018 IMPAIRMENT

### (I). FINANCIAL FORECAST

Hangzhou Susong has two revenue sources, namely, IT Business and distribution business. The income from distribution business declined significantly during the year as a result of unstable global economy and weakened consumption market. Meanwhile, the income from IT Business also declined which facing a competitive market. The management of Hangzhou Susong considers revenue from IT and Distribution Business could not meet the expected revenue in the previous forecast. Therefore, the management decides to further lower the financial forecast for IT and Distribution Business for the 2019 Impairment.

### (II). DISCOUNT RATE

The discount rates applied were estimated based on the same methodology as in the previous year. The difference between the adopted discount rates in 2018 and 2019 was mainly due to the change in the adopted market parameters including debt-to-equity ratios, risk-free rates and cost of debt. The adopted debt-to-equity ratios made reference to listed comparable companies' trading data, while the adopted risk-free rates and cost of debt made reference to market information in China where Hangzhou Susong operates.

Pre-tax discount rate has a positive relation with the expected amount of tax expenses. In light of the change in outlook of business, the tax expenses of Hangzhou Susong are expected to be much lower than those expected in the financial forecast in the previous year. Therefore, the pre-tax discount rate in 2019 is significant lower than that in 2018.

## CAPITAL STRUCTURE, LIQUIDITY AND FINANCING

As at 31 December 2019, the net assets of the Group amounted to approximately HK$1.9 million compared to approximately HK$228.7 million as at 31 December 2018. The net assets decreased significantly in 2019 mainly due to the decrease in value of financial assets at FVPL and recognition of impairment loss on other receivables, goodwill and intangible assets.

Capital expenditures for the year amounted to approximately HK$0.1 million, compared to approximately HK$62.7 million in 2018.

Bank balances and cash (excluding pledged bank deposits) amounted to approximately HK$6.7 million as at 31 December 2019 (2018: approximately HK$13.9 million). On the same date, total pledged bank deposits amounted to approximately HK$0.7 million (2018: approximately HK$0.9 million). Bank guarantees of approximately HK$0.7 million (2018: approximately HK$0.8 million) were issued to suppliers for operation requirements.

As at 31 December 2019, the Group had loan from directors of approximately HK$2.8 million (2018: Nil). As at 31 December 2019, the Group had lease liabilities amounted to approximately HK$3.1 million (2018: Nil).

As at 31 December 2019, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets was 310.3% (2018: 0.1%).

## FOREIGN EXCHANGE EXPOSURE

The Group has certain assets, liabilities, and transactions which are denominated in Singapore dollars and Renminbi. The Group continues to closely monitor the exchange rates of each of Singapore dollar, Hong Kong dollar and Renminbi and will, whenever appropriate, take appropriate action to mitigate such exchange risks. As at 31 December 2019, no related currency hedges had been undertaken by the Group.

## CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

In April 2018, the Group entered into an agreement with a third party to develop and operate a characteristic cultural town in Yibin City of Sichuan Province in the PRC. In April 2018, Yibin Xianyuan Lake Small Towns Cultural Tourism Company Limited*（宜賓仙源湖小鎮文旅有限公司）was incorporated in the PRC with registered capital of RMB200,000,000, for which Group has committed to contribute RMB70,000,000 before 3 April 2028, representing equity interest in 35% of Yibin Company. As at the end of the reporting period and up to the date of this report, no contribution has been made by the Group.

Other than the above, there were no material contingent liabilities or capital commitments as at 31 December 2019.

## SIGNIFICANT INVESTMENTS HELD AND PERFORMANCE

As at 31 December 2019, the Group held for trading investments in securities in Hong Kong (collectively, the "Investments") with a market value of approximately HK$1.4 million (31 December 2018: approximately HK$129.8 million), representing an investment portfolio of five (31 December 2018: five) listed equities in Hong Kong. The Group recorded unrealised net loss on fair values changes and a net loss on disposal and fair value changes of approximately HK$54.5 million and approximately HK$60.6 million respectively (2018: approximately HK$54.4 million of unrealised net gain on fair value changes and approximately HK$17.8 million of net gain on disposal and fair value changes) in respect of financial assets at FVPL in 2019. The significant decrease in fair value for those held as at 31 December 2019 was mainly due to the decrease in the stock price of the shares of SingAsia Holdings Limited ("SingAsia Share") in 2019. The details of the Investments as at 31 December 2019 were as follows:

| Company name | Stock code | Number of shares held | % of shareholdings in equity investment | Realised loss on disposal for the year HK$'000 | Unrealised loss on fair value change for the year HK$'000 | Fair value as at 1 January 2019 HK$'000 | Fair value as at 31 December 2019 HK$'000 | % of net assets | Principal activities |
|---|---|---|---|---|---|---|---|---|---|
| 1 New Provenance Everlasting Holdings Limited | 02326 | 1,000,000 | 0.01% | – | (13) | 30 | 17 | 0.90% | Sourcing and sale of metal minerals and related industrial materials, production and sale of industrial products and utilities, sale of electrical and electronic consumer products, and provision of logistics services |
| 2 SingAsia Holdings Limited | 08293 | 8,500,000 | 0.57% | (60,593) | (53,057) | 127,386 | 494 | 26.00% | Provide manpower outsourcing services, manpower recruitment services and manpower training services based in Singapore |
| 3 China Saite Group Company Limited | 00153 | 5,040,000 | 0.17% | – | (1,069) | 1,865 | 796 | 41.92% | Construction of steel structure and prefabricated construction projects |
| 4 Haitian Energy International Limited | 01659 | 2,576,000 | 0.03% | – | (340) | 340 | – | 0.00% | Hydropower generation and provision of power operation, repair and maintenance services |
| 5 Sino Harbour Holdings Group Limited | 01663 | 1,000,000 | 0.04% | – | (44) | 185 | 141 | 7.42% | Property development and car parking spaces operation |
| | | | | (60,593) | (54,523) | 129,806 | 1,448 | | |

During the Year, the Group had not received dividend from the Investments held (2018: Nil).

The Board acknowledges that the performance of the equities may be affected by the degree of volatility in the Hong Kong stock market and are susceptible to other external factors that may affect their values. Accordingly, in order to mitigate possible financial risks related to the equities, the Board maintains a diversified investment portfolio across various segments of the market and also closely monitors the performance of its investment portfolio.

# BOARD OF DIRECTORS

## EXECUTIVE DIRECTORS

**ZHAO Ruiyong**, aged 65, was appointed as an executive director and the chairman of the board of directors of the Company on 1 November 2017. He is also the chairman of the nomination committee and a member of the remuneration committee of the Company. Mr. Zhao is a Chinese national first-class writer. He has deep understanding and extensive resources in the film and television industry and other cultural industries, and has rich experience in corporate strategy and development, investment and acquisition. He was the chairman of the board of directors of Great Wall Movie and Television Co., Ltd.*（長城影視股份有限公司） (the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 002071)) from May 2014 to November 2015, and the chairman of the board of directors of Hangzhou Tian-Mu-Shan Pharmaceutical Co., Ltd.*（杭州天目山藥業股份有限公司） (the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600671)) from November 2015 to May 2018. He was also previously the station director of Zhuji Television Station*（諸暨電視臺）, the director and the chief editor of "East Sea*"（《東海》）magazine, the director and the chief editor of "Children's Stories*"（《少年兒童故事報》）newspaper, and the director of Zhejiang Film and Television Production Institute*（浙江影視創作所）. Since September 2014, he has been the chairman of the board of directors of Great Wall International ACG Co., Ltd.*（長城國際動漫遊戲股份有限公司） (the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000835)). He is also currently the chairman of the board of directors of Zhejiang Qingpingguo Network Technology Co. Ltd.*（浙江青蘋果網絡科技有限公司）, the executive director and the general manager of Hangzhou Great Wall Animation Game Co. Ltd.*（杭州長城動漫遊戲有限公司）, the director of China Television Artists Association*（中國電視家協會）, a member of China Writers Association*（中國作家協會）, the vice president of Zhejiang Television Artists Association*（浙江省電視家協會）, and a member of the presidium of Zhejiang Writers Association*（浙江省作家協會）.

**LI Bing**, aged 32, was appointed as an executive director of the Company on 1 September 2017 and the chief executive officer of the Company on 1 November 2017. She is also a director of several subsidiaries of the Company. Ms. Li graduated from Chengdu University of Technology*（成都理工大學）with a Bachelor of Arts degree. She has extensive experience in the areas of private equity, mergers and acquisitions and reorganisations. She has participated in several large-scale acquisitions and investment projects in the cultural tourism and China Big Health industries, and involved in the establishment and management of several industrial investment funds. Since 2016, she has been involved in the integration of the industrial ecological chain of the film and television, animation, games, China Big Health, advertising and tourism industries. Since December 2018, she has been a director of Great Wall International ACG Co., Ltd.*（長城國際動漫遊戲股份有限公司） (the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000835)). She is also currently a director of Great Wall Belt & Road (HK) Limited, the executive director and the general manager of Hangzhou Bingo Investment Management Co. Ltd.*（杭州賓果投資管理有限公司）, the executive director and the manager of Xishuang Banna Great Wall Tourism & Cultural Creativity Park Limited*（西雙版納長城旅遊文創園有限公司）, and the representative of the managing partner of Zhuji Great Wall Yingda Silk Road Equity Investment LLP*（諸暨長城英大絲綢之路股權投資合夥企業（有限合夥））, Zhuji Changrong Equity Investment LLP*（諸暨長融股權投資合夥企業（有限合夥））and Zhuji Changqi Equity Investment LLP*（諸暨長祺股權投資合夥企業（有限合夥））.

**CHEUNG Ka Heng Frankie**, aged 47, was appointed as an executive director of the Company on 1 September 2017 and the vice-chairman of the board of directors of the Company on 1 November 2017. He is also a director of several subsidiaries of the Company. Mr. Cheung holds a Master of Business Administration degree and has completed the "Global Executive Program" in Guanghua School of Management, Peking University. From June 2002 to December 2015, He was an executive director of Sau San Tong Holdings Limited (the issued shares of which are listed on the GEM of The Stock Exchange of Hong Kong Limited (Stock Code: 8200)) which engages in the retail and the beauty and slimming industries. From October 2009 to November 2010, he was an executive director of Chevalier Pacific Holdings Limited (now known as Dingyi Group Investment Limited) (the issued shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 508)) and was mainly responsible for mergers and acquisitions. He was also previously a director of a credit data provider which engages in the compilation and assortment of credit data and acts as the external independent databank operational unit for its banking institutions clients in Hong Kong. Mr. Cheung has accumulated over 15 years of experience in corporate finance and wealth management. With his credit facilities background and the experience accumulated throughout the years, he has architected a vast channel for deal flow in the Greater China region. In the past, he had completed various fund-raising transactions for various enterprises across the Greater China region, including project planning, debt financing and securities margin financing, and had successfully spearheaded the initial establishment of corporate units of corporate finance and wealth management in Shanghai and Taiwan. He also possesses extensive experience in overseas investment and financing. In recent years, he had assisted a British private equity fund in establishing operating divisions and developing investment and financing business in Hong Kong and the Middle East and Central Asia markets. Besides, Mr. Cheung is an Honorary Committee Member of China Enterprise Reputation and Credibility Association (Overseas).

**CHEUNG Siu Fai**, aged 50, was appointed as an executive director of the Company on 20 February 2020. Mr. Cheung holds a Master Degree in Business Administration from The Chinese University of Hong Kong and a Bachelor Degree in Electronic Engineering from The Hong Kong Polytechnic University. Mr. Cheung is a Certified Financial Analyst. Mr. Cheung founded Hammer Capital Group Limited and is a director of Hammer Capital Asset Management Limited. Prior to founding Hammer Capital Group Limited, he was the Head of Asia Pacific of the Strategic Equity Solutions of Merrill Lynch (Asia Pacific) Limited ("Merrill Lynch"). Prior to his position at Merrill Lynch, he was the Head of Asia Pacific of the Strategic Equity Solutions and the Managing Director of the Structured Products of Asia of Citigroup Global Markets Asia Limited. He has also held key positions in various major investment banks in Asia Pacific like Calyon Corporate & Investment Bank (presently known as Crédit Agricole Corporate & Investment Bank) and JPMorgan Chase & Co.. Mr. Cheung was an executive director of Asia Coal Limited, the shares of which were delisted from the Main Board of The Stock Exchange of Hong Kong Limited on 18 June 2019. He is also currently a director of Great Wall Belt & Road (HK) Limited.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**ZHAO Guangming**, aged 63, was appointed as an independent non-executive director of the Company on 16 August 2017. He is also a member of each of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Zhao completed the researcher course in management engineering in Zhejiang University in 1997. He holds the qualification of Senior Professional Manager of Engineering Construction of China*（中國工程建設高級職業經理人）from China Association of Construction Enterprise Management*（中國施工企業管理協會）, the qualification of senior economist from Zhejiang Office of Personnel*（浙江省人事廳）and the qualification of First Class Constructor*（一級建造師）from The Ministry of Construction and Development of The People's Republic of China*（中華人民共和國建設部）. He was the general manager of Zhejiang Zhuji Fifth Construction Works Company*（浙江省諸暨市第五建築工程公司）from 1987 to 2000, then served as the chairman of the board of directors of Zhejiang Jiyang Construction Group Company Limited*（浙江暨陽建設集團有限公司）from 2000 to 2015. Mr. Zhao was also previously the council member of Zhejiang Construction Industry Association*（浙江省建築業協會）, the vice president of Zhuji Construction Industry Association*（諸暨市建築業協會）and the senior researcher of the Real Estate Research Centre of Zhejiang University*（浙江大學房地產研究中心）.

**HUANG Tao**, aged 41, was appointed as an independent non-executive director of the Company on 1 November 2017. He is also the chairman of the remuneration committee and a member of each of the audit committee and the nomination committee of the Company. Mr. Huang graduated from Peking University with a master's degree in finance. He has over 15 years of experience in venture capital investment and corporate finance, and has extensive resources in venture capital area and capital market. He is currently the managing partner of Shenzhen Junyi Capital Management LLP*（深圳市駿毅資本管理企業（有限合夥））, and has leaded and completed over 10 merger and acquisition projects of listed companies since 2014. He was an investment director of a well-known venture capital company in China from 2007 to 2014, and directed and participated in the management of the investment funds in areas of Internet, environmental protection, agriculture and so on. He also served for a private investment organisation in China from 2002 to 2007.

**FONG Wai Ho**, aged 39, was appointed as an independent non-executive director of the Company on 20 February 2020. He is also the chairman of the audit committee of the Company. Mr. Fong has over 15 years of experience in auditing and business advisory services. He is the founder and has been a practitioner of UBC & Co., Certified Public Accountants since March 2013. Mr. Fong was the practicing director of Andes Glacier CPA Limited from March 2017 to March 2020. Mr. Fong holds a bachelor's degree in business administration (honours) in accountancy and management information systems awarded by City University of Hong Kong. Mr. Fong is a practicing Certified Public Accountant in Hong Kong, a member of the Association of Chartered Certified Accountants as well as a fellow of the Hong Kong Institute of Certified Public Accountants. He is a member of the Chartered Professional Accountants of British Columbia and the Chartered Professional Accountants of Canada, respectively, as well as a member of CPA Australia. Mr. Fong is currently an independent non-executive director of Global Sweeteners Holdings Limited (stock code: 3889) and Perennial Energy Holdings Limited (stock code: 2798) respectively, the issued shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

**LEUNG Wai Kei**, aged 38, was appointed as an independent non-executive director of the Company on 20 February 2020. Mr. Leung has extensive experience and expertise in financial services ranging from investment banking, derivatives trading, asset management and securities brokerage, and he has served in various financial institutions including Nomura International (Hong Kong) Limited, Lehman Brothers Asia Limited, Rabobank International and Calyon Corporate & Investment Bank. Mr. Leung is the founder and chief executive officer of China Securities Limited which provides securities brokerage services. He is currently an independent non-executive director of GTI Holdings Limited (the issued shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 3344)). Mr. Leung holds a bachelor's degree in Business Administration (Finance & Information Systems) from The Hong Kong University of Science and Technology. He has also passed the Level 3 examination of Chartered Financial Analyst Programme.

**LAM Chik Shun Marcus**, aged 42, was appointed as an independent non-executive director of the Company on 20 February 2020. Mr. Lam is currently an executive director and the chief strategy officer of Perennial Energy Holdings Limited (the issued shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 2798), of which he works closely with the Chairman and the Chief Executive Officer as well as the Board to develop corporate strategies and to guide the business through detailed strategic planning procedures. He also focuses on strengthening Perennial Energy Holdings Limited's core competency and identifying future growth organically and externally. Mr. Lam has over 19 years of experience working in the finance industry, focusing on financial management and investment. Mr. Lam holds a bachelor's degree in commerce awarded by the University of British Columbia and a master degree in business administration awarded by Warwick Business School. He is a Chartered Financial Analyst charter holder.

* *for identification purpose only*

# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

The board (the "Board") of directors (the "Directors") of the Company is committed to maintaining high standards of corporate governance in performing their obligations to act in the best interests of shareholders and enhance long-term shareholder value. Except for the non-compliance and deviations described below, the Directors are not aware of any information which would reasonably indicate that the Company is not, or was not at any time during the year ended 31 December 2019, acting in compliance with the code provisions (the "Code Provisions") of the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Pursuant to Code Provision C.1.2 of the Corporate Governance Code, management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. From January to June 2019, the management of the Company did not provide monthly management accounts of the Group's subsidiaries to the Directors. Since July 2019, the management of the Company has provided monthly updates on the Group's performance, position and prospects and tried its best endeavors to provide management accounts of the Group's subsidiaries to the Directors.

Pursuant to Code Provision E.1.2 of the Corporate Governance Code, the chairman of the Board (the "Chairman") should attend the annual general meetings of the Company and should also invite the chairman of each of the audit, remuneration, nomination and any other committees of the Company to attend. Mr. Zhao Ruiyong, the chairman of the Board and the chairman of the nomination committee of the Company (the "Nomination Committee"), and Mr. Huang Tao, the chairman of the remuneration committee of the Company (the "Remuneration Committee"), did not attend the annual general meeting of the Company held on 28 June 2019 ("2019 AGM") as they were not in Hong Kong. Mr. Cheung Ka Heng Frankie, the vice-chairman of Board (the "Vice-Chairman") and the then member of the Remuneration Committee, as well as Mr. Fung Wai Shing, the then member of the Remuneration Committee and the Nomination Committee, attended 2019 AGM and were available to answer questions at the 2019 AGM.

### INSUFFICIENT NUMBER OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 3.10 of the Listing Rules, the Board must include at least three independent non-executive Directors and at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise. Pursuant to Rule 3.21 of the Listing Rules, the audit committee of the Company (the "Audit Committee") must comprise a minimum of three members and at least one of the members of the Audit Committee is an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules; and the Audit Committee must be chaired by an independent non-executive Director. Immediately after the resignation of Mr. Fung Wai Shing as an independent non-executive Director and the chairman of the Audit Committee on 20 December 2019, the Company fell below the requirements of Rules 3.10 and 3.21 of the Listing Rules. The Company had made its best endeavours to identify suitable candidates to be additional independent non-executive Director(s) in order to comply with the Listing Rules. On 20 February 2020, Mr. Fong Wai Ho, who possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules, was appointed as an independent non-executive Director and the chairman of the Audit Committee; Mr. Leung Wai Kei and Mr. Lam Chik Shun Marcus were appointed as independent non-executive Directors. Following these appointments, the Company has fully complied with the requirements of Rules 3.10 and 3.21 of the Listing Rules.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' transactions in securities of the Company. All Directors have confirmed, following specific enquiries made by the Company, that they have fully complied with the required standards set out in the Model Code throughout the year ended 31 December 2019.

## BOARD OF DIRECTORS

### BOARD COMPOSITION

As at the date of this annual report, the Board comprises four executive Directors, namely Mr. Zhao Ruiyong (Chairman), Ms. Li Bing (Chief Executive Officer), Mr. Cheung Ka Heng Frankie (Vice-Chairman) and Mr. Cheung Siu Fai, and five independent non-executive Directors, namely Mr. Zhao Guangming, Mr. Huang Tao, Mr. Fong Wai Ho, Mr. Leung Wai Kei and Mr. Lam Chik Shun Marcus. Biographical details of the Directors as of the date of this annual report are set out in the section headed "Board of Directors" on pages 11 to 13 of this annual report.

Both Ms. Li Bing, an executive Director and the chief executive officer of the Company (the "Chief Executive Officer"), and Mr. Cheung Siu Fai, an executive Director, are currently the directors of Great Wall Belt & Road (HK) Limited, which is wholly-owned by Great Wall Film & Culture Company Group Limited*（長城影視文化企業集團有限公司）("Great Wall Group"). Great Wall Group is in turn owned as to 66.67% by Mr. Zhao Ruiyong, the Chairman and an executive Director. Except for the above, there is no relationship (including financial, business, family or other material/relevant relationships) among the Directors.

In accordance with the bye-laws of the Company (the "Bye-laws"), not less than one-third of the Directors for the time being will retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years at each annual general meeting. Any Director appointed to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

### BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Board Diversity Policy") to set out the approach to achieve diversity for the Board since 2013. Pursuant to the Board Diversity Policy, the Company recognises the benefits of a Board that possesses a balance of skills, expertise, experience and diversity of perspectives appropriate to the requirements of the businesses of the Group; the Company embraces the practice of seeking to ensure diversity of Board members, which can be achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; Board appointments will continue to be on a merit basis, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board; the Nomination Committee continues to be responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; the Board will review the Board Diversity Policy on a regular basis to ensure its continued effectiveness; and the Board will disclose the Board Diversity Policy (or a summary thereof) in the corporate governance report set out in the annual reports of the Company.

## BOARD MEETINGS

The Board meets regularly and on those occasions when Board decisions are required for major issues. All Directors are provided with adequate and timely information prior to Board meetings to ensure that the Directors can make informed decisions when fulfilling their responsibilities. (All meeting minutes and written resolutions of the Board and its committees are kept by the company secretary of the Company (the "Company Secretary"), and such records are available for inspection at any reasonable time on reasonable notice by any Director.)

During the year ended 31 December 2019, the Board held 11 meetings. The attendance of each Director at Board meetings and general meetings of the Company held during the year ended 31 December 2019 is set out below.

| | Attendance/number of meetings held | |
|---|---|---|
| **Name of director** | **Board meeting#** | **General meeting** |
| Zhao Ruiyong | 4/11 | 0/1 |
| Li Bing | 5/11 | 0/1 |
| Cheung Ka Heng Frankie | 11/11 | 1/1 |
| Cheung Siu Fai (appointed with effect from 20 February 2020) | N/A | N/A |
| Zhao Guangming | 11/11 | 0/1 |
| Huang Tao | 10/11 | 0/1 |
| Fong Wai Ho (appointed with effect from 20 February 2020) | N/A | N/A |
| Leung Wai Kei (appointed with effect from 20 February 2020) | N/A | N/A |
| Lam Chik Shun Marcus (appointed with effect from 20 February 2020) | N/A | N/A |
| Fung Wai Shing (resigned with effect from 20 December 2019) | 10/11 | 1/1 |
| Chan Chi Yuen (resigned with effect from 18 October 2019) | 8/8 | 1/1 |

# *Including written resolutions, physical meetings and meetings held by telephone conference*

On those occasions where it was not practical to convene physical meetings, in lieu thereof, written resolutions of the Board together with full copies of related documents were circulated to all Directors for consideration and approval. During the year under review, all such written resolutions were approved by all Directors.

## BOARD AND MANAGEMENT

The Board is collectively responsible for all businesses and affairs of the Company. The Board has delegated authority to various committees to deal with specific matters under defined terms of reference. Details of the Board committees are set out in the section headed "Board Committees" on pages 18 to 20 of this annual report. The Board has also delegated the day-to-day management of the Company's businesses to executive Directors and senior management members while reserving certain key matters, mainly laying down strategies, reviewing policies, monitoring operational and financial performance and ensuring effective governance and sound internal control and risk management systems.

### INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Newly appointed Directors are provided with induction training immediately after appointment to ensure that they have appropriate understanding of the business and operations of the Company and that they are fully aware of their responsibilities and obligations under the Listing Rules, the Corporate Governance Code and other applicable regulatory requirements.

There are also arrangements in place in respect of providing continuing professional development to Directors in order to facilitate the performance of their duties. The Company Secretary distributes various reading materials to Directors from time to time to update them on amendments to the relevant laws, rules and regulations to develop and refresh their knowledge and skills. The Directors are also encouraged to participate in external trainings at the Company's expense. All Directors are required to provide the Company annually with their training records. According to the training records maintained by the Company, the trainings received by each of the Directors during the year ended 31 December 2019 is summarised as below.

| Name of director | Regulatory updates or corporate governance related materials |
|---|---|
| Zhao Ruiyong | ✓ |
| Li Bing | ✓ |
| Cheung Ka Heng Frankie | ✓ |
| Cheung Siu Fai (appointed with effect from 20 February 2020) | N/A |
| Zhao Guangming | ✓ |
| Huang Tao | ✓ |
| Fong Wai Ho (appointed with effect from 20 February 2020) | N/A |
| Leung Wai Kei (appointed with effect from 20 February 2020) | N/A |
| Lam Chik Shun Marcus (appointed with effect from 20 February 2020) | N/A |

## CHAIRMAN AND CHIEF EXECUTIVE

There is a clear segregation between the roles of chairman and chief executive of the Company. The duties of chairman and chief executive are carried out respectively by Mr. Zhao Ruiyong as the Chairman, Mr. Cheung Ka Heng Frankie as the Vice-Chairman and Ms. Li Bing as the Chief Executive Officer. The Chairman and the Vice-Chairman are responsible for providing leadership to the Board and monitoring Board effectiveness and shareholder communications. The Chief Executive Officer is responsible for the overall management of the Group.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors are highly skilled professionals with a broad range of expertise and experience in the fields of accounting, finance and business. Their skills, expertise and number in the Board ensure that strong independent views and judgment are brought in the Board's deliberations and that such views and judgment carry weight in the Board's decision-making process. Their presence and participation also enable the Board to maintain high standards of compliance in financial and other mandatory reporting requirements, and provide adequate checks and balances to safeguard the interests of the Company and its shareholders.

Each of Mr. Zhao Guangming and Mr. Huang Tao, independent non-executive Directors, has entered into an appointment letter with the Company for a specific term of 2 years subject to the retirement and re-election provisions of the Bye-laws, which can be terminated with not less than three months' written notice. Each of Mr. Fong Wai Ho, Mr. Leung Wai Kei and Mr. Lam Chik Shun Marcus, independent non-executive Directors, has entered into an appointment letter with the Company for a specific term of 3 years subject to the retirement and re-election provisions of the Bye-laws, which can be terminated with not less than one month's written notice.

## BOARD COMMITTEES

The Board has established three committees, including the Audit Committee, the Remuneration Committee and the Nomination Committee, and has delegated various responsibilities to those committees. The committees perform their distinct roles in accordance with their respective terms of reference which are available on the websites of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (www.gwbrhk.com).

All committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense.

### AUDIT COMMITTEE

The Audit Committee was established on 29 September 1999 and comprised of all independent non-executive Directors during the year ended 31 December 2019. As at the date of this annual report, the Audit Committee comprised three independent non-executive Directors, namely Mr. Fong Wai Ho, Mr. Zhao Guangming and Mr. Huang Tao. Mr. Fong Wai Ho, who has the appropriate financial-related professional qualification and experience, is the chairman of the Audit Committee.

The principal role of the Audit Committee is to review the effectiveness of the financial reporting practices, the quality and integrity of the financial reports, the internal control and risk management systems and the audit functions of the Company; and to review the nature and scope of the external audit and internal audit of the Company, the results of their examinations as well as their evaluations on the internal control and risk management systems. The Audit Committee is also responsible for nominating external auditors and approving their audit fees and is granted the authority to investigate any activities within its terms of reference. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditor of the Company.

During the year ended 31 December 2019, the Audit Committee held 3 meetings and discharged its responsibilities to review the interim and annual results with the presence of the external auditor of the Company, in particular, assessing any changes in accounting policies and practices, major judgmental areas and compliance with applicable legal and accounting requirements and standards; to review the internal control and risk management systems; and to approve the audit fees of the external auditor of the Company.

The attendance of each member of the Audit Committee at the committee meetings held during the year ended 31 December 2019 is set out below.

| Name of director | Attendance/number of Audit Committee meetings# held |
|---|---|
| Fong Wai Ho (appointed as the committee chairman with effect from 20 February 2020) | N/A |
| Zhao Guangming | 3/3 |
| Huang Tao | 3/3 |
| Fung Wai Shing (resigned with effect from 20 December 2019) | 3/3 |

# *Including written resolutions, physical meetings and meetings held by telephone conference*

## REMUNERATION COMMITTEE

The Remuneration Committee was established on 18 December 2001 and comprised of a majority of independent non-executive Directors during the year ended 31 December 2019. As at the date of this annual report, the Remuneration Committee comprised two independent non-executive Directors, namely Mr. Huang Tao and Mr. Zhao Guangming, and one executive Director, namely Mr. Zhao Ruiyong. Mr. Huang Tao is the chairman of the Remuneration Committee.

The Remuneration Committee is responsible for determining a mechanism for setting the Group's remuneration structure with reference to fair and objective standards, determining and reviewing the remuneration of Directors and addressing and dealing with such other matters relating to remuneration as directed by the Board from time to time.

During the year ended 31 December 2019, the Remuneration Committee held 1 meeting to determine, with delegated responsibility, the remuneration packages of individual executive Directors for the year ending 31 December 2020.

The attendance of each member of the Remuneration Committee at the committee meeting held during the year ended 31 December 2019 is set out below.

| **Name of director** | **Attendance/number of Remuneration Committee meetings# held** |
|---|---|
| Huang Tao | 1/1 |
| Zhao Ruiyong | 1/1 |
| Zhao Guangming | 1/1 |
| Cheung Ka Heng Frankie (ceased to be a committee member with effect from 20 December 2019) | N/A |
| Fung Wai Shing (resigned with effect from 20 December 2019) | N/A |

# *Including written resolutions, physical meetings and meetings held by telephone conference*

## NOMINATION COMMITTEE

The Nomination Committee was established on 9 December 2011 and comprised of a majority of independent non-executive Directors during the year ended 31 December 2019. As at the date of this annual report, the Nomination Committee comprised two independent non-executive Directors, namely Mr. Zhao Guangming and Mr. Huang Tao, and one executive Director, namely Mr. Zhao Ruiyong. Mr. Zhao Ruiyong, the chairman of the Board, is also the chairman of the Nomination Committee.

The Nomination Committee is responsible for identifying, recruiting and evaluating new nominees to the Board; reviewing the structure, size and composition of the Board, including the skills, knowledge, experience of Directors and the time devoted by Directors in fulfilling their responsibilities; assessing the independence of independent non-executive Directors; together with addressing and dealing with such other matters relating to nominations as directed by the Board from time to time.

The Nomination Committee leads the process and makes recommendations for appointments to the Board. In evaluating and selecting candidates for directorship, the Nomination Committee considers the candidates' character and integrity, skill and expertise, professional and educational background and potential time commitment as well as other statutory or regulatory requirements.

During the year ended 31 December 2019, the Nomination Committee held 1 meeting to review the structure, size and composition of the Board. Information relating to the policy on Board diversity is set out in the section headed "Board Diversity Policy" on page 15 of this annual report.

The attendance of each member of the Nomination Committee at the committee meeting held during the year ended 31 December 2019 is set out below.

| Name of director | Attendance/number of Nomination Committee meetings# held |
|---|---|
| Zhao Ruiyong | 1/1 |
| Zhao Guangming | 1/1 |
| Huang Tao | 1/1 |
| Li Bing (ceased to be a committee member with effect from 20 December 2019) | N/A |
| Fung Wai Shing (resigned with effect from 20 December 2019) | N/A |

# *Including written resolutions, physical meetings and meetings held by telephone conference*

## CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing corporate governance duties including to (a) develop and review the Company's policies and practices on corporate governance; (b) review and monitor the training and continuous professional development of Directors and senior management; (c) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) develop, review and monitor the code of conduct applicable to employees and Directors; and (e) review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report under Appendix 14 to the Listing Rules.

The corporate governance policy is formulated with an emphasis on the Board's quality, effective internal control, stringent disclosure practices and transparency and accountability to all shareholders of the Company. The Board strives to comply with the code provisions and reviews its corporate governance policy regularly in order to maintain high standards of business ethics and corporate governance, and to ensure the full compliance of our operations with applicable laws and regulations.

## SENIOR MANAGEMENT'S REMUNERATION

The senior management's remuneration of the Group (being the executive directors of the Company) for the year ended 31 December 2019 falls within the following bands:

| | Number of individuals |
|---|---|
| HK$Nil to HK$1,000,000 | 4 |

## AUDITOR'S REMUNERATION

For the year ended 31 December 2019, the remuneration payable to the auditors of the Company amounted to approximately HK$2,335,400 of which approximately HK$2,065,000 related to audit services, approximately HK$270,400 related to non-audit services (which included approximately HK$145,000 related to agreed upon procedures in connection with 2019 interim report, approximately HK$100,000 related to risk management and internal control systems advisory services, and approximately HK$25,400 related to tax compliance and advisory services).

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group that give a true and fair view in accordance with the statutory requirements and applicable accounting standards.

The statement by the auditors of the Company about their reporting responsibilities is set out in the section headed "Independent Auditor's Report" on pages 33 to 38 of this annual report.

## COMPANY SECRETARY

Mr. Law Hoi Ching, the Company Secretary, is an employee of the Company and has day-to-day knowledge of the Company's affairs. Mr. Law has confirmed that he has taken no less than 15 hours of relevant professional training during the year ended 31 December 2019.

## SHAREHOLDERS' RIGHTS

### CONVENING A SPECIAL GENERAL MEETING BY SHAREHOLDERS

Pursuant to Bye-law 58 of the Bye-laws, 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 shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

The requisition must state the purposes of the meeting, and must be signed by the requisitionists, deposited at the Company's principal place of business in Hong Kong, Suite 1402, 14/F, Henley Building, No.5 Queen's Road Central, Central, Hong Kong, and marked for the attention of the Board or the Company Secretary, and may consist of several documents in like form each signed by one or more requisitionists.

The requisition will be verified by the Company's branch share registrar and transfer office in Hong Kong and upon its confirmation that the written requisition is proper and in order, the Board shall convene and hold such a special general meeting within 2 months after the deposit of such requisition. If within 21 days from the date of such deposit the Board fails to proceed to convene such meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves do so in accordance with Section 74 of the Companies Act 1981 of Bermuda, but any meeting so convened shall not be held after the expiration of three months from the said date.

### SENDING ENQUIRIES TO THE BOARD

Shareholders and other stakeholders of the Company may send their enquiries and concerns in writing to the Board by addressing them to the Board or the Company Secretary at the Company's principal place of business in Hong Kong, Suite 1402, 14/F, Henley Building, No.5 Queen's Road Central, Central, Hong Kong, and the Company Secretary shall forward such written enquiries and concerns received to the Board for further handling.

### PUTTING FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

Pursuant to Sections 79 and 80 of the Companies Act 1981 of Bermuda, it shall be the duty of the Company, on the requisition in writing of such number *Note 1* of shareholders, at the expense of the requisitionists unless the Company otherwise resolves,

(a) to give to shareholders of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and

(b) to circulate to shareholders of the Company entitled to receive notice of any general meeting any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The Company will not give notice of any such resolution or to circulate any such statement unless:

(a) a copy of the requisition signed by the requisitionists, or two or more copies which between them contain the signatures of all the requisitionists, is deposited at the Company's principal place of business in Hong Kong, Suite 1402, 14/F, Henley Building, No.5 Queen's Road Central, Central, Hong Kong, and marked for the attention of the Board or the Company Secretary, and (i) in the case of a requisition requiring notice of a resolution, not less than six weeks *Note 2* before the meeting; and (ii) in the case of any other requisition, not less than one week before the meeting; and

(b) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

The requisition will be verified by the Company's branch share registrar and transfer office in Hong Kong.

*Note 1 The number of shareholders necessary for a requisition shall be (a) either any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or (b) not less than one hundred shareholders.*

*Note 2 If, after a copy of the requisition requiring notice of a resolution has been deposited at the registered office of the company, an annual general meeting is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.*

## CONSTITUTIONAL DOCUMENTS

There was no significant change in the constitutional documents of the Company during the year ended 31 December 2019.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for maintaining the Group's internal control systems and risk management and reviewing their effectiveness. The internal control systems of the Group are designed to provide reasonable assurance against material misstatements or losses, to manage the risks of system failures, and to assist in the achievement of the Group's goals. The systems are also structured to safeguard the Group's assets, to ensure the maintenance of proper accounting records, adequacy of resources, qualifications and experience of staff for the Company's accounting and financial reporting functions and compliance with applicable laws, rules and regulations, as well as risk management functions. The Company has also appointed an independent internal auditor to review the effectiveness of risk management and internal control system of the Group for the year. Main features of the risk management and internal control systems are described in the sections below:

### RISK MANAGEMENT SYSTEM

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.
- Evaluation: Analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly.
- Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2019, other than non-compliance with the Listing Rules disclosed in above "Introduction" sub-section of this Corporate Governance Report, no significant risk was identified.

### INTERNAL CONTROL SYSTEM

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follow:

- Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group.
- Risk Assessment: A dynamic and iterative process for identifying and analysing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed.
- Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
- Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls.
- Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

The Company has engaged internal control consultants to conduct a review on the internal control system of the Group for the year ended 31 December 2019. Due to the impact of the recent outbreak of COVID-19 on the work arrangement, the conduct of the internal control review works has been delayed and the internal control review has not been completed as of the date of this report. It is expected that such internal control review will be completed in or around June 2020. The Company will inform the shareholders and potential investors of the Company by way of further announcements if any material deficiency in the Group's internal control system is identified upon the completion of the internal control review.

### INTERNAL AUDIT

During the year ended 31 December 2019, the Group did not have an internal audit function but had appointed external consultants to review the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

A review of the risk management and internal control systems is conducted at least annually and the results are reported to the Board via the Audit Committee afterwards.

The Board considers that it is a continuous process for the Group to review and improve its risk management and internal control systems in order to ensure that they can meet with the dynamic and ever-changing business environment and regulatory framework. A review of the effectiveness of the Group's risk management and internal control systems is conducted annually by the Audit Committee. Several areas have been considered during the reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems. As part of an on-going process for identifying, evaluating and managing material risks faced by the Group, the Company conducts regular reviews of material business processes and procedures in the Group's operations. The Board considers that the Group's risk management and internal control systems are reasonably implemented. Nevertheless, the Group will continue the process of reviewing the effectiveness of the risk management and internal control systems, focusing on specific business processes.

## GOING CONCERN BASIS

The Group incurred a net loss of approximately HK$225,172,000 for the year ended 31 December 2019. At 31 December 2019, the current liabilities of the Group exceeded its current assets by approximately HK$56,766,000. The Group maintained bank balances and cash of approximately HK$6,672,000 as at 31 December 2019.

These conditions indicate the existence of uncertainty that might cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The Group is taking the following steps to ensure continuous operations of the Group:

(a) Group entered into loan agreements with the Directors during the year with aggregate amount of HK$41,700,000 to mitigate the liquidity and financial pressure and to improve the Group's financial position. Such loans are on normal commercial terms or better, interest-free with no pledge of assets or guarantee provided by the Group, which constitute a fully exempt connected transaction of the Group under Chapter 14A of the Listing Rules. As at 31 December 2019, total amount of borrowing from Directors amounted approximately HK$2,840,000 and therefore, total amount of borrowings yet to be drawn amounted approximately HK$38,860,000.

(b) On 13 May 2020, the Group has entered into a sales and purchase agreement in relation to the disposal of a subsidiary for consideration of RMB50,000,000 (equivalent to HK$55,000,000). The disposal once completed would possibly generate net cash inflow of HK$54,892,000 to the Group. Further detailed information of such disposal was disclosed in the announcement dated 13 May 2020.

(c) The Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet their liquidity requirements in the short and longer terms.

(d) As at the date of this annual report, the Group has planned and is in negotiation with potential investors to raise funds through shares placing.

With the aforesaid measures, the Board of Directors of the Company considers it reasonable to prepare the consolidated financial statements on the assumption of continuous operations. The Board of Directors has conducted thorough evaluation of the Group's continuous operation ability by reviewing working capital forecasts for the coming twelve months, and has reached the conclusion that the Group will be able to acquire enough funding to ensure working capital and expensing needs, therefore agreed with preparation of the consolidated financial statements on the basis of continuous operations. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise and to reclassify the non-current assets and liabilities to current assets and liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

* *for identification purpose only*

# DIRECTORS' REPORT

The board (the "Board") of directors (the "Directors") of the Company is pleased to present this annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's subsidiaries are the provision of telecommunication and related services, as well as financial payment processing solution and software development services and distribution business. A list of the Company's principal subsidiaries as of 31 December 2019 and their particulars are set out in note 15 to the consolidated financial statements.

## BUSINESS REVIEW

The business review of the Company for the year ended 31 December 2019 is set out in the sections headed "Financial Highlights", "Chairman's Statement", "Business Review", "Financial Review" and "Corporate Governance Report" on page 3, page 4, pages 5 to 6, pages 7 to 10 and pages 14 to 25 respectively of this annual report, as well as in the Company's Environmental, Social and Governance Report 2019 which will be published on the respective websites of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") within three months after the publication of this annual report. An analysis of the Group's performance for the year ended 31 December 2019 by segment is set out in note 33 to the consolidated financial statements.

## FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 129 of this annual report.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, the aggregate turnover attributable to the five largest customers of the Group accounted for approximately 59.2% of the Group's total turnover, with the largest customer accounting for approximately 33.6% of the Group's total turnover.

For the year ended 31 December 2019, the aggregate purchases attributable to the five largest suppliers of the Group accounted for approximately 68.3% of the Group's total purchases, with the largest supplier accounting for approximately 39.7% of the Group's total purchases.

During the year ended 31 December 2019, none of the Directors or any of their close associates or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's total issued share capital) had any interests in any of the Group's five largest customers or suppliers mentioned above.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the year ended 31 December 2019 are set out in note 10 to the consolidated financial statements in this annual report.

## RESULTS

The Group's results for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss on pages 39 to 40 of this annual report.

## DIVIDEND AND DIVIDEND POLICY

The Board does not recommend the payment of a dividend for the year ended 31 December 2019 (2018: Nil).

The Company has a dividend policy which sets out the principles and guidelines in relation to the declaration, payment and distribution of the Company's net profits as dividends to its shareholders. Pursuant to the Company's dividend policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall consider the following factors: (a) the Group's actual and expected financial results, (b) the Group's working capital requirements, capital expenditure requirements and future expansion plans, (c) the Group's liquidity position, (d) contractual restrictions on payment of dividends by the Group to its shareholders, (e) the general economic conditions and other external factors that may have an impact on the future business and financial performance of the Group, and (f) any other factors that the Board may consider relevant; the payment of the dividend by the Company is also subject to any restrictions under the bye-laws of the Company, the Companies Act 1981 of Bermuda and other applicable laws and regulations; and the Board shall review the dividend policy as appropriate from time to time.

## RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2019 are set out in note 36(a) to the consolidated financial statements and on page 45 of this annual report respectively.

As at 31 December 2019 and 2018, there were no reserves available for distribution to shareholders of the Company.

## SHARE CAPITAL

Details of movements in share capital of the Company are set out in note 24 to the consolidated financial statements.

## EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company disclosed in the section headed "Share Option Scheme" below, no equity-linked agreement was entered into by the Company during the year ended 31 December 2019 or subsisted as at 31 December 2019.

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## PRE-EMPTIVE RIGHTS

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

## SHARE OPTION SCHEME

The Company terminated its old share option scheme adopted on 20 May 2015 (the "Old Share Option Scheme") and adopted a new share option scheme (the "New Share Option Scheme") at the annual general meeting of the Company held on 28 June 2018. Details of the terms of the New Share Option Scheme are set out in note 25 to the consolidated financial statements.

No share options were granted/forfeited/exercised during the year ended 31 December 2019 and there were no share options outstanding/exercisable as at 31 December 2019.

## DIRECTORS

The Directors who were in office during the year ended 31 December 2019 and up to the date of this annual report are:

### EXECUTIVE DIRECTORS:

Zhao Ruiyong *(Chairman)*
Li Bing *(Chief Executive Officer)*
Cheung Ka Heng Frankie *(Vice-Chairman)*
Cheung Siu Fai (appointed with effect from 20 February 2020)
Chan Chi Yuen (resigned with effect from 18 October 2019)

### INDEPENDENT NON-EXECUTIVE DIRECTORS:

Zhao Guangming
Huang Tao
Fong Wai Ho (appointed with effect from 20 February 2020)
Leung Wai Kei (appointed with effect from 20 February 2020)
Lam Chik Shun Marcus (appointed with effect from 20 February 2020)
Fung Wai Shing (resigned with effect from 20 December 2019)

Biographical details of the Directors as of the date of this annual report are set out in the section headed "Board of Directors" on pages 11 to 13 of this annual report.

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and the Company considers all the independent non-executive Directors to be independent.

## DIRECTORS' SERVICE CONTRACTS

Details of the Directors' remuneration are set out in note 6 to the consolidated financial statements.

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

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected Transactions" below, no transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or a connected entity of a Director had, directly or indirectly, a material interest subsisted at any time during or at the end of the year ended 31 December 2019.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, the "SFO") as were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, or as were recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

## INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

| Name of director | Capacity | Number of Shares# interested | Approximate percentage of shareholding |
|---|---|---|---|
| Zhao Ruiyong | Interest of a controlled corporation | 222,820,000 *(Note 1)* | 21.22% |

# *"Shares" means ordinary shares of HK$0.01 each in the share capital of the Company.*

Note 1: *The 222,820,000 Shares are beneficially owned by Great Wall Belt & Road (HK) Limited ("Great Wall HK"), which is wholly-owned by Great Wall Film & Culture Company Group Limited*（長城影視文化企業集團有限公司）("Great Wall Group"). Great Wall Group is in turn owned as to 66.67% and 33.33% by Mr. Zhao Ruiyong and Mr. Zhao Feifan respectively. Therefore, each of Great Wall Group, Mr. Zhao Ruiyong and Mr. Zhao Feifan is deemed to be interested in the 222,820,000 Shares held by Great Wall HK pursuant to Part XV of the SFO.*

All interests disclosed above represent long positions in the shares of the Company and there were no underlying shares or debentures of the Company held by the Directors or the chief executives of the Company as at 31 December 2019.

## INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF ASSOCIATED CORPORATIONS

| Name of director | Name of associated corporation | Capacity | Amount of Registered Capital# interested | Approximate percentage of shareholding |
|---|---|---|---|---|
| Zhao Ruiyong | Wusu Silk Road Small Towns Cultural Tourism Company Limited*（烏蘇絲路小鎮文旅有限公司）("Wusu Company") *(Note 2)* | Interest of a controlled corporation | RMB150,000,000 | 75.00% |

# *"Registered Capital" means the registered capital of Wusu Company in RMB, and Wusu Company has no shares, underlying shares or debentures.*

Note 2: *Wusu Company is owned as to 25% and 75% by the Company and Great Wall Group respectively. Great Wall Group is in turn owned as to 66.67% by Mr. Zhao Ruiyong. Therefore, Wusu Company is an associated corporation of the Company and Mr. Zhao Ruiyong is deemed to be interested in the registered capital of RMB150,000,000 held by Great Wall Group pursuant to Part XV of the SFO.*

All interests disclosed above represent long positions.

Save as disclosed above, as at 31 December 2019, none of the Directors or the chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, or as were recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither the Company nor any of its subsidiaries was a party to any arrangements to enable Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during or at the end of the year ended 31 December 2019.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, the interests and short positions of the persons, other than the Directors or the chief executives of the Company, in the shares and underlying shares of the Company which were required to be disclosed to the Company under provision of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

| Name of shareholder | Capacity | Number of Shares# interested | Approximate percentage of shareholding |
|---|---|---|---|
| Great Wall HK | Beneficial owner | 222,820,000 *(Note 1 above)* | 21.22% |
| Great Wall Group | Interest of a controlled corporation | 222,820,000 *(Note 1 above)* | 21.22% |
| Zhao Feifan | Interest of a controlled corporation | 222,820,000 *(Note 1 above)* | 21.22% |
| Pang Ming | Beneficial owner | 65,900,000 | 6.27% |
| Tsao Fai Freddy | Beneficial owner | 61,420,000 | 5.85% |
| Wong Hok Man | Beneficial owner | 53,330,000 | 5.08% |

# *"Shares" means ordinary shares of HK$0.01 each in the share capital of the Company.*

*Note 3: According to the disclosure on the website of the Stock Exchange, Ms. Tam Yuk Ching Jenny has a security interest in 543,500,000 Shares.*

All interests disclosed above represent long positions in the shares of the Company.

Save as disclosed above, as at 31 December 2019, no other person, other than the Directors and the chief executives of the Company, had any interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO or otherwise notified to the Company.

## EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 35 (2018: 41) employees in China, Hong Kong and Singapore and its total staff costs for the year ended 31 December 2019 were approximately HK$18.8 million (2018: approximately HK$23.0 million).

The Group's remuneration policies are formulated on the basis of the performance and experience of individual employees and are in line with local market practices where the Group operates. In addition to salary and bonus payments, the Group also offers other fringe benefits, including provident fund and medical benefits, to employees. A new share option scheme as set out in the above section headed "Share Option Scheme" was adopted by the Company on 28 June 2018 as an incentive to Directors and employees. Directors' remuneration is decided by the remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics. The Group also provides relevant trainings to its employees in accordance with the skill requirements of different positions.

## RETIREMENT BENEFIT SCHEMES

Details of the Group's retirement benefit schemes are set out in note 2 to the consolidated financial statements.

## PERMITTED INDEMNITY PROVISION

Pursuant to the bye-laws of the Company, each Director or other officer of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she shall or may incur or sustain in or about the execution and discharge of his or her duties or in relation thereto. The Company has maintained appropriate directors and officers liability insurance that provides such indemnities to all Directors and other officers of the Company.

## MANAGEMENT CONTRACT

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2019.

## CONNECTED TRANSACTIONS

### DIRECTORS' LOANS

On 30 August 2019, the Company and certain directors of the Company had entered the following loan agreements:

1. the loan agreement entered into between the Company and Mr. Zhao Ruiyong, pursuant to which Mr. Zhao agreed to provide a loan in the maximum amount of not exceeding HK$38,000,000 to the Company. The repayment date of the loan is 31 March 2021. The loan is interest free and the Company is not required to provide any security or guarantee in respect of the loan;

2. the loan agreement entered into between the Company and Ms. Li Bing, pursuant to which Ms. Li agreed to provide a loan in the maximum amount of not exceeding HK$500,000 to the Company. The repayment date of the loan is 31 December 2019. The loan is interest free and the Company is not required to provide any security or guarantee in respect of the loan; and

3. the loan agreement entered into between the Company and Mr. Cheung Ka Heng Frankie, pursuant to which Mr. Cheung agreed to provide a loan in the maximum amount of not exceeding HK$2,000,000 to the Company. The repayment date of the loan is 31 December 2019. The loan is interest free and the Company is not required to provide any security or guarantee in respect of the loan. The maximum amount of the loan was increased to HK$2,500,000 and the repayment date was extended to 31 January 2020 pursuant to a supplemental agreement entered into on 23 December 2019. The maximum loan amount was further increased to HK$3,000,000 pursuant to the second supplemental agreement entered into on 13 January 2020. Pursuant to the third supplemental agreement entered into on 17 February 2020, the maximum loan amount was increased to HK$3,200,000 and the repayment date was extended to 29 February 2020.

Each of Mr. Zhao Ruiyong, Ms. Li Bing and Mr. Cheung Ka Heng Frankie is an executive director of the Company. Therefore, the above loans constituted connected transactions of the Company under Chapter 14A of the Listing Rules. Since the above loans are conducted on normal commercial terms or better and are not secured by the assets of the Group, pursuant to Rule 14A.90 of the Listing Rules, the above loans are fully exempt from the announcement and shareholders' approval requirements.

## RELATED PARTY TRANSACTIONS

The related party transactions entered into by the Company and subsisting during the year ended 31 December 2019 are set out in Note 28 to the consolidated financial statements. Such related party transactions do not fall under the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules.

## SUFFICIENCY OF PUBLIC FLOAT

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

## AUDITOR

The financial statements for the year ended 31 December 2019 have been audited by Mazars CPA Limited, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

The Group is committed to achieving high standards of environmental, social and governance performance and meeting all applicable legal requirements in the markets where we operate. This is an important foundation for the Group to engage with our stakeholders and grow our business responsibly and sustainably. In addition, the Group attaches great importance to the employee development, environmental protection and supplier management.

Over the years, the Group has made considerable endeavours in reducing waste in the course of its operations. Since 2015, the Company has participated in the "Wastewi$e Certificate" of the Hong Kong Green Organisation Certification, which is a recognition scheme established by, among others, the Environmental Protection Department and Environmental Campaign Committee to encourage Hong Kong businesses and organisations in adopting structured measures to reduce the amount of waste generated within their establishments or generated through the services and products they provide.

More information about the Group's environmental, social and governance performance is set out in our Environmental, Social and Governance Report 2019 which will be published on the respective websites of the Company and the Stock Exchange within three months after the publication of this annual report.

* *for identification purpose only*

On behalf of the Board

**Zhao Ruiyong**
*Chairman and Executive Director*

Hong Kong, 15 May 2020

MAZARS

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To the members of
**Great Wall Belt & Road Holdings Limited**
*(incorporated in Bermuda with limited liability)*

## QUALIFIED OPINION

We have audited the consolidated financial statements of Great Wall Belt & Road Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 39 to 128, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## BASIS FOR QUALIFIED OPINION

### (A) RECOVERABILITY OF TRADE AND OTHER RECEIVABLES

Included in trade and other receivables as at 31 December 2019 are amounts due from two customers and several debtors of HK$4,196,000 and HK$16,691,000 respectively, full loss allowances have been made during the year. We were unable to obtain sufficient appropriate audit evidence to assess the recoverable amounts of trade and other receivables from these customers and debtors as at 31 December 2019. Therefore, we were unable to determine whether any adjustments to the impairment loss recognised during the year ended 31 December 2019 in respect of the trade and other receivables were necessary, which might have a significant impact on the Group's financial position as at 31 December 2019, and its financial performance and the elements making up the consolidated statement of cash flows for the year ended 31 December 2019 and related disclosures in the consolidated financial statements.

## BASIS FOR QUALIFIED OPINION *(continued)*

### (B) PAYMENTS TO SEVERAL DEBTORS

During the course of our audit of the consolidated financial statements for the year ended 31 December 2019, it came to our attention that bank payments in aggregate of approximately HK$5,090,000 ("Payments") as recorded in the other receivables were not substantiated with relevant supporting documents, full loss allowances have been made during the year. We were unable to obtain sufficient appropriate audit evidence to ascertain the validity of the recorded transactions and assess the recoverable amounts of the other receivables as at 31 December 2019. Therefore, we are unable to satisfy ourselves that these payments were properly accounted for and disclosed or determine whether any adjustments to the impairment loss recognised during the year ended 31 December 2019 in respect of the other receivables were necessary, which might have a significant impact on the Group's financial position as at 31 December 2019, and its financial performance and the elements making up the consolidated statement of cash flows for the year ended 31 December 2019 and related disclosures in the consolidated financial statements.

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.

## MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group experienced a loss of HK$225,172,000 for the year ended 31 December 2019 and had net current liabilities HK$56,766,000 as at 31 December 2019. These conditions, along with other matters as set forth in Note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The directors, having considered the measures being taken by the Group, are of the opinion that the Group would be able to continue as a going concern. Our opinion is not modified in respect of this matter.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the "*Basis for Qualified Opinion*" and "*Material Uncertainty Related to Going Concern*" sections, we have determined the matters described below to be the key audit matters to be communicated in our report.

## KEY AUDIT MATTERS *(continued)*

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Impairment of goodwill and intangible assets**<br><br>*Refer to notes 12 and 13 to the consolidated financial statements*<br><br>As at 31 December 2019, the Group had goodwill with carrying amount of HK$7,341,000 (before impairment losses recognised during the year ended 31 December 2019) and intangible assets including software, customer relationships and technical know-how with carrying amount of approximately HK$7,689,000, HK$16,349,000 and HK$8,355,000 (before impairment losses recognised during the year ended 31 December 2019) respectively, relating to the business combination in 2016.<br><br>For the purpose of assessing impairment loss, these assets were allocated to cash generating units ("CGUs"), and the recoverable amount of each CGU was determined by management based on value-in-use calculations using cash flow projections. In carrying out the impairment assessments, significant judgement was exercised by management to identify CGUs and to determine the key assumptions underlying the value-in-use calculations, including the average growth rate, long-term growth rate and discount rate. Management has engaged an independent professional valuer to estimate the recoverable amount of the above-mentioned CGUs. Because of the significance of the items and the abovementioned significant management judgement, the impairment assessment is considered a key audit matter. | Our procedures, among others, in relation to management's assessment of impairment of goodwill and intangible assets included:<br><br>• evaluating the independent professional valuer's competence, capabilities and objectivity;<br><br>• assessing the identification of the CGUs based on the Group's accounting policies and our understanding of the Group's business;<br><br>• assessing the value-in-use calculations assumptions and methodologies used by the independent professional valuer and management;<br><br>• assessing the reasonableness of the key assumptions (including average growth rate, long-term growth rate and discount rate) against economic and market data based on our knowledge and understanding of the business and market;<br><br>• reviewing the sensitivity analysis performed by management on the key assumptions and testing independently those assumptions to which the outcome of the impairment assessment is more sensitive;<br><br>• reviewing the Group's procedures regarding the preparation of the projected discounted cash flows, upon which the value-in-use model is based, to assess whether the projected discounted cash flows is reasonable; and<br><br>• verifying the mathematical accuracy of the discounted cash flow model used in the value in use calculation. |

## KEY AUDIT MATTERS *(continued)*

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Interest in associates**<br><br>*Refer to note 14 to the consolidated financial statements.*<br><br>As at 31 December 2019, the carrying amount of interest in associates amounted to HK$56,079,000, which represented approximately 70% of the Group's total assets.<br><br>Interest in associates is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. As such, the Group is required to assess at the end of each reporting period whether there is any indication that the carrying amount of interest in associates may be impaired. For those associates in which such indication exists, the Group assessed the carrying amounts for impairment.<br><br>We identified the recoverability of interest in associates as a key audit matter due to the significance of the Group's interest in associates in the context of the Group's consolidated financial statements, combined with the judgements involved in management's impairment assessment of interest in associates, in particular, the future prospects of each associate. | Our procedures in relation to the recoverability of interest in associates included:<br><br>• assessing the appropriateness of the management's accounting for interest in associates;<br><br>• understanding the management's process for identifying the existence of impairment indicators in respect of the interest in associates and evaluating the effectiveness of such process; and<br><br>• where indicators of impairment loss on the interest in associates have been identified, obtaining an understanding from the management of their assessment on the recoverable amount of the interest in associates and evaluating the reasonableness of the assessment with reference to supporting documents. |

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 2019 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 unable to obtain sufficient appropriate evidence about the assessment/estimation of loss allowances of trade and other receivables as at 31 December 2019 and the validity of the Payments and the assessment/estimation of loss allowances of the Payments as at 31 December 2019. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda (as amended), 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 judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

- 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 directors and those charged with governance 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 those charged with governance 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 those charged with governance, 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.

**Mazars CPA Limited**
*Certified Public Accountants*
Hong Kong, 15 May 2020

The engagement director on the audit resulting in this independent auditor's report is:
**Chan Chi Wai**
Practising Certificate number: P05708

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

| | *Notes* | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|---|
| **Revenue** | *3* | **79,210** | 67,920 |
| Cost of services provided | | **(65,719)** | (37,126) |
| Gross profit | | **13,491** | 30,794 |
| Other revenue and income | *4* | **1,761** | 4,372 |
| | | **15,252** | 35,166 |
| Selling and distribution expenses | | **(1,578)** | (2,255) |
| Business promotion and marketing expenses | | **(150)** | (462) |
| Operating and administrative expenses | | **(34,998)** | (60,060) |
| Other operating expenses | | **(19,339)** | (19,143) |
| **Loss from operations** | | **(40,813)** | (46,754) |
| Bad debts write off on trade receivables | | **–** | (28) |
| Loss allowances on | | | |
| – Trade receivables | *29(c)* | **(4,784)** | (556) |
| – Other receivables | *18(b)* | **(31,349)** | (45,720) |
| Impairment losses on property, plant and equipment | *10* | **(94)** | (385) |
| Impairment losses on right-of-use assets | *11* | **(2,517)** | – |
| Impairment losses on intangible assets | *12* | **(32,393)** | – |
| Impairment losses on goodwill | *13* | **(7,341)** | (5,089) |
| Impairment losses on investment in a joint venture | | **–** | (337) |
| Financial assets at FVPL – net (loss) gain on disposal and fair value changes | | **(60,593)** | 17,800 |
| Financial assets at FVPL held at the end of the year – net (loss) gain on fair value changes | | **(54,523)** | 54,431 |
| Write off of property, plant and equipment | *10* | **(16)** | (138) |
| Gain on disposal of property, plant and equipment | | **232** | 32 |
| Net gain on disposal of a subsidiary | | **–** | 11,984 |
| Gain on disposal of an associate | *14* | **195** | – |
| Finance costs | *5(a)* | **(119)** | (7) |
| Share of results of associates | *14* | **–** | (356) |
| **Loss before taxation** | *5* | **(234,115)** | (15,123) |
| **Income tax credit (expenses)** | *7* | **8,943** | (1,025) |
| **Loss for the year** | | **(225,172)** | (16,148) |

For the year ended 31 December 2019

| | *Notes* | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|---|
| **Loss for the year attributable to:** | | | |
| Equity holders of the Company | | **(219,027)** | (11,727) |
| Non-controlling interests | *15* | **(6,145)** | (4,421) |
| **Loss for the year** | | **(225,172)** | (16,148) |
| | | **HK cents** | HK cents |
| **Loss per share** | *9* | | |
| Basic and diluted | | **(20.9)** | (1.2) |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

| | Notes | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|---|
| **Loss for the year** | | **(225,172)** | (16,148) |
| **Other comprehensive (loss) income for the year** | | | |
| *Items that will not be subsequently reclassified to profit or loss:* | | | |
| Fair value loss of Designated FVOCI | | **(279)** | (55) |
| *Items that are or may be subsequently reclassified to profit or loss:* | | | |
| Derecognition of exchange reserve upon deregistration/disposal of a subsidiary | | **62** | (66) |
| Exchange differences on translation of foreign subsidiaries | | **(455)** | (3,610) |
| Share of other comprehensive loss of associates | | | |
| – Exchange difference on translation | *14* | **(1,002)** | (5,257) |
| Share of other comprehensive loss of a joint venture | | | |
| – Exchange difference on translation | | **–** | (6) |
| **Total other comprehensive loss for the year** | | **(1,674)** | (8,994) |
| **Total comprehensive loss for the year** | | **(226,846)** | (25,142) |
| **Total comprehensive loss for the year attributable to:** | | | |
| Equity holders of the Company | | **(220,713)** | (20,535) |
| Non-controlling interests | *15* | **(6,133)** | (4,607) |
| **Total comprehensive loss for the year** | | **(226,846)** | (25,142) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

| | Notes | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *10* | **202** | 1,262 |
| Right-of-use assets | *11* | **–** | – |
| Intangible assets | *12* | **–** | 47,771 |
| Goodwill | *13* | **–** | 7,341 |
| Interest in associates | *14* | **56,079** | 57,081 |
| Designated FVOCI | *16* | **2,384** | 2,663 |
| | | **58,665** | 116,118 |
| **Current assets** | | | |
| Financial assets at FVPL | *17* | **1,571** | 131,254 |
| Trade and other receivables | *18* | **12,813** | 43,531 |
| Tax recoverable | | **52** | – |
| Pledged bank deposits | *19* | **738** | 885 |
| Bank balances and cash | *20* | **6,672** | 13,915 |
| | | **21,846** | 189,585 |
| **Current liabilities** | | | |
| Trade and other payables | *21* | **75,560** | 65,935 |
| Tax payable | | **–** | 1,307 |
| Obligations under finance leases | | **–** | 50 |
| Lease liabilities | *22* | **3,052** | – |
| | | **78,612** | 67,292 |
| **Net current (liabilities) assets** | | **(56,766)** | 122,293 |
| **Total assets less current liabilities** | | **1,899** | 238,411 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | *23* | **–** | 9,666 |
| **NET ASSETS** | | **1,899** | 228,745 |

| | *Notes* | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | *24* | **10,503** | 10,503 |
| Reserves | | **(5,488)** | 215,225 |
| Equity attributable to equity holders of the Company | | **5,015** | 225,728 |
| Non-controlling interests | *15* | **(3,116)** | 3,017 |
| **TOTAL EQUITY** | | **1,899** | 228,745 |

*These consolidated financial statements on pages 39 to 128 were approved and authorised for issue by the Board of Directors on 15 May 2020 and signed on its behalf by*

**Zhao Ruiyong**
*Director*

**Li Bing**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

| | Equity attributable to equity holders of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Reserves | | | | | | | | | | |
| | Share capital HK$'000 *(Note 24)* | Share premium HK$'000 *(Note 26(a))* | Exchange reserve HK$'000 *(Note 26(b))* | Investment revaluation reserve (non-recycling) HK$'000 *(Note 26(c))* | Capital redemption reserve HK$'000 *(Note 26(d))* | Capital reserve HK$'000 *(Note 26(e))* | Contributed surplus HK$'000 *(Note 26(f))* | Accumulated losses HK$'000 | Total reserves HK$'000 | Sub-total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| As at 1 January 2018, as previously reported | 8,753 | 241,329 | 4,681 | – | 25 | (64) | 83,489 | (137,506) | 191,954 | 200,707 | 7,624 | 208,331 |
| Adjustment on adoption of HKFRS 9 | – | – | – | (5,168) | – | – | – | – | (5,168) | (5,168) | – | (5,168) |
| As at 1 January 2018 (as adjusted) | 8,753 | 241,329 | 4,681 | (5,168) | 25 | (64) | 83,489 | (137,506) | 186,786 | 195,539 | 7,624 | 203,163 |
| Loss for the year | – | – | – | – | – | – | – | (11,727) | (11,727) | (11,727) | (4,421) | (16,148) |
| Other comprehensive loss for the year | | | | | | | | | | | | |
| Fair value loss of Designated FVOCI | – | – | – | (55) | – | – | – | – | (55) | (55) | – | (55) |
| Derecognition of exchange reserve upon disposal of a subsidiary | – | – | (66) | – | – | – | – | – | (66) | (66) | – | (66) |
| Exchange differences on translation of foreign subsidiaries | – | – | (3,425) | – | – | – | – | – | (3,425) | (3,425) | (185) | (3,610) |
| Share of other comprehensive loss of associates – Exchange differences on translation | – | – | (5,257) | – | – | – | – | – | (5,257) | (5,257) | – | (5,257) |
| Share of other comprehensive loss of a joint venture – Exchange differences on translation | – | – | (5) | – | – | – | – | – | (5) | (5) | (1) | (6) |
| Total other comprehensive loss for the year | – | – | (8,753) | (55) | – | – | – | – | (8,808) | (8,808) | (186) | (8,994) |
| Total comprehensive loss for the year | – | – | (8,753) | (55) | – | – | – | (11,727) | (20,535) | (20,535) | (4,607) | (25,142) |
| Transactions with equity holders of the Company | | | | | | | | | | | | |
| *Contributions and distributions:* | | | | | | | | | | | | |
| Shares issued upon placing, net of expenses | 1,750 | 48,974 | – | – | – | – | – | – | 48,974 | 50,724 | – | 50,724 |
| Total transactions with equity holders of the Company | 1,750 | 48,974 | – | – | – | – | – | – | 48,974 | 50,724 | – | 50,724 |
| As at 31 December 2018 | 10,503 | 290,303 | (4,072) | (5,223) | 25 | (64) | 83,489 | (149,233) | 215,225 | 225,728 | 3,017 | 228,745 |

| | Equity attributable to equity holders of the Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Reserves | | | | | | | | | | |
| | Share capital HK$'000 *(Note 24)* | Share premium HK$'000 *(Note 26(a))* | Exchange reserve HK$'000 *(Note 26(b))* | Investment revaluation reserve (non-recycling) HK$'000 *(Note 26(c))* | Capital redemption reserve HK$'000 *(Note 26(d))* | Capital reserve HK$'000 *(Note 26(e))* | Contributed surplus HK$'000 *(Note 26(f))* | Accumulated losses HK$'000 | Total reserves HK$'000 | Sub-total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| As at 1 January 2019 | 10,503 | 290,303 | (4,072) | (5,223) | 25 | (64) | 83,489 | (149,233) | 215,225 | 225,728 | 3,017 | 228,745 |
| Loss for the year | – | – | – | – | – | – | – | (219,027) | (219,027) | (219,027) | (6,145) | (225,172) |
| Other comprehensive (loss) income for the year | | | | | | | | | | | | |
| Fair value loss of Designated FVOCI | – | – | – | (279) | – | – | – | – | (279) | (279) | – | (279) |
| Derecognition of exchange reserve upon deregistration of a subsidiary | – | – | 62 | – | – | – | – | – | 62 | 62 | – | 62 |
| Exchange differences on translation of foreign subsidiaries | – | – | (467) | – | – | – | – | – | (467) | (467) | 12 | (455) |
| Share of other comprehensive loss of associates – Exchange differences on translation | – | – | (1,002) | – | – | – | – | – | (1,002) | (1,002) | – | (1,002) |
| Total other comprehensive loss for the year | – | – | (1,407) | (279) | – | – | – | – | (1,686) | (1,686) | 12 | (1,674) |
| Total comprehensive loss for the year | – | – | (1,407) | (279) | – | – | – | (219,027) | (220,713) | (220,713) | (6,133) | (226,846) |
| As at 31 December 2019 | 10,503 | 290,303 | (5,479) | (5,502) | 25 | (64) | 83,489 | (368,260) | (5,488) | 5,015 | (3,116) | 1,899 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

| | Notes | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Cash used in operations | *27(a)* | **(6,218)** | (31,801) |
| Income taxes paid | | **(2,047)** | (11,273) |
| Interest received | | **161** | 233 |
| Interest paid | | **–** | (7) |
| **Net cash used in operating activities** | | **(8,104)** | (42,848) |
| **INVESTING ACTIVITIES** | | | |
| Capital contribution to an associate | | **–** | (62,248) |
| Purchase of property, plant and equipment | *10* | **(95)** | (491) |
| Purchase of Designated FVOCI | | **–** | (86) |
| Proceeds from disposal of property, plant and equipment | | **706** | 32 |
| Proceeds from disposal of interest in associates | *14* | **195** | – |
| Release of pledged deposits, net | | **156** | 414 |
| Loan to a non-controlling interest of a subsidiary | | **–** | (11,591) |
| Net cash inflow on disposal of a subsidiary | | **–** | 10,719 |
| **Net cash from (used in) investing activities** | | **962** | (63,251) |
| **FINANCING ACTIVITIES** | | | |
| Loans from directors raised | *27(b)* | **2,840** | – |
| Repayment of lease liabilities | *27(b)* | **(2,827)** | – |
| Proceeds from shares issued upon placing | | **–** | 50,724 |
| Repayment of obligations under finance leases | *27(b)* | **–** | (77) |
| Interest paid | *27(b)* | **(109)** | – |
| **Net cash (used in) from financing activities** | | **(96)** | 50,647 |
| **Net decrease in cash and cash equivalents** | | **(7,238)** | (55,452) |
| Cash and cash equivalents at the beginning of the reporting period | | **13,915** | 69,409 |
| Effect on exchange rate changes on cash and cash equivalents | | **(5)** | (42) |
| **Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash** | *20* | **6,672** | 13,915 |

## 1. CORPORATE INFORMATION

Great Wall Belt & Road Holdings Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its ordinary shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's principal place of business is located at Suite 1402, 14/F, Henley Building, No.5 Queen's Road Central, Central, Hong Kong. The principal activity of the Company is investment holding. Details of the principal subsidiaries of the Company and their principal activities are disclosed in note 15 to the consolidated financial statements.

## 2. PRINCIPAL ACCOUNTING POLICIES

### BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) (the "HKCO") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as follows.

### ADOPTION OF NEW/REVISED HKFRSs

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

The interpretation supports the requirements in HKAS 12 Income Taxes by specifying how to reflect the effects of uncertainty in accounting for income taxes.

The adoption of the interpretation does not have any significant impact on the consolidated financial statements.

**HKFRS 16: Leases**

HKFRS 16 replaces HKAS 17 and related interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 January 2019 (i.e. the date of initial application, the "DIA") using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of accumulated profits or other component of equity, where appropriate, at the DIA.

The Group elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that identified as leases applying HKFRS 16.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### ADOPTION OF NEW/REVISED HKFRSs *(continued)*

**HKFRS 16: Leases** *(continued)*

*As lessee*

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group's accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group's accounting policies applicable from the DIA.

*As lessee – leases previously classified as operating leases*

The Group recognised right-of-use assets and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and applied the following practical expedients on a lease-by-lease basis.

(a) Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

(b) Adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying HKAS 37, as an alternative to performing an impairment review at the DIA.

(c) Did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA.

(d) Excluded initial direct costs from the measurement of the right-of-use assets at the DIA.

(e) Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, except for those that were previously or will be accounted for as investment property using the fair value model, right-of-use assets were, on a lease-by-lease basis, measured at either,

(a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or

(b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rate applied to the lease liabilities at the DIA is 2.70%.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### ADOPTION OF NEW/REVISED HKFRSs *(continued)*

**HKFRS 16: Leases** *(continued)*

*As lessee – leases previously classified as operating leases (continued)*

The following table summarises the impact of transition to HKFRS 16 at the DIA on the consolidated statement of financial position:

| | Classification and carrying amount under HKAS 17 | Reclassification on adoption of HKFRS 16 | Initial measurement on adoption of HKFRS 16 | Classification and carrying amount under HKFRS 16 |
|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Assets** | | | | |
| Right-of-use assets *(note 11)* | – | – | 5,815 | 5,815 |
| **Liabilities** | | | | |
| Obligation under finance leases | (50) | 50 | – | – |
| Lease liabilities | – | (50) | (5,815) | (5,865) |

Reconciliation of operating lease commitments disclosed applying HKAS 17 at 31 December 2018 and lease liabilities recognised at the DIA is as follows.

| | HK$'000 |
|---|---|
| Operating lease commitments at 31 December 2018 | 7,176 |
| Lease transferred to an associate | (1,034) |
| Leases of short term and low value leases with remaining lease term ending on or before 31 December 2019 | (185) |
| Gross lease liabilities as at 1 January 2019 | 5,957 |
| Discounted using the lessee's incremental borrowing rate at the DIA | 5,815 |
| Add: Commitments relating to leases previously classified as finance leases | 50 |
| **Lease liabilities at 1 January 2019** | **5,865** |

*As lessor*

The Group is not required to make any adjustments on transition for leases in which it is a lessor and those leases are accounted for by applying HKFRS 16 from the DIA.

A summary of principal accounting policies adopted by the Group is set out below:

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### GOING CONCERN

The consolidated financial statements have been prepared in conformity with the principles applicable to a going concern basis. The applicability of these principles is dependent upon continued availability of adequate finance or attaining profitable operations in the future in view of the excess of current liabilities over current assets. The Group incurred a net loss of approximately HK$225,172,000 for the year ended 31 December 2019. At 31 December 2019, the current liabilities of the Group exceeded its current assets by approximately HK$56,766,000. The Group maintained bank balances and cash of approximately HK$6,672,000 as at 31 December 2019. These conditions indicate the existence of uncertainty that might cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The Group is taking the following steps to ensure continuous operations of the Group:

(a) Group entered into loan agreements with the directors during the year with aggregate amount of HK$41,700,000 to mitigate the liquidity and financial pressure and to improve the Group's financial position. Such loans are on normal commercial terms or better, interest-free with no pledge of assets or guarantee provided by the Group, which constitute a fully exempt connected transaction of the Group under Chapter 14A of the Listing Rules. As at 31 December 2019, total amount of borrowing from directors amounted approximately HK$2,840,000 and therefore, total amount of borrowings yet to be drawn amounted approximately HK$38,860,000.

(b) On 13 May 2020, the Group has entered into a sales and purchase agreement in relation to the disposal of a subsidiary for consideration of RMB50,000,000 (equivalent to HK$55,000,000). The disposal once completed would possibly generate net cash inflow of HK$54,892,000 to the Group. Further detailed information of such disposal was disclosed in the announcement dated 13 May 2020.

(c) The Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet their liquidity requirements in the short and longer terms.

(d) As at the date of this annual report, the Group has planned and is in negotiation with potential investors to raise funds through shares placing.

With the aforesaid measures, the board of directors of the Company (the "Board of Directors") considers it reasonable to prepare the consolidated financial statements on the assumption of continuous operations. The Board of Directors has conducted thorough evaluation of the Group's continuous operation ability by reviewing working capital forecasts for the coming twelve months, and has reached the conclusion that the Group will be able to acquire enough funding to ensure working capital and expensing needs, therefore agreed with preparation of the consolidated financial statements on the basis of continuous operations. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise and to reclassify the non-current assets and liabilities to current assets and liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

### BASIS OF MEASUREMENT

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for financial assets at FVPL and Designated FVOCI, which are measured at fair value as explained in the accounting policies set out below.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Non-controlling interests are presented, separately from equity holders of the Company, in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

**Allocation of total comprehensive income**

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

**Changes in ownership interests**

Changes in the Group's ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in "capital reserve" within equity and attributed to the equity holders of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, an associate, a joint venture or others, as appropriate, from the date when control is lost.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### SUBSIDIARIES

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position, which is presented within these notes, investments in subsidiaries are stated at cost less impairment losses. The carrying amounts of the investments are reduced to their respective recoverable amounts on an individual basis if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### ASSOCIATES

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

The Group's investment in associate is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

Goodwill arising on acquisition of an associate is measured as the excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate. Such goodwill is included in interests in associates. On the other hand, any excess of the Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in profit or loss as an income.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

### GOODWILL

Goodwill arising on an acquisition of a business is measured as the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree (if applicable) and the fair value of any previously held equity interest in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired business.

Goodwill on acquisition of business is recognised as a separate asset and is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### GOODWILL *(continued)*

On the other hand, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired business over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree (if applicable) and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as an income from bargain purchase.

Any resulting gain or loss arising from remeasuring the previously held equity interests in the acquiree at the acquisition-date fair value is recognised in profit or loss or other comprehensive income, as appropriate.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

| | |
|---|---|
| Leasehold improvements | Over the remaining lease terms |
| Equipment | 20% – 33% |
| Office equipment, furniture and fittings | 20% – 33% |
| Motor vehicles | 20% – 33% |

Assets held under finance leases are depreciated over the shorter of their expected useful lives or the terms of the leases.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

### INTANGIBLE ASSETS

**Intangible assets acquired separately**

Intangible assets acquired separately and with finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on the straight-line basis over the estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### INTANGIBLE ASSETS *(continued)*

**Research and development costs**

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The capitalised expenditure includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised as expenses in profit or loss as incurred. When the asset is available for use, the capitalised development costs are amortised and subject to impairment review on the same basis as intangible assets acquired separately.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is expensed in the statement of profit or loss when incurred.

**Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### FINANCIAL INSTRUMENTS

**Financial assets**

*Recognition and derecognition*

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### FINANCIAL INSTRUMENTS *(continued)*

**Financial assets** *(continued)*

*Classification and measurement*

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income ("Mandatory FVOCI"); (iii) equity investment measured at fair value through other comprehensive income ("Designated FVOCI"); or (iv) measured at fair value through profit or loss ("FVPL").

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

*Financial assets measured at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

(a) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include trade and other receivables, pledged bank deposits and bank balances.

*Designated FVOCI*

Upon initial recognition, the Group may make an irrevocable election to present subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies in other comprehensive income. The classification is determined on an instrument-by-instrument basis.

These equity investments are subsequently measured at fair value and are not subject to impairment. Dividends are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains or losses are recognised in other comprehensive income and shall not be subsequently reclassified to profit or loss. Upon derecognition, the cumulative gain or loss is transferred directly to accumulated profits or losses.

The Group's financial assets at Designated FVOCI include unlisted equity securities.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### FINANCIAL INSTRUMENTS *(continued)*

**Financial assets** *(continued)*

*Classification and measurement (continued)*

*Financial assets at FVPL*

These investments include financial assets that are not measured at amortised cost or FVOCI, including financial assets held for trading, financial assets designated upon initial recognition as at FVPL, financial assets resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend or interest earned on the financial assets. Dividend or interest income is presented separately from fair value gain or loss.

A financial asset is classified as held for trading if it is:

(a) acquired principally for the purpose of selling it in the near term;

(b) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or

(c) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Financial assets are designated at initial recognition as at FVPL only if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

The Group's financial assets mandatorily measured at FVPL include listed equity securities held for trading and unlisted principal non-guarantee fund held for trading.

**Financial liabilities**

*Recognition and derecognition*

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

*Classification and measurement*

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables and lease liabilities. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### FINANCIAL INSTRUMENTS *(continued)*

**Impairment of financial assets and other items**

The Group recognises loss allowances for expected credit losses ("ECL") on financial assets that are measured at amortised cost, lease receivables, contract assets, loan commitment and financial guarantee contract issued to which the impairment requirements apply in accordance with HKFRS 9. At each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

*Measurement of ECL*

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(a) past due information

(b) nature of instrument

(c) nature of collateral

(d) industry of debtors

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### FINANCIAL INSTRUMENTS *(continued)*

**Impairment of financial assets and other items** *(continued)*

*Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

(a) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or

(b) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*Assessment of significant increase in credit risk*

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

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### FINANCIAL INSTRUMENTS *(continued)*

**Impairment of financial assets and other items** *(continued)*

*Low credit risk*

A financial instrument is determined to have low credit risk if:

(a) it has a low risk of default;

(b) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(c) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

*Simplified approach of ECL*

For trade receivables, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

*Credit-impaired financial asset*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower.

(b) a breach of contract, such as a default or past due event.

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

*Write-off*

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### REVENUE RECOGNITION

**Dividend income**

Dividend income from financial assets is recognised when the Group's rights to receive dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

**Revenue from contracts with customers within HKFRS 15**

*Nature of goods or services*

The nature of the goods or services provided by the Group is as follows:

(a) Telecommunication business

(b) Financial payment processing solution and software development services

(c) Distribution business

*Identification of performance obligations*

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### REVENUE RECOGNITION *(continued)*

**Revenue from contracts with customers within HKFRS 15** *(continued)*

*Timing of revenue recognition*

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

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

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue or income is recognised on the following basis:

- Service income from the provision of telecommunication services is recognised as income at point in time when the services are rendered. In case the services provided are on project based, service income is recognised as income over time;

- Service income from the provision of financial payment processing solution and software development services is recognised as income over time because (i) the Group develops the products according to the customer's specification and the Group is limited practically or contractually from directing the final products and any assets created or enhanced during the production process for another use; and (ii) the Group has an enforceable right to payment for the performance completed to date if the customer were to cancel the contract for reasons other than the Group's failure to perform as promised;

- Service income from the provision of distribution services is recognised as income at point in time when the services are rendered.

For revenue recognised over time under HKFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Group applies the output method (i.e. based on the direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract) to measure the progress towards complete satisfaction of the performance obligation because the method provides a faithful depiction of the Group's performance and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation. The principal input applied in the output method for provision of financial payment processing solution and software development services to external customers is based on result achieved.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### REVENUE RECOGNITION *(continued)*

**Interest income**

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance in case of credit-impaired financial assets.

### CONTRACT ASSETS AND CONTRACT LIABILITIES

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For the provision of telecommunication services, it is common for the Group to receive from the customer some of the contractual payments before the services are completed or when the goods are delivered (i.e. the timing of revenue recognition for such transactions). The Group recognises a contract liability until it is recognised as revenue. During that year, any significant financing components, if applicable, will be included in the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation.

### FOREIGN CURRENCY TRANSLATIONS

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses resulting from the retranslation of non-monetary items carried at fair value are recognised in profit or loss except for those arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the gains or losses are also recognised directly in equity.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### FOREIGN CURRENCY TRANSLATIONS *(continued)*

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period.

- Income and expenses for each statement of profit or loss and statement of profit or loss and other comprehensive income are translated at average exchange rate.

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity.

- On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised. On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

- On all other partial disposals, which includes partial disposal of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

### IMPAIRMENT OF NON-FINANCIAL ASSETS, OTHER THAN GOODWILL

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, right-of-use assets, intangible assets, interests in associates and investment in subsidiaries may be impaired or impairment losses previously recognised no longer exist or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or a cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### IMPAIRMENT OF NON-FINANCIAL ASSETS, OTHER THAN GOODWILL *(continued)*

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

The accounting policy for recognition and reversal of the impairment loss for goodwill is stated in the accounting policy for goodwill in the earlier part of this note.

### BORROWING COSTS

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

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

### LEASES

**Applicable from 1 January 2019**

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

*As lessee*

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

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

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### LEASES *(continued)*

**Applicable from 1 January 2019** *(continued)*

*As lessee (continued)*

The right-of-use asset is initially measured at cost, which comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option – in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

| | |
|---|---|
| Office premises | Over the term of lease of 2 to 3 years |

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of lease liabilities comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### LEASES *(continued)*

**Applicable from 1 January 2019** *(continued)*

*As lessee (continued)*

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if:

(a) the modification increase the scope of the lease by adding the right to use or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification:

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.

(b) the Group determines the lease term of the modified contract.

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### LEASES *(continued)*

**Applicable from 1 January 2019** *(continued)*

*As lessor*

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

**Applicable before 1 January 2019**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*As lessor*

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

*As lessee*

Assets held under finance leases are recognised as assets of the Group at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as finance lease obligation. Finance charges, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease.

Lease incentives are recognised in profit or loss as an integral part of the net consideration agreed for the use of the leased asset.

### SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### EMPLOYEE BENEFITS

**Short-term employee benefits**

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

**Defined contribution retirement benefit schemes**

The Group, other than overseas subsidiaries (including the People's Republic of China (the "PRC")), operates Mandatory Provident Fund ("MPF") schemes to provide retirement benefits for its full time permanent employees in Hong Kong. The obligations for contributions to retirement benefit schemes are recognised as expenses in profit or loss as incurred. The assets of the schemes are held separately from those of the Group with independent trustees.

Under the MPF schemes, both the Group and each eligible employee are required to contribute 5% of the employee's basic monthly income, as mandatory contributions, up to a maximum of HK$1,500, and they may choose to make additional or voluntary contributions.

Under the MPF schemes, employees are entitled to the Group's mandatory contributions in accordance with the provisions in the Hong Kong Mandatory Provident Fund Schemes Ordinance.

Overseas subsidiaries (including the PRC) also operate pension schemes or similar arrangements for their employees in accordance with the statutory requirements prescribed by the relevant legal authorities.

At the end of the reporting period, the Group had no significant forfeited voluntary contributions which arose as a result of employees leaving the MPF schemes and which are available to reduce the contributions payable by the Group in future years.

### SHARE BASED PAYMENTS

The fair value of share options granted to employees and others as stipulated in the share option scheme as detailed in note 25 to the consolidated financial statements is recognised as an expense with a corresponding increase in a reserve within equity. The fair value is measured at the grant date, taking into account the terms and conditions upon which the options were granted. Where employees have to meet vesting conditions before becoming unconditionally entitled to share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior periods is charged/credited to profit or loss for the year of the review, with a corresponding adjustment to a reserve within equity. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest with a corresponding adjustment to a reserve within equity.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### TAXATION

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising 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 the accounting profit nor taxable profit or loss is not recognised.

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

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the deductible temporary differences, tax losses and credits can be utilised.

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

### RELATED PARTIES

A related party is a person or entity that is related to the Group as set out below:

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

**RELATED PARTIES** *(continued)*

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

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

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

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

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

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

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

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

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 included:

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

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

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in those cases where the revision also affects future periods.

**Loss allowance for ECL**

The Group's management estimates the loss allowance for trade and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables. Details of the key assumption and inputs used in estimating ECL are set out in note 29 to the consolidated financial statements.

**Impairment of intangible assets and goodwill**

The Group determines whether intangible assets and goodwill are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which intangible assets and goodwill are allocated. Estimating the value in use requires the Group to make an estimate of the expected cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of the estimates used to calculate the recoverable amount are set out in notes 12 and 13 to the consolidated financial statements.

**Impairment of non-financial assets**

The Group assesses whether there are any indicators of impairment for property, plant and equipment, right-of-use assets at the end of each reporting period in accordance with the accounting policies as disclosed above. In determining whether these assets are impaired or the event previously causing the impairment no longer exists, the directors have to assess whether an event has occurred that may affect the assets value or such event affecting the assets value has not been in existence. If any such indication exists, the recoverable amounts of these assets would be determined by reference to value in use and fair value less costs of disposal. In determining the recoverable amounts of these assets, expected cash flows to be generated by the assets are discounted to their present value, which involves significant levels of estimates relating to sales volume, selling prices and other operating costs. When a decline in an asset's recoverable amount has occurred, the carrying amount is reduced to its estimated recoverable amount.

**Impairment of investments and receivables**

The Group assesses annually if investments in subsidiaries/associates have suffered any impairment in accordance with HKAS 36 and follows the guidance of HKFRS 9 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause the adjustments of their carrying amounts.

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

**Useful lives of intangible assets**

The Group assesses whether the intangible assets have finite useful lives at the end of each reporting period. In determining useful lives of intangible assets, the Group considers various factors, such as expected usage of the asset, forecasted customer attrition pattern, expected period of future economic benefit and legal or similar limits on the use of the asset. The estimation of the useful lives of intangible assets is based on the experience of the management with similar intangible assets that generate similar future economic benefits.

**Discount rates for calculating lease liabilities as lessee**

The Group uses the lessee's incremental borrowing rates to discount future lease payments since interest rates implicit in the leases are not readily determinable. In determining the discounts rates for its leases, the Group refers to a rate that is readily observable as the starting point and then applies judgement and adjusts such observable rate to determine the incremental borrowing rate.

**Estimation of lease term of contracts with extension options**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised. The Group has lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the options to extend the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the extension. After the commencement date, the Group reassesses the lease term whether there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to extend.

The extension option for the lease of office has not been included in lease liability because the directors consider that the probability of exercise the option to extend the lease is remote.

As at 31 December 2019, potential future (undiscounted) cash outflows of approximately SGD103,000 (equivalent to HK$594,000) have not been included in lease liabilities because it is not reasonably certain that the leases will be extended.

### FUTURE CHANGES IN HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

| | |
|---|---|
| Amendments to HKASs 1 and 8 | *Definition of Material* [1] |
| Amendments to HKAS 39, HKFRSs 7 and 9 | *Interest Rate Benchmark Reform* [1] |
| Amendments to HKFRS 3 | *Definition of a Business* [2] |
| HKFRS 17 | *Insurance Contracts* [3] |
| Amendments to HKFRS 10 and HKAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4] |

1 *Effective for annual periods beginning on or after 1 January 2020*
2 *Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020*
3 *Effective for annual periods beginning on or after 1 January 2021*
4 *The effective date to be determined*

The directors do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Company's consolidated financial statements.

## 3. REVENUE

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| **Revenue from contracts with customers within HKFRS 15** | | |
| Telecommunication services income | **75,054** | 46,107 |
| Financial payment processing solution and software development income | **4,156** | 12,046 |
| Distribution business income | **–** | 9,767 |
| | **79,210** | 67,920 |

In addition to the information shown in segment disclosures in note 33 to the consolidated financial statements, the revenue from contracts with customers within HKFRS 15 is disaggregated as follows:

| **Year ended 31 December 2019** | **Telecom-munication services HK$'000** | **Financial payment processing solution and software development business HK$'000** | **Distribution business HK$'000** | **Total HK$'000** |
|---|---|---|---|---|
| *Geographical region:* | | | | |
| – Hong Kong | **29,201** | **–** | **–** | **29,201** |
| – The PRC | **–** | **4,156** | **–** | **4,156** |
| – Singapore | **45,853** | **–** | **–** | **45,853** |
| | **75,054** | **4,156** | **–** | **79,210** |
| *Timing of revenue recognition:* | | | | |
| – at a point in time | **65,330** | **–** | **–** | **65,330** |
| – over time | **9,724** | **4,156** | **–** | **13,880** |
| | **75,054** | **4,156** | **–** | **79,210** |
| *Type of transaction price:* | | | | |
| – fixed price | **75,054** | **4,156** | **–** | **79,210** |

## 3. REVENUE *(continued)*

| Year ended 31 December 2018 | Telecom-munication services HK$'000 | Financial payment processing solution and software development business HK$'000 | Distribution business HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| *Geographical region:* | | | | |
| – Hong Kong | 18,431 | – | – | 18,431 |
| – The PRC | – | 12,046 | 9,767 | 21,813 |
| – Singapore | 27,676 | – | – | 27,676 |
| | 46,107 | 12,046 | 9,767 | 67,920 |
| *Timing of revenue recognition:* | | | | |
| – at a point in time | 35,436 | – | 9,767 | 45,203 |
| – over time | 10,671 | 12,046 | – | 22,717 |
| | 46,107 | 12,046 | 9,767 | 67,920 |
| *Type of transaction price:* | | | | |
| – fixed price | 46,107 | 12,046 | 9,767 | 67,920 |

## 4. OTHER REVENUE AND INCOME

| | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|
| Exchange gains, net | **–** | 66 |
| Interest income from bank | **141** | 87 |
| Interest income arising from financial assets at FVPL | **20** | 146 |
| Interest income from loan receivable from a non-controlling interest of a subsidiary | **504** | – |
| Management fee income | **–** | 3,009 |
| Others | **1,096** | 1,064 |
| | **1,761** | 4,372 |

## 5. LOSS BEFORE TAXATION

Loss before taxation is stated after charging (crediting) the following:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| **(a) Finance costs** | | |
| Interest expenses on lease liabilities | **119** | – |
| Interest expenses on obligations under finance leases | **–** | 7 |
| | **119** | 7 |
| **(b) Other items** | | |
| Employee salaries and other benefits (including directors' emoluments) | **17,768** | 21,569 |
| Retirement benefit scheme contributions | **1,048** | 1,410 |
| Total staff costs | **18,816** | 22,979 |
| Auditors' remuneration | **2,065** | 1,417 |
| Cost of services provided | **65,719** | 37,126 |
| Depreciation of | | |
| – property, plant and equipment | **573** | 2,445 |
| – right-of-use assets | **3,302** | – |
| Amortisation of intangible assets (included in other operating expenses) | **14,942** | 16,063 |
| Operating lease charges on premises | **–** | 18,657 |
| Lease expenses on short-term leases | **904** | – |
| Exchange loss (gain), net | **11** | (66) |

# 6. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION

## (A) INFORMATION ABOUT THE BENEFITS OF DIRECTORS

### (i) Directors' remuneration

The aggregate amounts of remuneration received and receivable by the Company's directors disclosed pursuant to the Listing Rules and the disclosure requirements of the HKCO are as follows:

| | 2019 | | | | |
|---|---|---|---|---|---|
| | Director fees HK$'000 | Salaries and other emoluments HK$'000 | Discretionary bonus HK$'000 | Retirement benefit scheme contributions HK$'000 | Total HK$'000 |
| *Executive directors* | | | | | |
| Zhao Ruiyong | – | 240 | – | – | 240 |
| Li Bing | – | 240 | – | – | 240 |
| Cheung Ka Heng Frankie | – | 240 | – | 12 | 252 |
| Chan Chi Yuen [1] | – | 958 | – | 15 | 973 |
| *Independent non-executive directors* | | | | | |
| Fung Wai Shing [2] | 175 | – | – | – | 175 |
| Zhao Guangming | 120 | – | – | – | 120 |
| Huang Tao | 120 | – | – | – | 120 |
| | 415 | 1,678 | – | 27 | 2,120 |

[1] *Mr. Chan Chi Yuen resigned as executive director on 18 October 2019.*

[2] *Mr. Fung Wai Shing resigned as independent non-executive director on 20 December 2019.*

[3] *Mr. Cheung Siu Fai appointed as executive director on 20 February 2020.*

[4] *Mr. Fong Wai Ho, Mr. Leung Wai Kei, and Mr. Lam Chik Shun Marcus appointed as independent non-executive directors on 20 February 2020.*

# 6. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION *(continued)*

## (A) INFORMATION ABOUT THE BENEFITS OF DIRECTORS *(continued)*

### (i) Directors' remuneration *(continued)*

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Director fees HK$'000 | Salaries and other emoluments HK$'000 | Discretionary bonus HK$'000 | Retirement benefit scheme contributions HK$'000 | Total HK$'000 |
| *Executive directors* | | | | | |
| Zhao Ruiyong | – | 240 | – | – | 240 |
| Li Bing | – | 240 | – | – | 240 |
| Cheung Ka Heng Frankie | – | 240 | – | 12 | 252 |
| Chan Chi Yuen | – | 1,200 | – | 18 | 1,218 |
| Wong Xiang Hong [1] | – | 340 | – | 11 | 351 |
| Yeung Chun Sing Standly [2] | – | 310 | – | 7 | 317 |
| *Independent non-executive directors* | | | | | |
| Fung Wai Shing | 180 | – | – | – | 180 |
| Zhao Guangming | 120 | – | – | – | 120 |
| Huang Tao | 120 | – | – | – | 120 |
| Fung Chan Man Alex [3] | 150 | – | – | – | 150 |
| | 570 | 2,570 | – | 48 | 3,188 |

1 *Mr. Wong Xiang Hong resigned as executive director on 25 July 2018.*
2 *Mr. Yeung Chun Sing Standly resigned as executive director on 31 May 2018.*
3 *Mr. Fung Chan Man Alex resigned as independent non-executive director on 31 December 2018.*

There were no arrangements under which a director waived or agreed to waive any emoluments for the year (2018: HK$Nil). In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the year (2018: HK$Nil).

### (ii) Loans, quasi-loans and other dealings in favour of directors

There are no loans, quasi-loans or other dealings in favour of the directors of the Company that were entered into or subsisted during the years ended 31 December 2019 and 2018.

### (iii) Directors' material interests in transactions, arrangements or contracts

After consideration, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 December 2019 and 2018.

## 6. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATION *(continued)*

### (B) INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2018: one) is director whose emolument is disclosed above. The aggregate of the emoluments in respect of the remaining four (2018: four) highest paid individuals, who are not directors, are as follows:

| | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|
| Salaries and other emoluments | **6,704** | 7,016 |
| Retirement benefit scheme contributions | **240** | 241 |
| | **6,944** | 7,257 |

The emoluments of the four (2018: four) individuals with the highest emoluments are within the following bands:

| | **2019 Number of individuals** | 2018 Number of individuals |
|---|---|---|
| Below HK$1,000,000 | **1** | 1 |
| HK$1,000,001 to HK$1,500,000 | **1** | 1 |
| HK$1,500,001 to HK$2,000,000 | **–** | – |
| HK$2,000,001 to HK$2,500,000 | **1** | 1 |
| HK$2,500,001 to HK$3,000,000 | **1** | 1 |
| | **4** | 4 |

During the year, no remuneration was paid by the Group to any of the four (2018: four) highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2018: HK$Nil). There were no arrangements under which any of the four (2018: four) highest paid individuals waived or agreed to waive any remuneration during the year (2018: HK$Nil).

## 7. TAXATION

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purpose in Hong Kong during the years ended 31 December 2019 and 2018.

Overseas (including the PRC and Singapore) taxation represents income tax provisions in respect of certain subsidiaries, calculated at the tax rates prevailing in the countries in which the subsidiaries operate.

| | **2019**<br>**HK$'000** | 2018<br>HK$'000 |
|---|---|---|
| **Current tax** | | |
| Overseas income taxes | | |
| – Current year | **(722)** | (4,183) |
| – Under provision in prior year | **–** | (400) |
| | **(722)** | (4,583) |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | | |
| – Depreciation allowances | **9,665** | 3,558 |
| Total income tax credit (expenses) | **8,943** | (1,025) |

Further details of the deferred taxation status are set out in note 23 to the consolidated financial statements.

### RECONCILIATION OF EFFECTIVE TAX RATE

| | **2019**<br>**%** | 2018<br>% |
|---|---|---|
| Applicable tax rate | **19** | 43 |
| Non-deductible expenses | **(10)** | (134) |
| Tax exempt revenue | **3** | 15 |
| Unrecognised tax losses | **(6)** | (1) |
| Unrecognised temporary differences | **(2)** | 75 |
| Utilisation of previously unrecognised tax losses | **–** | (2) |
| Underprovision in previous years | **–** | (3) |
| Effective tax rate for the year | **4** | (7) |

The applicable rate is the weighted average of the tax rates prevailing in the territories in which the Group operates. The tax rates adopted in various territories range from 16.5% to 25% (2018: from 16.5% to 25%).

## 8. DIVIDENDS

The Board of Directors does not recommend the payment of a dividend for the years ended 31 December 2019 and 2018.

## 9. LOSS PER SHARE

The calculation of the loss per share for the year is based on the consolidated loss attributable to equity holders of the Company of approximately HK$219,027,000 (2018: HK$11,727,000) and the weighted average number of 1,050,280,000 (2018: 1,019,595,068) shares in issue during the year.

The Group has no dilutive potential ordinary shares in issue during the current and prior years and, therefore, the diluted loss per share is the same as basic loss per share for the years presented.

## 10. PROPERTY, PLANT AND EQUIPMENT

| | **Leasehold improvements** | **Equipment** | **Office equipment, furniture and fittings** | **Motor vehicles** | **Total** |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Reconciliation of carrying amount – year ended 31 December 2018 | | | | | |
| At the beginning of the reporting period | 1,509 | – | 1,184 | 1,303 | 3,996 |
| Additions | – | – | 491 | – | 491 |
| Depreciation | (1,454) | – | (517) | (474) | (2,445) |
| Disposals of a subsidiary | – | – | (264) | – | (264) |
| Write off | – | – | (138) | – | (138) |
| Impairment losses | – | – | (385) | – | (385) |
| Exchange adjustments | – | – | 7 | – | 7 |
| At the end of the reporting period | 55 | – | 378 | 829 | 1,262 |
| Reconciliation of carrying amount – year ended 31 December 2019 | | | | | |
| At the beginning of the reporting period | 55 | – | 378 | 829 | 1,262 |
| Additions | – | – | 95 | – | 95 |
| Depreciation | (29) | – | (189) | (355) | (573) |
| Disposal | – | – | – | (474) | (474) |
| Write off | – | – | (16) | – | (16) |
| Impairment losses | – | – | (94) | – | (94) |
| Exchange adjustments | – | – | 2 | – | 2 |
| **At the end of the reporting period** | **26** | **–** | **176** | **–** | **202** |

## 10. PROPERTY, PLANT AND EQUIPMENT *(continued)*

| | Leasehold improvements HK$'000 | Equipment HK$'000 | Office equipment, furniture and fittings HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 January 2019 | | | | | |
| Cost | 88 | 6,610 | 21,484 | 2,368 | 30,550 |
| Accumulated depreciation and impairment losses | (33) | (6,610) | (21,106) | (1,539) | (29,288) |
| Net carrying amount | 55 | – | 378 | 829 | 1,262 |
| **At 31 December 2019** | | | | | |
| Cost | 88 | 6,679 | 21,595 | – | 28,362 |
| Accumulated depreciation and impairment losses | (62) | (6,679) | (21,419) | – | (28,160) |
| **Net carrying amount** | **26** | **–** | **176** | **–** | **202** |

Because of the telecommunication business in Singapore incurred losses in consecutive years, the office equipment, furniture and fittings associated with this business unit were tested for impairment. As the residual values of these office equipment, furniture and fittings were estimated to be nil, the carrying values of those assets were fully impaired. An impairment loss of approximately HK$94,000 (2018: HK$385,000) was recognised in profit or loss during the year.

## 11. LEASES

| Right-of-use assets | Office premises HK$'000 |
|---|---|
| Reconciliation of carrying amount – year ended 31 December 2019 | |
| As the beginning of the reporting period – upon adoption of HKFRS 16 | 5,815 |
| Depreciation | (3,302) |
| Impairment losses | (2,517) |
| Exchange adjustments | 4 |
| At the end of the reporting period | – |
| At 31 December 2019 | |
| Cost | 5,823 |
| Accumulated depreciation and accumulated impairment losses | (5,823) |
| Net carrying amount | – |

The Group leases various office premises for its daily operations with lease terms with ranging from two to three years with an option to renew the lease when all terms are renegotiated. The interest expenses on lease liabilities are set out in note 5 to the consolidated financial statements.

### LEASING ARRANGEMENTS – AS LESSEE

At the end of the reporting period, office premises of HK$2,517,000 before impairment losses (2018: n/a) are held under leases with the remaining lease term of less than 1 year (2018: n/a) with an option to renew the lease when all terms are renegotiated.

In light of the continuing operating at loss of the Group, the directors have carried out an assessment on the recoverable amount of the corporate assets and an impairment loss of HK$2,517,000 (2018: n/a) was recognised during the year ended 31 December 2019 because its recoverable amount is lower than its carrying amount.

## 11. LEASES *(continued)*

### RESTRICTIONS OR COVENANTS

The Group is required to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

The Group has recognised the following amounts for the year:

| | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|
| Lease payment: | | |
| Short-term leases | **904** | – |
| Operating lease payments | **–** | 18,657 |
| Expenses recognised in profit or loss | **904** | 18,657 |
| Total cash outflow for leases | **3,840** | 18,657 |

### COMMITMENTS UNDER LEASES

As at 31 December 2019, the Group has no commitment for short-term leases.

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

| | HK$'000 |
|---|---|
| Within one year | 4,105 |
| In the second to fifth year inclusive | 3,071 |
| | 7,176 |

## 12. INTANGIBLE ASSETS

| | Development costs HK$'000 | Customer contracts HK$'000 | Software HK$'000 | Customer relationships HK$'000 | Technical know-how HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Reconciliation of carrying amount – year ended 31 December 2018 | | | | | | |
| At the beginning of the reporting period | – | 4,948 | 11,123 | 41,019 | 14,109 | 71,199 |
| Amortisation | – | (335) | (1,494) | (11,678) | (2,556) | (16,063) |
| Disposal of a subsidiary | – | (4,729) | – | – | – | (4,729) |
| Exchange adjustments | – | 116 | (519) | (1,607) | (626) | (2,636) |
| At the end of the reporting period | – | – | 9,110 | 27,734 | 10,927 | 47,771 |
| Reconciliation of carrying amount – year ended 31 December 2019 | | | | | | |
| At the beginning of the reporting period | – | – | 9,110 | 27,734 | 10,927 | 47,771 |
| Amortisation | – | – | (1,420) | (11,094) | (2,428) | (14,942) |
| Impairment losses | – | – | (7,689) | (16,349) | (8,355) | (32,393) |
| Exchange adjustments | – | – | (1) | (291) | (144) | (436) |
| **At the end of the reporting period** | – | – | – | – | – | – |
| At 1 January 2019 | | | | | | |
| Cost | 3,597 | – | 12,658 | 55,469 | 16,998 | 88,722 |
| Accumulated amortisation and impairment losses | (3,597) | – | (3,548) | (27,735) | (6,071) | (40,951) |
| Net carrying amount | – | – | 9,110 | 27,734 | 10,927 | 47,771 |
| **At 31 December 2019** | | | | | | |
| Cost | 3,597 | – | 12,436 | 54,496 | 16,700 | 87,229 |
| Accumulated amortisation and impairment losses | (3,597) | – | (12,436) | (54,496) | (16,700) | (87,229) |
| **Net carrying amount** | – | – | – | – | – | – |

Technical know-how represents the know-how of operating a financial payment processing solution business, including but not limited to technical skills on mature e-commerce payment platform developed for the financial payment processing solution services. Technical know-how has a finite useful life and is amortised on a straight-line basis over its estimated economic useful life of 7 years. The remaining useful life is 3.5 years as at 31 December 2019.

## 12. INTANGIBLE ASSETS *(continued)*

Customer relationships represent the existing business relationships with the users of an e-commerce platform maintained by the Group. The customer relationships have a finite useful life and are amortised on a straight-line basis over the estimated economic useful lives of 5 years. The remaining useful life is 1.5 years as at 31 December 2019.

Software represents an e-commerce platform exclusively used for the purpose of provision of financial payment processing solution and software development services. The software has a finite useful life and is amortised on a straight-line basis over 9 years. The remaining useful life is 5.5 years as at 31 December 2019.

Intangible assets related to development costs in respect of domain name registration, web/data hosting and other services. Development costs have a finite useful life and are amortised on a straight-line basis over their estimated economic useful life of 8 years. The development cost was fully amortised at the end of the reporting period.

At the end of the reporting period, the intangible assets were tested for impairment losses. Certain intangible assets are part of cash-generating units ("CGUs"), which are subject to impairment tests as disclosed in note 13 to the consolidated financial statements.

## 13. GOODWILL

| | **2019**<br>**HK$'000** | 2018<br>HK$'000 |
|---|---|---|
| Reconciliation of carrying amount | | |
| – year ended 31 December | | |
| At the beginning of the reporting period | **7,341** | 12,430 |
| Impairment losses | **(7,341)** | (5,089) |
| **At the end of the reporting period** | **–** | 7,341 |
| **At 31 December** | | |
| Costs | **33,464** | 33,464 |
| Accumulated impairment losses | **(33,464)** | (26,123) |
| Net carrying amount | **–** | 7,341 |

## 13. GOODWILL *(continued)*

Goodwill acquired through the business combination in 2016 is allocated to the Group's cash-generating units ("CGUs") under the business segment of financial payment processing solution and software development services business and distribution business for impairment testing as follows:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **Financial payment processing solution and software development services business HK$'000** | **Distribution business HK$'000** | **Total HK$'000** | Financial payment processing solution and software development services business HK$'000 | Distribution business HK$'000 | Total HK$'000 |
| Cost | **7,945** | **25,519** | **33,464** | 7,945 | 25,519 | 33,464 |
| Accumulated impairment losses | **(7,945)** | **(25,519)** | **(33,464)** | (5,089) | (21,034) | (26,123) |
| **Net carrying amount** | **–** | **–** | **–** | 2,856 | 4,485 | 7,341 |

The carrying amount of goodwill and intangible assets was allocated to the Group's CGUs identified according to the nature of business as follows for impairment test:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Goodwill HK$'000** | **Intangible assets with finite useful life HK$'000** | Goodwill HK$'000 | Intangible assets with finite useful life HK$'000 |
| Financial payment processing solution and software development services business | **–** | **–** | 2,856 | 15,958 |
| Distribution business | **–** | **–** | 4,485 | 31,813 |
| | **–** | **–** | 7,341 | 47,771 |

In light of the continuous losses incurred by the CGUs and the significant decrease in business activities of these CGUs in the challenging business environment, the Group has appointed an independent professional valuer, Flagship Appraisals and Consulting Limited, having taken into account of the above factors, to perform an appraisal of the values of the financial payment processing solution and software development services business and distribution business at the end of the reporting period.

The recoverable amounts of these CGUs as at 31 December 2019 of approximately HK$716,000 (2018: approximately HK$52,151,000) have been determined based on value in use calculations. The calculation uses cash flow projections based on financial budgets approved by the Board of Directors covering a 5-year period. Cash flows beyond the 5-year period has been extrapolated using a 2% long-term growth rate per annum. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

## 13. GOODWILL *(continued)*

Key assumptions used for the calculation of the value in use of these CGUs are as follows:

| | **Financial payment processing solution and software development services business** | | **Distribution business** | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **%** | % | **%** | % |
| Average growth rate for the 5-year budget period (per annum) | **–** | (2) | **(2)** | 14 |
| Long-term growth rate (per annum) | **2** | 2 | **2** | 2 |
| Pre-tax discount rate (per annum) | **23** | 33 | **23** | 30 |

Management determined the budgeted average growth rate based on past performance and its expectation of market development. The discount rate used reflects specific risks relating to the CGUs of financial payment processing solution and software development services business and distribution business.

Apart from the considerations described above in determining the recoverable amount of the CGUs, the management is not aware of any other probable changes that would necessitate changes in the key assumptions.

As at 31 December 2019, the recoverable amount of the CGU of financial payment processing solution and software development services business amounted to HK$305,000 (2018: HK$10,944,000) and therefore, impairment losses of HK$2,856,000 (2018: HK$5,089,000) and HK$13,847,000 (2018: HK$Nil) against the goodwill and intangible assets respectively have been recognised during the year.

As at 31 December 2019, the recoverable amount of the CGU of distribution business amounted to HK$411,000 (2018: HK$41,207,000) and therefore, impairment losses of HK$4,485,000 (2018: HK$Nil) and HK$18,546,000 (2018: HK$Nil) against the goodwill and intangible assets respectively have been recognised during the year.

### SENSITIVITY OF KEY ASSUMPTIONS

The management identified that average growth rate is the key assumption in the assessment of the recoverable amounts of the CGUs and considered that a reasonably possible change in the key assumption on an individual CGU basis would not cause significant additional impairment loss.

## 14. INTEREST IN ASSOCIATES

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Share of net assets | **56,079** | 57,081 |

Details of associates at the end of the reporting period are as follows:

| Name of associate | Principal place of business/ incorporation | Particular of issued share capital/ registered capital | Proportion of value of registered and paid-up capital indirectly held by the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | **2019** | 2018 | |
| Wusu Silk Road Small Towns Cultural Tourism Company Limited* (烏蘇絲路小鎮文旅有限公司) ("Wusu Company") *(note (i))* | The PRC | RMB200,000,000 Registered capital | **25%** | 25% | Development and operation of the characteristic town, real estate and cultural tourism |
| Yibin Xianyuan Lake Small Towns Cultural Tourism Company Limited* (宜賓仙源湖小鎮文旅有限公司) ("Yibin Company") *(note (ii))* | The PRC | RMB200,000,000 Registered capital | **35%** | 35% | Development and operation of the characteristic town, real estate and cultural tourism |
| AsiaCloud (HK) Limited ("AsiaCloud") | Hong Kong | 100,000 ordinary share of HK$100,000 | **20%** | 20% | Provision of telecommunication services |
| Relevant Marketing Group Limited ("RMGL") *(note (iii))* | Hong Kong/The British Virgin Islands | 1,333 ordinary share of US$13 | **–** | 37.59% | Provision of insurance-related product distribution services and consultancy services |

* *For identification purpose only*

## 14. INTEREST IN ASSOCIATES *(continued)*

All of the above associates are accounted for using the equity method in the consolidated financial statements.

*Notes:*

*(i) Wusu Company*

*In September 2017, the Group entered into an agreement with the Company's substantial shareholder, which held approximately 25% of total issued share capital of the Company through its subsidiary, to develop and operate a characteristic cultural town in Wusu City of the Xinjiang Autonomous Region of the PRC.*

*In February 2018, Wusu Company was incorporated in the PRC with registered capital of RMB200,000,000, for which the Group contributed RMB50,000,000 (equivalent to approximately HK$62,248,000), representing 25% of equity interests in Wusu Company. Upon the completion of the capital contribution, Wusu Company becomes an associate of the Group and is accounted for using equity method of accounting.*

*The principal activities of Wusu Company are development and operation of the characteristic town, real estate and cultural tourism in Wusu (the "Wusu City Project"). In February 2018, Wusu Company entered into a construction contract with a third party constructor to carry out the construction work of the characteristic cultural town, a deposits of RMB50,000,000 has been paid to the constructor in 2018 and recognised as prepayment as at 31 December 2018 and 2019.*

*In May 2018, because of the safety consideration arising from an oil and gas transportation pipeline found under the originally planned Wusu characteristic town construction land, the development of the Wusu City Project was suspended as requested by the Wusu government authority. During the year, having negotiated with Wusu government authority, a relocation of the Wusu City Project to a southern part of the original project site is approved. Although, the construction plan of the Wusu City Project has been delayed, it will be resumed once the relevant documents and certificates of the construction on new site are issued and the approval procedures are completed by Wusu government authority. Any expenditures incurred for the relocation of the Wusu City Project caused by this safety consideration will be compensated by the Wusu government authority.*

*(ii) Yibin Company*

*In April 2018, the Group entered into an agreement with a third party to develop and operate a characteristic cultural town in Yibin City of Sichuan Province in the PRC.*

*In April 2018, Yibin Company was incorporated in the PRC with registered capital of RMB200,000,000, for which Group has committed to contribute RMB70,000,000 (equivalent to HK$78,400,000) before 3 April 2028, representing 35% equity interest of Yibin Company. As at the end of the reporting period and up to the date of this report, no contribution has been made by the Group. Upon its incorporation, Yibin Company becomes an associate of the Group and is accounted for using equity method of accounting.*

*The principal activities of Yibin Company would be development and operation of the characteristic town, real estate and cultural tourism in Yibin City. As at 31 December 2019, Yibin Company remained inactive since its incorporation.*

*(iii) RMGL*

*As at 31 December 2018, the Group held 37.59% issued share capital of RMGL with share of net liabilities of RMGL to zero. In May 2019, the Group disposed of its entire equity interest in RMGL at a consideration of HK$195,000. A gain on disposal of HK$195,000 was recognised in profit or loss during the year.*

## 14. INTEREST IN ASSOCIATES *(continued)*

### FAIR VALUE OF INVESTMENTS

All of the above associates are private companies and there is no quoted market price available for the investments.

### FINANCIAL INFORMATION OF INDIVIDUALLY MATERIAL ASSOCIATES

Summarised financial information of each of the material associates of the Group is set out below, which represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

| | Wusu Company | |
|---|---|---|
| **At 31 December** | **2019 HK$'000** | 2018 HK$'000 |
| **Gross amount** | | |
| Non-current assets | **56,001** | 57,089 |
| Current assets | **134** | 48 |
| Current liabilities | **(172)** | (175) |
| Equity | **55,963** | 56,962 |
| Unpaid capital contribution from a major shareholder | **168,000** | 171,000 |
| | **223,963** | 227,962 |
| Group's ownership interests | **25%** | 25% |
| **Group's share of equity and carrying amount of interests** | **55,991** | 56,991 |

## 14. INTEREST IN ASSOCIATES *(continued)*

### FINANCIAL INFORMATION OF INDIVIDUALLY MATERIAL ASSOCIATES *(continued)*

| | **Year ended 31 December 2019 HK$'000** | Period from the date of incorporation to 31 December 2018 HK$'000 |
|---|---|---|
| **Gross amount** | | |
| Revenue | **–** | – |
| Loss for the year/period | **–** | (40) |
| Other comprehensive loss for the year/period attributable to the Group | **(1,000)** | (5,248) |
| Total comprehensive loss for the year/period | **(1,000)** | (5,288) |
| **Group's share of:** | | |
| Loss from operations for the year/period | **–** | (10) |
| Other comprehensive loss for the year/period | **(1,000)** | (5,248) |
| Total comprehensive loss for the year/period | **(1,000)** | (5,258) |
| Dividend received from the associate | **–** | – |

### FINANCIAL INFORMATION OF INDIVIDUALLY IMMATERIAL ASSOCIATES

The table below shows, in aggregate, the carrying amount and the Group's share of results of associates, which are not material and accounted for using the equity method.

| **At 31 December** | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|
| **Gross amount** | | |
| Current assets | **167** | 170 |
| Non-current assets | **205** | 209 |
| Current liabilities | **(119)** | (122) |
| Equity | **253** | 257 |
| **Group's share of equity and carrying amount of interests** | **88** | 90 |

## 14. INTEREST IN ASSOCIATES *(continued)*

### FINANCIAL INFORMATION OF INDIVIDUALLY IMMATERIAL ASSOCIATES *(continued)*

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| **Year ended 31 December** | | |
| **Group's share of:** | | |
| Loss for the year | **–** | (346) |
| Other comprehensive loss for the year | **(2)** | (9) |
| Total comprehensive loss for the year | **(2)** | (355) |

### UNRECOGNISED SHARE OF LOSSES OF ASSOCIATES

The Group's share of losses of AsiaCloud exceeds its investment cost. As at 31 December 2019 and 2018, share of net liabilities of AsiaCloud was limited to zero. The unrecognised share of losses of AsiaCloud for the current year and cumulatively up to the end of the reporting period amounted to HK$nil (2018: HK$308,000) and HK$308,000 (2018: HK$308,000) respectively.

### COMMITMENTS

The Group has the following unrecognised commitments relating to its interests in associate:

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| Commitments to contribute the paid-up capital of Yibin Company of RMB70,000,000 | **78,400** | 79,800 |

## 15. SUBSIDIARIES

Details of the principal subsidiaries at the end of the reporting period are as follows:

| Name of subsidiary | Place of incorporation/ operation | Particulars of issued share capital/registered capital | Effective ownership interest held by the Company | | | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | *Directly* | | *Indirectly* | | |
| | | | **2019** | 2018 | **2019** | 2018 | |
| ZONE Telecom Pte Ltd *(i)* | Singapore | Singapore dollars ("S$") 100,000 | **–** | – | **100%** | 100% | Provision of telecommunication services |
| ZONE Resources Limited | The British Virgin Islands/Hong Kong | US$10,000 | **–** | – | **100%** | 100% | Asset holding |
| ZONE Enterprises Limited | Hong Kong | HK$1 | **–** | – | **100%** | 100% | Provision of consultancy services |
| ZONE Limited | Hong Kong | HK$2 | **–** | – | **100%** | 100% | Provision of telecommunication services |
| ZONE Asia Holdings Limited | The British Virgin Islands/Hong Kong | US$1 | **–** | – | **100%** | 100% | Investment holding |
| Stage Charm Limited ("Stage Charm") | The British Virgin Islands/Hong Kong | US$1 | **100%** | 100% | **–** | – | Investment holding |
| speedinsure Global Limited | The British Virgin Islands/Hong Kong | US$10,102 | **–** | – | **100%** | 100% | Investment holding |
| e-Kong Pillars Holdings Limited | The British Virgin Islands/Hong Kong | US$1 | **100%** | 100% | **–** | – | Investment holding |
| China Portal Limited | The British Virgin Islands/Hong Kong | US$1 | **–** | – | **100%** | 100% | Provision of consultancy services |
| B&R Management Limited | Hong Kong | HK$1,000 | **100%** | 100% | **–** | – | Provision of consultancy services |
| B&R Investment Holding Limited | Hong Kong | HK$1,000 | **100%** | 100% | **–** | – | Investment holding |
| 深圳盈港科技有限公司 *(i) & (ii)* | The PRC | RMB1,000,000 Registered capital | **–** | – | **–** | 100% | Provision of technical consultancy services |
| 杭州蘇頌科技有限公司 (Hangzhou Susong Technology Company Limited*) ("Hangzhou Susong") *(i) & (iii)* | The PRC | RMB2,000,000 Registered capital | **–** | – | **90%** | 90% | Provision of financial payment processing solution and software development services and distribution business through e-commerce platform |

*(i)* *Statutory audited financial statements not audited by Mazars CPA Limited.*

*(ii)* *A wholly foreign-owned enterprise established in the PRC and deregistered in March 2019.*

*(iii)* *A limited liability enterprise established in the PRC.*

* *For identification purpose only*

The above summary includes those subsidiaries which, in the opinion of the Company's directors, principally affect the results or form a substantial portion of the net assets of the Group. The classes of shares held are ordinary shares unless otherwise stated. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. None of the subsidiaries had any debt securities in issue at any time during the years ended 31 December 2019 and 2018.

## 15. SUBSIDIARIES *(continued)*

### FINANCIAL INFORMATION OF SUBSIDIARIES WITH INDIVIDUALLY MATERIAL NCI

The following table shows the information relating to each of the non-wholly owned subsidiaries that has material non-controlling interests ("NCI"). The summarised financial information represents amounts before inter-company eliminations.

| | Hangzhou Susong | |
|---|---|---|
| | **2019** | 2018 |
| **As at 31 December** | | |
| Proportion of NCI's ownership interests | **10.0%** | 10.0% |
| | **HK$'000** | HK$'000 |
| Non-current assets | **–** | 47,772 |
| Current assets | **365** | 23,423 |
| Current liabilities | **(31,522)** | (41,026) |
| Net (liabilities) assets | **(31,157)** | 30,169 |
| Carrying amount of NCI | **(3,116)** | 3,017 |
| **Year ended 31 December** | | |
| Revenue | **4,156** | 21,813 |
| Expenses | **(65,602)** | (66,020) |
| Loss for the year | **(61,446)** | (44,207) |
| Other comprehensive loss for the year | **120** | (1,860) |
| Total comprehensive loss for the year | **(61,326)** | (46,067) |
| **Attributable to NCI:** | | |
| Loss for the year | **(6,145)** | (4,421) |
| Other comprehensive loss for the year | **12** | (186) |
| Total comprehensive loss for the year | **(6,133)** | (4,607) |
| Dividend to NCI | **–** | – |
| Net cash (outflow) inflow in | | |
| – operating activities | **(3,328)** | (16,081) |
| – investing activities | **–** | (11,591) |
| – financing activities | **2,078** | 28,738 |
| Net (decrease) increase in cash and cash equivalents | **(1,250)** | 1,066 |

## 16. DESIGNATED FVOCI

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| **Designated FVOCI** | | |
| Unlisted equity securities, at fair value | **2,384** | 2,663 |

Designated FVOCI with carrying amount of HK$2,298,000 (2018: HK$2,577,000) represents 0.2% (2018: 0.2%) equity interest in Thunder Power Holdings Limited, a company incorporated in the British Virgin Islands, which is engaged in the development of battery-powered electric vehicles in Italy, the PRC and Hong Kong.

Designated FVOCI with carrying amount of HK$86,000 (2018: HK$86,000) represents 15% equity interest in Zero1 Pte Limited, a company incorporated in Singapore, which is engaged in the provision of telecommunication services.

No investments in Designated FVOCI have been disposed of during the year. There were no transfers of any cumulative gain or loss arising from Designated FVOCI within equity during the year.

## 17. FINANCIAL ASSETS AT FVPL

| | *Notes* | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **Held for trading** | | | |
| Equity investments listed in Hong Kong | *(a)* | **1,448** | 129,806 |
| Unlisted investment fund | *(b)* | **123** | 1,448 |
| | | **1,571** | 131,254 |

At the end of the reporting period, the carrying amounts of financial assets designated as FVPL represent the maximum exposure to credit risk of those financial assets, if applicable.

*Notes:*

*(a) The fair values of the listed investments are determined on the basis of quoted market price at the end of the reporting period.*

*The equity investments listed in Hong Kong at fair value of HK493,000 (2018: HK$53,550,000) as at 31 December 2019 are held by Mr. Yeung Chun Wai Anthony ("Mr. Yeung") on behalf of the Group at the end of the reporting period, details of which are set out in note 21(d) to the consolidated financial statements.*

*(b) The Group subscribed unlisted investment funds from an independent financial institution. The portfolios of the funds mainly comprise bank debentures, interbank borrowings and other investments in the PRC with high credit rating. The funds are redeemable at the discretion of the Group from time to time and the intention of holding them was for short-term investment. The fair value of these unlisted investment funds was estimated by the directors by reference to the prices quoted by the financial institution based on the net assets value of the funds at the end of the reporting period.*

## 18. TRADE AND OTHER RECEIVABLES

| | Notes | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **Trade receivables** | | | |
| From third parties | | **15,559** | 13,990 |
| From an associate | | **–** | 313 |
| | | **15,559** | 14,303 |
| **Loss allowances** | *29(c)* | **(9,332)** | (4,697) |
| | *(a)* | **6,227** | 9,606 |
| **Other receivables** | | | |
| Deposits | | **2,263** | 2,111 |
| Prepayments | | **376** | 1,083 |
| Other debtors | *(b)* | **21,721** | 59,688 |
| Due from securities broker | | **3** | 215 |
| Due from an associate | *(c)* | **1,350** | 1,000 |
| Loan receivable from a non-controlling interest of a subsidiary | *(d)* | **11,825** | 11,591 |
| Consideration receivable from disposal of a subsidiary | | **–** | 1,670 |
| | | **37,538** | 77,358 |
| Loss allowances on other debtors and due from an associate and a non-controlling interest of a subsidiary | *29(c)* | **(30,952)** | (43,433) |
| | | **6,586** | 33,925 |
| | | **12,813** | 43,531 |

*Notes:*

*(a) Information about the Group's exposure to credit risks and loss allowance for trade and other receivables is included in note 29(c) to the consolidated financial statements.*

*Loss allowances on trade receivables of approximately HK$4,784,000 (2018: HK$556,000) were recognised during the year.*

*(b) During the year, a PRC subsidiary of the Group had made several payments to 6 individuals and entities in aggregate of HK$5,090,000 for the purpose of relationship building with those individuals and entities for business referral. During the year, impairment losses on the payments to the individuals or entities during the year, together with other debtors with carrying amounts of HK$5,314,000 as at 31 December 2018, in aggregate of HK$10,404,000 were made as at 31 December 2019. In view of these debts were overdue and prolonged outstanding without settlement, the management considers their financial position of these debtors may have been deteriorated and that the recoverability of these receivables is in doubt. Therefore, full loss allowances of HK$10,404,000 have been made in profit or loss during the year.*

## 18. TRADE AND OTHER RECEIVABLES *(continued)*

*Notes: (continued)*

*(b) (continued)*

*Included in other debtors as at 31 December 2019 was a receivable of HK$5,049,000 (2018: HK$5,348,000) in relation to a management fee income due from a public company, in which the Company's former director, Mr. Yeung has beneficial interest. In view of deterioration in the financial position of the debtor and the result of negotiation, the management considers the recoverability of the amounts due is in doubt. Therefore, loss allowances of approximately HK$3,244,000 were made during the year.*

*Included in other debtors as at 31 December 2019 was a receivable of HK$4,304,000 (2018: HK$4,304,000) due from a third party which was arising from the proceeds from the disposal of financial assets at fair value through profit or loss in 2017. In view of the prolonged outstanding and lost contact with the debtor, the management considers that the recoverability of these receivables is in doubt. Therefore, full loss allowances of HK$4,304,000 have been made in profit or loss during the year.*

*Included in other debtors as at 31 December 2018 were advancements of HK$43,433,000 made to a company which is owned by a managing director of a PRC subsidiary of the Group. Although, a non-controlling interest of a subsidiary had provided an undertaking to indemnify the Group against any losses from non-recovery of the advances of HK$24,625,000, the management considered it is probable that the debtor will enter bankruptcy/liquidation or other financial reorganisation and the recoverability of the amounts due was in doubt. Therefore, full amount of loss allowances of HK$43,433,000 were provided during the year ended 31 December 2018. The debtor was finally deregistered in November 2019, the loss allowances of HK$43,433,000 was written off accordingly for year ended 31 December 2019.*

*(c) As at 31 December 2018, amount due from an associate of HK$1,000,000 which was the consideration receivable from the disposal of assets of a business unit in 2017 were unsecured, interest-free and repayable on demand. During the year, advance to the associate of HK$350,000 was unsecured, interest-free and repayable on demand. At the end of the reporting period, the business of the associate ceased business in mid of 2019. In view of the financial position of the associate has been deteriorated, the management considers that the recoverability of these receivables of HK$1,350,000 was in doubt. Therefore, loss allowances of HK$1,175,000 have been made in profit or loss during the year.*

*(d) As at 31 December 2019, loan receivable of RMB10,168,000 (equivalent to HK$11,388,000) from a non-controlling interest of a subsidiary is unsecured, interest bearing at the fixed rate of 4.35% per annum and repayable in December 2020 (2018: unsecured, interest bearing at the fixed rate of 4.35% per annum and repayable in December 2019). In view of prolonged outstanding without settlement, the management considers it is probable that the recoverability of the loan receivable was in doubt. Therefore, loss allowances of RMB10,558,000 (equivalent to HK$11,825,000) have been fully made as the loan receivable of RMB10,168,000 (equivalent to HK$11,388,000) and interest receivable of RMB390,000 (equivalent to HK$437,000) in profit or loss during the year (2018: HK$nil).*

## 19. PLEDGED BANK DEPOSITS

At the end of the reporting period, the Group had pledged bank deposits amounting to approximately HK$738,000 (2018: HK$885,000). At the end of the reporting period, bank guarantees of approximately HK$738,000 (2018: HK$815,000) were issued to suppliers for operational requirements. The directors do not consider it is probable that a claim will be made against the Group under these guarantees. The amounts utilised by the Group at the end of the reporting period under these guarantees were approximately HK$526,000 (2018: HK$667,000), representing the outstanding amounts payable to these suppliers.

## 20. BANK BALANCES AND CASH

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Cash at bank and in hand | **6,672** | 13,915 |

Cash at bank earns interest at floating rates based on daily bank deposit rates.

## 21. TRADE AND OTHER PAYABLES

| | Notes | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|---|
| **Trade payables to third parties** | *(a)* | **3,925** | 5,893 |
| **Other payables** | | | |
| Accrued charges and other creditors | | **17,253** | 8,179 |
| Contract liabilities | *(b)* | **1,579** | 1,505 |
| Consideration payable | *(c)* | **37,172** | 37,172 |
| Due to a former director | *(d)* | **12,393** | 12,393 |
| Due to associates | *(e)* | **398** | 793 |
| Loans from directors | *(f)* | **2,840** | – |
| | | **71,635** | 60,042 |
| | | **75,560** | 65,935 |

(a) Ageing analysis of trade payables by invoice date is summarised as follows:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Less than 1 month | **968** | 3,892 |
| 1 to 3 months | **1,483** | 789 |
| More than 3 months but less than 12 months | **416** | 127 |
| More than 12 months | **1,058** | 1,085 |
| | **3,925** | 5,893 |

## 21. TRADE AND OTHER PAYABLES *(continued)*

(b) Contract liabilities

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

| | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|
| At the beginning of the reporting period | **1,505** | 5,564 |
| Disposal of a subsidiary | **–** | (4,350) |
| Recognised as revenue | **(1,462)** | (1,140) |
| Receipt of advances or recognition of receivables | **1,536** | 1,431 |
| At the end of the reporting period | **1,579** | 1,505 |

Revenue recognised during the year included in the contract liabilities balance of HK$1,462,000 (2018: HK$1,140,000) at the beginning of the reporting period.

### UNSATISFIED OR PARTIALLY UNSATISFIED PERFORMANCE OBLIGATIONS

All the performance obligations that are unsatisfied (or partially unsatisfied) at 31 December 2019 (2018: all) are part of contracts that have an original expected duration of one year or less.

The amount of transaction price allocated to the remaining performance obligations that are unsatisfied (or partially unsatisfied) at 31 December 2019 is HK$1,579,000 (2018: HK$1,505,000), the expected timing of revenue recognition of which is within 1 year (the figures include the contract liabilities as disclosed above).

(c) The consideration payable for the business combination in 2016 is unsecured, interest-free and payable on demand (2018: payable in June 2019).

(d) The amount due to former director, Mr. Yeung, represented the remaining balance of consideration received from the disposal of 5,700,000 ordinary shares of SingAsia Holdings Limited (Stock code: 8293) (the "SingAsia Shares") on 9 June 2017, which was finally not approved at the special general meeting of the Company held on 29 December 2017 ("SingAsia Disposal"). As at 31 December 2017, the total amount of approximately HK$41,552,000 received from Mr. Yeung was accounted for as "other payables" and the 5,700,000 SingAsia Shares held by Mr. Yeung on behalf of the Group carried at a fair value approximately of HK$101,802,000 are classified as "financial assets at FVPL".

In March 2018, the 5,700,000 SingAsia Shares were sub-divided into 28,500,000 shares after sub-division of the issued share capital of SingAsia Holdings Limited ("Sub-divided SingAsia Shares"), of which 20,000,000 Sub-divided SingAsia Shares were returned to the Group by Mr. Yeung in exchange of consideration of approximately HK$29,159,000 previously received by the Group.

As at 31 December 2019, 8,500,000 Sub-divided SingAsia Shares were held by Mr. Yeung and the related balance of consideration received of approximately HK$12,393,000 was accounted for as "due to a former director". As disclosed in the Company's announcement on 12 March 2019, the Group had, through its solicitors, issued a writ of summons to commence legal proceedings against Mr. Yeung to request for the transfer of 8,500,000 Sub-divided SingAsia Shares and the compensation of damages suffered from the breach of contract.

## 21. TRADE AND OTHER PAYABLES *(continued)*

(e) The amounts due to associates are unsecured, interest-free and repayable on demand.

(f) During the year, the Company has entered into loan agreements with the Company's directors, namely Mr. Zhao Ruiyong ("Mr. Zhao"), Mr Cheung Ka Heng Frankie ("Mr. Cheung") and Ms. Li Bing ("Ms. Li") to provide loan facilities of maximum amounts of HK$38,000,000, HK$3,200,000 and HK$500,000 respectively, which are unsecured, interest-free and repayable on or before 21 March 2021, on or before 29 February 2020 and on demand respectively. Upon the mature of the loan from Mr. Cheung on 29 February 2020, he has confirmed his intention to provide financial support to the Group for the next twelve months to the extent, if any, that is necessary to allow the Group to continue as going concern by not call up the Group to repay the loan drawn down by the Group.

As at 31 December 2019, the Company has drawn down the loan amounts of HK$2,400,000 and HK$440,000 from Mr. Cheung and Ms. Li respectively.

## 22. LEASE LIABILITIES

| | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|
| **Lease liabilities** | | |
| Current portion | **3,052** | – |

Lease liabilities as at 31 December 2019 is carried at weighted average incremental borrowing rate of 2.503% per annum and repayable in one year.

## 23. DEFERRED TAXATION

### RECOGNISED DEFERRED TAX LIABILITIES

The movements of recognised net deferred tax liabilities for the year were as follows:

| | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|
| At the beginning of the reporting period | **(9,666)** | (13,782) |
| Credit to profit or loss *(note 7)* | **9,665** | 3,558 |
| Exchange adjustments | **1** | 558 |
| **At the end of the reporting period** | **–** | (9,666) |

## 23. DEFERRED TAXATION *(continued)*

### RECOGNISED DEFERRED TAX ASSETS (LIABILITIES) *(continued)*

| | Liabilities | |
|---|---|---|
| | **2019 HK$'000** | 2018 HK$'000 |
| Depreciation allowances | **–** | (10,224) |
| Exchange adjustments | **–** | 558 |
| **Net deferred tax liabilities** | **–** | (9,666) |

**Unrecognised deferred tax assets arising from**

| | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|
| Before multiplied with the applicable tax rates: | | |
| Deductible temporary differences | **20,267** | 4,924 |
| Tax losses | **237,040** | 166,068 |
| **At the end of the reporting period** | **257,307** | 170,992 |

Neither the tax losses nor the deductible temporary differences expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

The accumulated profits of certain foreign subsidiaries would be subject to withholding taxation if they are distributed, if any. In the opinion of the directors, these accumulated profits at the present time are required for financing the continuing operation of these foreign subsidiaries and no distribution would be made in the foreseeable future. Accordingly, no provision for additional deferred taxation has been made.

## 24. SHARE CAPITAL

| | 2019 Number of shares | 2019 Amount HK$'000 | 2018 Number of shares | 2018 Amount HK$'000 |
|---|---|---|---|---|
| Ordinary shares of HK$0.01 each | | | | |
| **Authorised:** | | | | |
| At the beginning and **the end of the reporting period** | **12,000,000,000** | **120,000** | 12,000,000,000 | 120,000 |
| **Issued and fully paid:** | | | | |
| At the beginning of the reporting period | **1,050,280,000** | **10,503** | 875,280,000 | 8,753 |
| Shares issued upon placing | **–** | **–** | 175,000,000 | 1,750 |
| **At the end of the reporting period** | **1,050,280,000** | **10,503** | 1,050,280,000 | 10,503 |

## 25. SHARE OPTIONS

On 28 June 2018, the Company adopted a new share option scheme (the "New Share Option Scheme"), which superseded the share option scheme adopted on 20 May 2015 (the "Old Share Option Scheme"). Under the New Share Option Scheme, the directors of the Company may at their decision grant share options to (i) any director, employee, consultants, adviser, substantial shareholder and business partner of any company in the Group or any affiliate and/or (ii) any company wholly-owned by one or more persons belonging to any of the above class of participants. No share options have been granted by the Company under the New Share Option Scheme and the Old Share Option Scheme since adoption.

No share options were granted / forfeited / exercised during the year and there were no share options outstanding/ exercisable at the end of the reporting period.

### SUMMARY OF PRINCIPAL TERMS

A summary of the principal terms of the New Share Option Scheme and procedures is as follows:

**(i) Purpose**

The New Share Option Scheme is designed to recognise, motivate and provide incentives to those who make contributions to the Group. The purpose of the New Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, or business partners of the Group and to promote the success of the business of the Group.

## 25. SHARE OPTIONS *(continued)*

### SUMMARY OF PRINCIPAL TERMS *(continued)*

**(ii) Maximum number of shares**

The total number of shares in respect of which share options may be granted (together with share options exercised and then outstanding) under the New Share Option Scheme shall not in aggregate exceed 10% of the shares in issue as at the date of approval of the New Share Option Scheme unless shareholder approval has been obtained. The 10% limit may be refreshed at any time by obtaining approval of the shareholders in general meeting provided that the New Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the shares in issue as at the date of approval of the refreshed limited. As at 31 December 2019 and 2018, there were no outstanding share options under the share option scheme adopted by the Company.

The maximum number of shares issued and which may fall to be issued upon the exercise of the share options granted under the New Share Option Scheme (including both exercised and outstanding share options) to each eligible participant shall not exceed 1% of the shares in issue for the time being in any 12 months period up to and including the date of grant.

As at 31 December 2019, the total number of shares available for issue under the New Share Option Scheme was 105,028,000 shares (2018: 105,028,000 shares), which represented 10% of the Company's issued share capital as at the date of approval of the New Share Option Scheme.

**(iii) Exercise period and payment on acceptance of share options**

A share option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period to be determined and notified by the directors to each grantee, subject to a maximum period of 10 years from the date of grant.

A share option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the offer of the grant of a share option duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 in consideration of the grant thereof is received by the Company on a business day not later than 14 days from the offer date.

**(iv) Basis of determining the subscription price**

Subject to the terms of the New Share Option Scheme and the provisions of the Listing Rules, the subscription price in respect of any share option shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets over the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share.

**(v) Remaining life of the scheme**

The New Share Option Scheme is valid and effective, at the discretion of the board of directors, subject to a maximum period of 10 years from the date of its adoption, that is, up to 27 June 2028.

## 26. RESERVES

The following provides a description of the nature and purpose of each reserve within equity:

### (A) SHARE PREMIUM

The application of share premium is governed by the Companies Act 1981 of Bermuda (as amended).

### (B) EXCHANGE RESERVE

The exchange reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations.

### (C) INVESTMENT REVALUATION RESERVE (NON-RECYCLING)

Investment revaluation reserve comprises the accumulated gains and losses arising from the fair value change of Designated FVOCI and is dealt with in accordance with the accounting policies adopted.

### (D) CAPITAL REDEMPTION RESERVE

Capital redemption reserve has been set up and is dealt with on repurchases and cancellations of the Company's own shares. The application of the capital redemption reserve is governed by Section 42A of the Companies Act 1981 of Bermuda (as amended).

### (E) CAPITAL RESERVE

Capital reserve represents the difference between the fair value of consideration paid or received and the change in the carrying value of non-controlling interests of a subsidiary in circumstances where changes in the Group's ownership interests in the subsidiary do not result in a loss of control.

### (F) CONTRIBUTED SURPLUS

Contributed surplus represents the amounts transferred from the share premium account as a result of a capital reorganisation undertaken by the Company in November 2002. Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

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

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

As at 31 December 2019 and 2018, there were no reserves available for distribution to the equity holders of the Company.

## 27. OTHER CASH FLOW INFORMATION

### (A) CASH USED IN OPERATIONS

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Loss before taxation | **(234,115)** | (15,123) |
| Interest income | **(665)** | (233) |
| Interest expenses | **119** | 7 |
| Bad debts write off on trade receivables | **–** | 28 |
| Loss allowances on trade and other receivables | **36,133** | 46,276 |
| Depreciation of | | |
| – property, plant and equipment | **573** | 2,445 |
| – right-of-use assets | **3,302** | – |
| Amortisation of intangible assets | **14,942** | 16,063 |
| Impairment losses on property, plant and equipment | **94** | 385 |
| Impairment losses on right-of-use assets | **2,517** | – |
| Impairment losses on intangible assets | **32,393** | – |
| Impairment losses on goodwill | **7,341** | 5,089 |
| Impairment losses on investment in a joint venture | **–** | 337 |
| Financial assets at FVPL – net loss (gain) on disposal and fair value changes | **60,593** | (17,800) |
| Financial assets at FVPL held at the end of the year – net loss (gain) on fair value change | **54,523** | (54,431) |
| Write off of property, plant and equipment | **16** | 138 |
| Gain on disposal of property, plant and equipment | **(232)** | (32) |
| Gain on disposal of a subsidiary | **–** | (11,984) |
| Gain on disposal of associates | **(195)** | – |
| Share of results of associates | **–** | 356 |
| Exchange differences | **91** | (62) |
| Changes in working capital: | | |
| Financial assets at FVPL | **14,567** | 42,935 |
| Trade and other receivables | **(4,892)** | (9,559) |
| Trade and other payables | **6,677** | (36,636) |
| **Cash used in operations** | **(6,218)** | (31,801) |

## 27. OTHER CASH FLOW INFORMATION *(continued)*

### (B) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Details of the changes in the Group's liabilities from financing activities are as follows:

| | Loans from directors HK$'000 | Lease liabilities HK$'000 | Obligations under finance leases HK$'000 |
|---|---|---|---|
| **Year ended 31 December 2019** | | | |
| At the beginning of the reporting period | – | – | 50 |
| Upon adoption of HKFRS 16 | – | 5,865 | (50) |
| Interest expenses | – | 119 | – |
| Exchange adjustments | – | 4 | – |
| **Net cash inflows (outflows)** | | | |
| Loans from directors raised | 2,840 | – | – |
| Repayment of lease liabilities | – | (2,827) | – |
| Interest paid | – | (109) | – |
| **At the end of the reporting period** | 2,840 | 3,052 | – |

| | Obligations under finance leases HK$'000 |
|---|---|
| Year ended 31 December 2018 | |
| At the beginning of the reporting period | 130 |
| Repayment of obligations under finance leases | (77) |
| Exchange adjustments | (3) |
| At the end of the reporting period | 50 |

## 28. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these consolidated financial statements, during the year, the Group had the following transactions with related parties:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| **Nature of transactions** | | |
| Telecommunication service income from an associate | **450** | – |
| Sundry income from associates | **145** | 273 |
| Management fee expenses to an associate | **1,095** | 2,482 |
| IT Supporting fee expense to an associate | **72** | 79 |
| Interest income from loan receivable from a non-controlling interest of a subsidiary | **504** | – |

(b) Remuneration for key management personnel (including directors) of the Group:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Salaries, bonus, allowances and other short-term benefits | **6,000** | 6,315 |
| Contributions to defined contribution plans | **187** | 208 |
| | **6,187** | 6,523 |

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise Designated FVOCI, financial assets at FVPL, pledged bank deposits, bank balances and cash. The main purpose of these financial instruments is to raise or maintain financial resources for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables and lease liabilities which arise directly from its business activities.

| | Financial assets at amortised cost HK$'000 | Financial assets at FVPL HK$'000 | Designated FVOCI HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **As at 31 December 2019** | | | | |
| **Assets as per consolidated statement of financial position** | | | | |
| Designated FVOCI | – | – | 2,384 | 2,384 |
| Financial assets at FVPL | – | 1,571 | – | 1,571 |
| Trade and other receivables | 10,174 | – | – | 10,174 |
| Pledged bank deposits | 738 | – | – | 738 |
| Bank balances and cash | 6,672 | – | – | 6,672 |
| | 17,584 | 1,571 | 2,384 | 21,539 |

| | Financial liabilities at amortised cost HK$'000 |
|---|---|
| **Liabilities as per consolidated statement of financial position** | |
| Trade and other payables | 73,981 |
| Lease liabilities | 3,052 |
| | 77,033 |

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

| | Financial assets at amortised cost HK$'000 | Financial assets at FVPL HK$'000 | Designated FVOCI HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **As at 31 December 2018** | | | | |
| **Assets as per consolidated statement of financial position** | | | | |
| Designated FVOCI | – | – | 2,663 | 2,663 |
| Financial assets at FVPL | – | 131,254 | – | 131,254 |
| Trade and other receivables | 40,337 | – | – | 40,337 |
| Pledged bank deposits | 885 | – | – | 885 |
| Bank balances and cash | 13,915 | – | – | 13,915 |
| | 55,137 | 131,254 | 2,663 | 189,054 |

| | Financial liabilities at amortised cost HK$'000 |
|---|---|
| **Liabilities as per consolidated statement of financial position** | |
| Trade and other payables | 64,430 |
| Obligations under finance leases | 50 |
| | 64,480 |

The main risks arising from the Group's financial instruments are market risk (including equity price risk and foreign currency risk), credit risk and liquidity risk. The Group generally adopts conservative strategies on the Group's risk management and limits the Group's exposure to these risks to a minimum. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The key policies on monitoring and controlling these risks are set out below.

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### (A) EQUITY PRICE RISK

The Group is exposed to price risks arising from equity investments held under financial assets at FVPL amounted to HK$1,448,000 (2018: HK$129,806,000), which are held for trading purposes.

The Group is also exposed to price risk arising from Designated FVOCI amounted to HK$2,384,000 (2018: HK$2,663,000), which are held for strategic rather than trading purposes.

The sensitivity analysis has been determined based on the exposure to equity price risk of equity investments under financial assets at FVPL. At the end of the reporting period, if the equity price had been 15% (2018: 15%) higher or lower while all other variables were held constant, the Group's net loss would decrease or increase by approximately HK$217,000 (2018: HK$19,471,000) due to change in the fair value of financial assets at FVPL.

The sensitivity analysis has also been determined based on the exposure to equity price risk of equity investments under Designated FVOCI. At the end of the reporting period, if the equity price to the valuation model had been 10% (2018: 10%) higher or lower while all other variables were held constant, the Group's net loss would have been unaffected since these equity investments are classified as Designated FVOCI. Investment revaluation reserve would increase or decrease by HK$238,000 (2018: HK$266,000) as a result of changes in fair value of Designated FVOCI.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to the exposure to equity price risk in existence at that date. It is also assumed that the fair values of the Group's investments would change in accordance with the historical correlation with the relevant stock market index or the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the next annual end of the reporting period. The analysis is performed on the same basis for 2018.

### (B) FOREIGN CURRENCY RISK

The Company is exposed to foreign currency risk primarily through consideration payable for business combination in 2016 which is denominated in RMB.

At 31 December 2019, if RMB had strengthened/weakened by 5% (2018: 5%) against HK$ with all other variables held constant, the Group's net loss for the year would have been HK$1,768,000 (2018: HK$1,800,000) higher/lower, mainly as a result of foreign currency losses/gains on translation of other payables.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Group's exposure to currency risk for above financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual end of the reporting period. The analysis was performed on the similar basis for 2018.

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### (C) CREDIT RISK

The carrying amount of financial assets recognised on the consolidated statement of financial position, which is net of impairment losses, represents the Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements.

**Trade receivables**

Management of the Group has a credit limit policy in place and exposures to credit risks are monitored on an ongoing basis. In order to minimise credit risk, management of the Group has established credit limits, credit approvals and other monitoring procedures to ensure appropriate actions are taken to recover overdue debts.

The Group's credit terms on sales mainly ranged from 30 to 90 days. Included in trade and other receivables are trade receivables (net of loss allowances) with the following ageing analysis by invoice date:

| | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|
| Less than 1 month | **4,625** | 5,995 |
| 1 to 3 months | **875** | 328 |
| More than 3 months but less than 12 months | **286** | 2,976 |
| More than 12 months | **441** | 307 |
| | **6,227** | 9,606 |

At the end of the reporting period, the Group had a concentration risk as 6% (2018: 27%) and 19% (2018: 69%) of the total trade receivables were made up by the Group's largest customer and the five largest customers' outstanding balances respectively.

The Group's customer base consists of a wide range of clients and the trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL for trade receivables and recognises a loss allowances based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected loss rate used in the provision matrix is calculated for each category based on actual credit loss experience over the past 2 years and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the receivables. There was no change in the estimation techniques or significant assumptions made during the year.

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### (C) CREDIT RISK *(continued)*

**Trade receivables** *(continued)*

The information about the exposure to credit risk and ECL for trade receivables using a provision matrix is summarised below.

| | Telecommunication services | | | | | Financial payment processing solution and software development services and distribution business | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Expected loss rate % | Gross carrying amount HK$'000 | Loss allowances HK$'000 | Credit-impaired | Net carrying amount HK$'000 | Expected loss rate % | Gross carrying amount HK$'000 | Loss allowances HK$'000 | Credit-impaired | Net carrying amount HK$'000 |
| **As at 31 December 2019** | | | | | | | | | | |
| Not past due | **–** | **4,421** | **–** | **No** | **4,421** | **–** | **–** | **–** | **No** | **–** |
| Less than 3 months past due | **24** | **1,608** | **(392)** | **No** | **1,216** | **–** | **–** | **–** | **No** | **–** |
| More than 3 months but less than 12 months past due | **54** | **639** | **(344)** | **No** | **295** | **100** | **560** | **(560)** | **Yes** | **–** |
| More than 12 months past due | **94** | **4,695** | **(4,400)** | **Yes** | **295** | **100** | **3,636** | **(3,636)** | **Yes** | **–** |
| | | **11,363** | **(5,136)** | | **6,227** | | **4,196** | **(4,196)** | | **–** |
| **As at 31 December 2018** | | | | | | | | | | |
| Not past due | – | 4,881 | – | No | 4,881 | – | 1,026 | – | No | 1,026 |
| Less than 3 months past due | 6 | 577 | (35) | No | 542 | – | – | – | No | – |
| More than 3 months but less than 12 months past due | 36 | 261 | (95) | No | 166 | – | 2,675 | – | No | 2,675 |
| More than 12 months past due | 94 | 4,883 | (4,567) | Yes | 316 | – | – | – | No | – |
| | | 10,602 | (4,697) | | 5,905 | | 3,701 | – | | 3,701 |

The Group does not hold any collateral over trade receivables as at 31 December 2019 and 2018.

At the end of the reporting period, the Group recognised loss allowances of HK$9,332,000 (2018: HK$4,697,000) on the trade receivables. The movement in the loss allowances for trade receivables during the year is summarised below.

| | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|
| At the beginning of the reporting period | **4,697** | 4,163 |
| Increase in allowance | **4,784** | 556 |
| Amount write off as uncollectible | **(86)** | – |
| Exchange adjustments | **(63)** | (22) |
| **At the end of the reporting period** | **9,332** | 4,697 |

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### (C) CREDIT RISK *(continued)*

**Other receivables**

Management has credit risk policies in place for the amount due from other debtors, securities broker, an associate and loan receivable from a non-controlling and the exposure to the credit risk is monitored on an ongoing basis. Also, the Group has other monitoring procedures to ensure that follow-up action is promptly taken to recover overdue debts.

In estimating the ECL and in determining whether there is a significant increase in credit risk since initial recognition and whether the financial asset is credit-impaired, the Group has taken into account the historical actual credit loss experience for the debtors and the financial position of the counterparties by reference to, among others, their management or audited accounts and available press information, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. There was no change in the estimation techniques or significant assumptions made during the year.

The Group has established the other receivables credit risk classification system and performs credit risk management based on other receivable classification in one of two categories of internal credit rating. The information about the ECL for the other receivables as at 31 December 2019 is summarised below. After considering the above factors, loss allowances of HK$31,349,000 were recognised during the year ended 31 December 2019 (2018: HK$45,720,000). As at 31 December 2019, loss allowances amounted to HK$30,952,000 (2018: HK$43,433,000).

**At 31 December 2019**

| Internal credit rating | Gross carrying amount HK$'000 | ECL | Loss allowances HK$'000 | Net carrying amount HK$'000 |
|---|---|---|---|---|
| Performing *(note i)* | **1,967** | **12-month** | **–** | **1,967** |
| Underperforming *(note ii)* | **11,937** | **Lifetime** | **(9,957)** | **1,980** |
| Not performing (credit impaired) *(note iii)* | **20,995** | **Lifetime** | **(20,995)** | **–** |
| | **34,899** | | **(30,952)** | **3,947** |

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### (C) CREDIT RISK *(continued)*

**Other receivables** *(continued)*

At 31 December 2018

| Internal credit rating | Gross carrying amount HK$'000 | ECL | Loss allowances HK$'000 | Net carrying amount HK$'000 |
|---|---|---|---|---|
| Performing *(note i)* | 30,731 | 12-month | – | 30,731 |
| Underperforming *(note ii)* | – | Lifetime | – | – |
| Not performing (credit impaired) *(note iii)* | 43,433 | Lifetime | (43,433) | – |
| | 74,164 | | (43,433) | 30,731 |

*Notes:*

*(i) Performing (Normal Credit Quality) refers to the other receivables that have not had a significant increase in credit risk and ECL in the next 12 months will be recognised.*

*(ii) Underperforming (Significant Increase in Credit Risk) refers to the other receivables that have had a significant increase in credit risk and for which the lifetime ECL will be recognised.*

*(iii) Not performing (credit impaired) refers to the other receivables that have had past due or it become probable that a debtor will enter into bankruptcy, for which the lifetime ECL will be recognised.*

The movement in the loss allowances for the balances during the year is summarised below.

| | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|
| At the beginning of the reporting period | **43,433** | – |
| Increase in allowances | **31,349** | 45,720 |
| Amount write off as deregistration of the debtor *(note 18(b))* | **(43,433)** | – |
| Exchange adjustments | **(397)** | (2,287) |
| At the end of the reporting period | **30,952** | 43,433 |

**Cash at banks**

The credit risk on cash at banks balances is limited because majority of the counterparties are financial institutions with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation. No loss allowances were recognised for years ended 31 December 2019 and 2018.

## 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

### (D) LIQUIDITY RISK

Individual operating units within the Group are responsible for their own cash management. To minimise liquidity risks, management of the Group regularly reviews the current and expected liquidity requirements of operating units to ensure they maintain sufficient reserves of cash to meet operational needs so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities to meet their liquidity requirements in the short and longer terms.

The maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted payments is summarised below.

| | On demand HK$'000 | Less than 3 months HK$'000 | 3 to 12 months HK$'000 | Total contractual undiscounted cash flow HK$'000 | Total carrying value HK$'000 |
|---|---|---|---|---|---|
| **As at 31 December 2019** | | | | | |
| Trade and other payables | **69,523** | **3,935** | **523** | **73,981** | **73,981** |
| Lease liabilities | **503** | **847** | **1,729** | **3,079** | **3,052** |
| Bank guarantee commitments | **526** | **–** | **–** | **526** | **–** |
| | **70,552** | **4,782** | **2,252** | **77,586** | **77,033** |
| As at 31 December 2018 | | | | | |
| Trade and other payables | 19,542 | 5,363 | 39,525 | 64,430 | 64,430 |
| Obligations under finance leases | – | 33 | 21 | 54 | 50 |
| Bank guarantee commitments | 667 | – | – | 667 | – |
| | 20,209 | 5,396 | 39,546 | 65,151 | 64,480 |

## 30. FAIR VALUE MEASUREMENTS

The following presents the Group's financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy as defined in HKFRS 13, *Fair Value Measurement*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

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

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

- Level 3 (lowest level): unobservable inputs for the asset or liability.

## 30. FAIR VALUE MEASUREMENTS *(continued)*

### (A) ASSETS MEASURED AT FAIR VALUE

| | Level 1<br>HK$'000 | Level 2<br>HK$'000 | Level 3<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|
| **As at 31 December 2019** | | | | |
| **Designated FVOCI** | | | | |
| Unlisted equity securities | **–** | **–** | **2,384** | **2,384** |
| **Financial assets at FVPL** | | | | |
| Equity investments listed in Hong Kong | **1,448** | **–** | **–** | **1,448** |
| Unlisted investment fund | **–** | **–** | **123** | **123** |
| | **1,448** | **–** | **2,507** | **3,955** |
| As at 31 December 2018 | | | | |
| **Designated FVOCI** | | | | |
| Unlisted equity securities | – | – | 2,663 | 2,663 |
| **Financial assets at FVPL** | | | | |
| Equity investments listed in Hong Kong | 129,806 | – | – | 129,806 |
| Unlisted investment fund | – | – | 1,448 | 1,448 |
| | 129,806 | – | 4,111 | 133,917 |

During the years ended 31 December 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

## 30. FAIR VALUE MEASUREMENTS *(continued)*

### (A) ASSETS MEASURED AT FAIR VALUE *(continued)*

**Movements in Level 3 fair value measurements**

| | Designated FVOCI | | Financial assets at FVPL | | | |
|---|---|---|---|---|---|---|
| | Unlisted equity securities | | Unlisted investment fund | | Total | |
| | **2019 HK$'000** | 2018 HK$'000 | **2019 HK$'000** | 2018 HK$'000 | **2019 HK$'000** | 2018 HK$'000 |
| At the beginning of the reporting period | **2,663** | – | **1,448** | – | **4,111** | – |
| Transfer from available-for-sale financial assets to Designated FVOCI at initial application of HKFRS 9 | **–** | 2,632 | **–** | – | **–** | 2,632 |
| Purchases | **–** | 86 | **3,013** | 16,564 | **3,013** | 16,650 |
| Redemption | **–** | – | **(4,358)** | (15,262) | **(4,358)** | (15,262) |
| Total gains (losses) | | | | | | |
| – in profit or loss | **–** | – | **20** | 146 | **20** | 146 |
| – in other comprehensive income | **(279)** | (55) | **–** | – | **(279)** | (55) |
| **At the end of the reporting period** | **2,384** | 2,663 | **123** | 1,448 | **2,507** | 4,111 |
| Change in unrealised gains or losses for the year included in | | | | | | |
| – profit or loss for assets held at the end of the reporting period | **–** | – | **20** | 146 | **20** | 146 |
| – Other comprehensive income | **(279)** | (55) | **–** | – | **(279)** | (55) |

## 30. FAIR VALUE MEASUREMENTS *(continued)*

### (A) ASSETS MEASURED AT FAIR VALUE *(continued)*

**Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement**

The quantitative information of the significant unobservable input and description of valuation techniques used in Level 3 fair value measurement, including the description of the sensitivity to changes in unobservable inputs for recurring Level 3 fair value measurements, are as follows:

| Description | Fair value at 31 December 2019 HK$'000 | Fair value at 31 December 2018 HK$'000 | Valuation techniques | Unobservable input | Range (weighted average, if applicable) | Sensitivity of fair value to changes in unobservable inputs |
|---|---|---|---|---|---|---|
| *Assets* | | | | | | |
| Financial assets at FVPL | | | | | | |
| – unlisted fund investments | **123** | 1,448 | Discounted cash flow | Interest rate | 3.1% (2018: 3.3%) | Increasing/ decreasing interest rate by 100 basis points (2018: 100 basis points) would increase/decrease fair value by approximately HK$1,000. (2018: 14,000) |
| Designated FVOCI | | | | | | |
| – unlisted equity securities | **2,384** | 2,663 | Net asset values as reported by management of investee companies | n/a | n/a | n/a |

**Valuation processes of the Group**

The fair values of assets and liabilities traded in active markets (such as equity investments at FVPL) are based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price quoted by source of market prices e.g. stock exchanges.

The fair values of assets and liabilities that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows and net asset value, are used to determine fair value for other assets and liabilities.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

### (B) FINANCIAL ASSETS AND LIABILITIES CARRIED AT OTHER THAN FAIR VALUE

The carrying amount of the Company's other receivables and other payables that are carried at cost or amortised cost are not materially different from their fair value as at the end of the reporting period.

## 31. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard its ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure to maintain a balance between liquidity, investment and borrowings, and makes adjustments, including payment of dividends to shareholders or issues new shares in the light of changes in the economic environment. No changes were made in the Group's objectives, policies or processes in managing capital during the years ended 31 December 2019 and 2018.

## 32. COMMITMENTS AND CONTINGENCIES

### CAPITAL EXPENDITURE COMMITMENTS

Other than those disclosed in note 14(ii) to the consolidated financial statements, the Group had no other significant capital commitments at the end of the reporting period (2018: Nil).

## 33. SEGMENT INFORMATION

The Group's management, who are the chief operating decision makers, determine the operating segments for the purposes of resource allocation and performance assessment. The business segments of the Group comprise telecommunication services, financial payment processing solution and software development services and distribution business through e-commerce platform and property development and tourism.

Segment results represent the results before taxation earned by each segment without allocation of central operating and administrative expenses. All assets are allocated to reportable segments other than unallocated assets which are mainly financial assets at FVPL and bank balances and cash. All liabilities are allocated to reportable segments other than corporate liabilities.

Analyses of the Group's segmental information by business and geographical segments during the year are set out below.

### (A) BY BUSINESS SEGMENTS

**Segment results for the year ended 31 December 2019**

| | Tele-communication services HK$'000 | Financial payment processing solution and software development services and distribution business HK$'000 | Property development and tourism HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Revenue** | | | | |
| External sales | 75,054 | 4,156 | – | 79,210 |
| **Results** | | | | |
| Segment results | (5,347) | (70,389) | (22) | (75,758) |
| Finance costs | (34) | – | – | (34) |
| | (5,381) | (70,389) | (22) | (75,792) |
| Unallocated other operating income and expenses | | | | (158,323) |
| **Loss before taxation** | | | | (234,115) |

## 33. SEGMENT INFORMATION *(continued)*

### (A) BY BUSINESS SEGMENTS *(continued)*

**Segment assets and liabilities as at 31 December 2019**

| | Tele-communication services HK$'000 | Financial payment processing solution and software development services and distribution business HK$'000 | Property development and tourism HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Assets before following items: | 11,000 | 365 | 108 | 11,473 |
| Interests in associates | – | – | 56,079 | 56,079 |
| Segment assets | 11,000 | 365 | 56,187 | 67,552 |
| Unallocated assets | | | | 12,959 |
| | | | | 80,511 |
| **Liabilities** | | | | |
| Segment liabilities | (10,872) | (1,211) | (188) | (12,271) |
| Unallocated liabilities | | | | (66,341) |
| | | | | (78,612) |

## 33. SEGMENT INFORMATION *(continued)*

### (A) BY BUSINESS SEGMENTS *(continued)*

**Other segment information for the year ended 31 December 2019**

| | Tele-communication services HK$'000 | Financial payment processing solution and software development services and distribution business HK$'000 | Property development and tourism HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Capital expenditures | 94 | – | – | 1 | 95 |
| Interest income | 9 | 524 | – | 132 | 665 |
| Amortisation and depreciation | (568) | (14,942) | – | (3,307) | (18,817) |
| Loss allowances on | | | | | |
| – Trade receivables | (513) | (4,271) | – | – | (4,784) |
| – Other receivables | (1,175) | (22,626) | – | (7,548) | (31,349) |
| Impairment losses on property, plants and equipment | (94) | – | – | – | (94) |
| Impairment losses on right-of-use assets | (238) | – | – | (2,279) | (2,517) |
| Impairment losses on intangible assets | – | (32,393) | – | – | (32,393) |
| Impairment losses on goodwill | – | (7,341) | – | – | (7,341) |
| Financial assets at FVPL – net loss on disposal and fair value changes | – | – | – | (60,593) | (60,593) |
| Financial assets at FVPL held at the end of the year – net loss on fair value changes | – | – | – | (54,523) | (54,523) |
| Gain on disposal of property, plant and equipment | 5 | – | – | 227 | 232 |
| Gain on disposal of interest in associates | – | – | – | 195 | 195 |
| Lease expenses on short-term lease | – | (38) | – | (866) | (904) |

## 33. SEGMENT INFORMATION *(continued)*

### (A) BY BUSINESS SEGMENTS *(continued)*

**Segment results for the year ended 31 December 2018**

| | Tele-communication services HK$'000 | Financial payment processing solution and software development services and distribution business HK$'000 | Property development and tourism HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Revenue** | | | | |
| External sales | 46,107 | 21,813 | – | 67,920 |
| **Results** | | | | |
| Segment results | (5,962) | (48,269) | 135 | (54,096) |
| Net gain on disposal of a subsidiary | 11,984 | – | – | 11,984 |
| Finance costs | (7) | – | – | (7) |
| Share of results of associates | (280) | – | (76) | (356) |
| | 5,735 | (48,269) | 59 | (42,475) |
| Unallocated other operating income and expenses | | | | 27,352 |
| **Loss before taxation** | | | | (15,123) |

## 33. SEGMENT INFORMATION *(continued)*

### (A) BY BUSINESS SEGMENTS *(continued)*

**Segment assets and liabilities as at 31 December 2018**

| | Tele-communication services HK$'000 | Financial payment processing solution and software development services and distribution business HK$'000 | Property development and tourism HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Assets before following items: | 15,415 | 23,423 | 106 | 38,944 |
| Intangible assets | – | 47,771 | – | 47,771 |
| Goodwill | – | 7,341 | – | 7,341 |
| Interests in associates | – | – | 57,081 | 57,081 |
| Segment assets | 15,415 | 78,535 | 57,187 | 151,137 |
| Unallocated assets | | | | 154,566 |
| Assets | | | | 305,703 |
| **Liabilities** | | | | |
| Segment liabilities | (10,710) | (12,289) | (177) | (23,176) |
| Unallocated liabilities | | | | (53,782) |
| | | | | (76,958) |

# 33. SEGMENT INFORMATION *(continued)*

## (A) BY BUSINESS SEGMENTS *(continued)*

**Other segment information for the year ended 31 December 2018**

| | Tele-communication services HK$'000 | Financial payment processing solution and software development services and distribution business HK$'000 | Property development and tourism HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| Capital expenditures | 435 | – | 62,248 | 56 | 62,739 |
| Interest income | 4 | 149 | 2 | 78 | 233 |
| Amortisation and depreciation | (438) | (15,729) | – | (2,341) | (18,508) |
| Bad debts write off on trade receivables | (28) | – | – | – | (28) |
| Loss allowances on | | | | | |
| – Trade receivables | (556) | – | – | – | (556) |
| – Other receivables | – | (45,720) | – | – | (45,720) |
| Impairment losses on property, plants and equipment | (385) | – | – | – | (385) |
| Impairment losses on goodwill | – | (5,089) | – | – | (5,089) |
| Impairment losses on investment in a joint venture | – | (337) | – | – | (337) |
| Financial assets at FVPL – net gain on disposal and fair value changes | – | – | – | 17,800 | 17,800 |
| Financial assets at FVPL held at the end of the year – net gain on fair value changes | – | – | – | 54,431 | 54,431 |
| Write off of property, plant and equipment | – | – | – | (138) | (138) |
| Gain on disposal of property, plant and equipment | 12 | – | – | 20 | 32 |
| Operating lease charges on premises | 984 | 73 | – | 17,600 | 18,657 |

## 33. SEGMENT INFORMATION *(continued)*

### (B) BY GEOGRAPHICAL INFORMATION

The Group's operations are principally located in Hong Kong, Singapore and the PRC. The following table provides an analysis of the Group's revenue from external customers by geographical market in which the transactions are located:

| | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|
| Hong Kong | **29,201** | 18,431 |
| The PRC | **4,156** | 21,813 |
| Singapore | **45,853** | 27,676 |
| | **79,210** | 67,920 |

The following is an analysis of the carrying amounts of non-current assets (excluding financial instruments) by geographical area in which the assets are located:

| | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|
| Hong Kong | **202** | 1,262 |
| The PRC | **–** | 55,112 |
| | **202** | 56,374 |

### (C) INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from external customers contributing 10% or more of the revenue from the telecommunication services segment is as follows:

| | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|
| Customer A | **26,591** | 15,677 |
| Customer B | **9,077** | – |

## 34. PLEDGE OF ASSETS

Except for pledged bank deposits, the Group had no significant pledge of assets as at 31 December 2019 and 2018.

## 35. EVENTS AFTER THE REPORTING PERIOD

### (A) IMPACT OF CORONAVIRUS DISEASE 2019 ("COVID-19")

In view of the outbreak of COVID-19 in January 2020 in the PRC, the PRC authority has taken nation-wide prevention and control measures. The COVID-19 has certain impacts on the business operation of the Group and the global economy in general. The extent of such impacts depends on the duration of the pandemic and the implementation of regulatory policies and relevant protective measures. The Group would closely monitor the development and status of the outbreak of the COVID-19 and continue to assess its impacts on the financial position and operating results of the Group and take necessary actions to mitigate any potential impact brought by the outbreak of COVID-19.

At the date of authorisation of these consolidated financial statements, the Group was unable to reliably estimate the financial impact of the outbreak of COVID-19.

**(B)** On 13 May 2020, the Group has entered into a sales and purchase agreement to dispose of a wholly-owned subsidiary, which in turn held the Group's entire equity interest in associates, Wusu Company and Yibin Company, at an aggregate consideration of RMB50,000,000. Further detail of the disposal has been set out in the announcement dated 13 May 2020.

As at the date of authorisation of these consolidated financial statements, in addition to disclosure elsewhere in these consolidated financial statements, there is no significant subsequent event of the Group after the reporting period.

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Pursuant to the disclosure requirements of the HKCO, the statement of financial position of the Company and the movements in its reserves are set out below:

| | *Notes* | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **178** | 376 |
| Right-of-use assets | | **–** | – |
| Interests in subsidiaries | | **101,974** | 214,523 |
| | | **102,152** | 214,899 |
| **Current assets** | | | |
| Other receivables | | **5,041** | 8,028 |
| Pledged bank deposits | | **79** | 79 |
| Bank balances and cash | | **269** | 590 |
| | | **5,389** | 8,697 |
| **Current liabilities** | | | |
| Other payables | | **9,492** | 3,697 |
| Due to subsidiaries | | **156,714** | 144,603 |
| Loans from directors | | **2,840** | – |
| Lease liabilities | | **2,771** | – |
| | | **171,817** | 148,300 |
| **Net current liabilities** | | **(166,428)** | (139,603) |
| **NET (LIABILITIES) ASSETS** | | **(64,276)** | 75,296 |
| **Capital and reserves** | | | |
| Share capital | *24* | **10,503** | 10,503 |
| Reserves | *36(a)* | **(74,779)** | 64,793 |
| **TOTAL (DEFICIT) EQUITY** | | **(64,276)** | 75,296 |

*This statement of financial position was approved and authorised for issue by the Board of Directors on 15 May 2020 and signed on its behalf by*

**Zhao Ruiyong**
*Director*

**Li Bing**
*Director*

## 36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

### (A) MOVEMENTS OF THE RESERVES

| | **Share premium** HK$'000 *(Note 26(a))* | **Capital redemption reserve** HK$'000 *(Note 26(d))* | **Contributed surplus** HK$'000 *(Note 26(f))* | **Accumulated losses** HK$'000 | **Total** HK$'000 |
|---|---|---|---|---|---|
| As at 1 January 2018 | 241,329 | 25 | 83,489 | (272,913) | 51,930 |
| Loss for the year and total comprehensive loss for the year | – | – | – | (36,111) | (36,111) |
| Transactions with equity holders of the Company | | | | | |
| *Contributions and distributions:* | | | | | |
| Shares issued upon placing, net of expenses | 48,974 | – | – | – | 48,974 |
| As at 31 December 2018 | 290,303 | 25 | 83,489 | (309,024) | 64,793 |
| As at 1 January 2019 | **290,303** | **25** | **83,489** | **(309,024)** | **64,793** |
| Loss for the year and total comprehensive loss for the year | **–** | **–** | **–** | **(139,572)** | **(139,572)** |
| **As at 31 December 2019** | **290,303** | **25** | **83,489** | **(448,596)** | **(74,779)** |

# SUMMARY OF RESULTS, ASSETS AND LIABILITIES OF THE GROUP

| | Results of the Group for the five years ended 31 December | | | | |
|---|---|---|---|---|---|
| | Continued and discontinued operations | | | | |
| | **2019** | 2018 | 2017 | 2016 | 2015 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Revenue** | **79,210** | 67,920 | 71,675 | 78,917 | 70,115 |
| **(Loss) Profit before taxation** | **(234,115)** | (15,123) | (16,546) | (79,559) | 1,110 |
| **Taxation credits (charges)** | **8,943** | (1,025) | (725) | (1,455) | 93 |
| **(Loss) Profit for the year** | **(225,172)** | (16,148) | (17,271) | (81,014) | 1,203 |
| | **HK cents** | HK cents | HK cents | HK cents | HK cents |
| **(Loss) Earnings per share** | | | | | |
| Basic and diluted | **(20.9)** | (1.2) | (1.8) | (10.6) | 0.6 |

| | Assets and liabilities of the Group as at 31 December | | | | |
|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | 2016 | 2015 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Non-current assets** | **58,665** | 116,118 | 96,048 | 138,852 | 21,477 |
| **Current assets** | **21,846** | 189,585 | 242,475 | 170,455 | 231,452 |
| **Total assets** | **80,511** | 305,703 | 338,523 | 309,307 | 252,929 |
| **Non-current liabilities** | **–** | 9,666 | 14,791 | 16,939 | 1,017 |
| **Current liabilities** | **78,612** | 67,292 | 115,401 | 86,115 | 23,824 |
| **Total liabilities** | **78,612** | 76,958 | 130,192 | 103,054 | 24,841 |
| **Net assets** | **1,899** | 228,745 | 208,331 | 206,253 | 228,088 |

# SHAREHOLDER INFORMATION

## SHAREHOLDER ENQUIRIES

Any enquiries relating to your shareholding, for example transfer of shares, change of name or address, or lost share certificates, should be sent to:

Principal Share Registrar and Transfer Office in Bermuda:
MUFG Fund Services (Bermuda) Limited
4th floor North Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

Branch Share Registrar and Transfer Office in Hong Kong:
Tricor Secretaries Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

## INVESTOR RELATIONS

Enquiries may be directed to:

Investor Relations
Great Wall Belt & Road Holdings Limited
Suite 1402, 14/F
Henley Building
No.5 Queen's Road Central
Central
Hong Kong

Telephone: +852 2522 3800
Facsimile: +852 2111 2665
Email: investor@gwbrhk.com

## CORPORATE COMMUNICATIONS

On 15 September 2003, the Company sent a letter to its shareholders (the "Shareholders") to enable them to select, among others, to receive all future corporate communications of the Company in either the English language or the Chinese language or both languages. This annual report, in either the English language or the Chinese language or both languages, is being delivered to each Shareholder in accordance with his/her selection made or, if no selection has been made by Shareholder, the arrangement as set forth in the said letter.

The Shareholders may also obtain this annual report in the language other than that he/she now receives upon request to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. For further enquiries, please contact Tricor Secretaries Limited at telephone no. 2980 1333 or facsimile no. 2861 1465.

股東亦可向本公司之股份過戶登記處香港分處卓佳秘書商務有限公司(地址為香港皇后大道東183號合和中心54樓)索取本年報之另一語言文本。如欲查詢更多資料,請聯絡卓佳秘書商務有限公司,電話號碼為2980 1333,傳真號碼為2861 1465。

This annual report, in both the English and the Chinese languages and in accessible format, has been made available on the Company's website and a soft copy thereof has been submitted to Hong Kong Exchanges and Clearing Limited.

The Shareholders may at any time choose to receive corporate communications in printed form or electronically.

In order to select to receive corporate communications of the Company in the English language or the Chinese language or both languages, or to receive electronic communications, or to revoke or amend an instruction previously made, the Shareholders may complete, sign and return to the Company or Tricor Secretaries Limited, the Company's branch share registrar and transfer office in Hong Kong, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong a prescribed instruction slip by mail or by email to greatwallbr524-ecom@hk.tricorglobal.com, a copy of which is printed at the end of this annual report and is available on the Company's website (www.gwbrhk.com).

# INSTRUCTION SLIP
# ON RECEIVING FUTURE CORPORATE COMMUNICATIONS

**To: Great Wall Belt & Road Holdings Limited (the "Company")**
**c/o Tricor Secretaries Limited**
**Level 54**
**Hopewell Centre**
**183 Queen's Road East**
**Hong Kong**

***Please tick only one box of this instruction slip***

**1. PRINTED FORM**

*(a) Full Financial Reports and other Corporate Communications (English, Chinese or both)*

In future,

☐ I/We would like to receive the printed copies of Full Financial Reports and other Corporate Communications in the English language only; OR

☐ I/We would like to receive the printed copies of Full Financial Reports and other Corporate Communications in the Chinese language only; OR

☐ I/We would like to receive the printed copies of Full Financial Reports and other Corporate Communications in both the English and Chinese languages.

*(b) Summary Financial Reports and other Corporate Communications (English, Chinese or both)*

In future,

☐ I/We would like to receive the printed copies of Summary Financial Reports (if available) and other Corporate Communications in the English language only; OR

☐ I/We would like to receive the printed copies of Summary Financial Reports (if available) and other Corporate Communications in the Chinese language only; OR

☐ I/We would like to receive the printed copies of Summary Financial Reports (if available) and other Corporate Communications in both the English and Chinese languages.

**2. ELECTRONIC MEANS**

☐ In future, I/we would like to receive the Corporate Communications through electronic means in lieu of any or all of the printed copies referred to in 1(a) and (b) above:

My/Our E-mail Address: ______________________________

*(for notification of Corporate Communication release)*

☐ I/We would like to change my/our E-mail Address as follows:

My/Our New E-mail Address: ______________________________

*(for notification of Corporate Communication release)*

With effect from: ______________________________

Signature: ______________________ Date: ______________________

Name of Shareholder: ______________________________

Address: ______________________________

Contact telephone number: ______________________________

*Notes:*

1. The above instruction will apply to all future Corporate Communications to be sent to the shareholders of the Company (the "Shareholders") until you notify the Company the otherwise by reasonable notice in writing.

2. All future Corporate Communications in both the English and Chinese languages will be available from the Company or Tricor Secretaries Limited, the Company's Branch Share Registrar and Transfer office in Hong Kong, upon request.

3. The Shareholders are entitled to change the choice of language of and means of receiving Corporate Communications at any time by completing, signing and returning this instruction slip to the Company or Tricor Secretaries Limited, the Company's Branch Share Registrar and Transfer Office in Hong Kong, by mail or by email to *greatwallbr524-ecom@hk.tricorglobal.com*.

4. A soft copy of this instruction slip is available on the Company's website.

## 關於將來收取公司通訊之
## 指示回條

**致： 長城一帶一路控股有限公司(「本公司」)**
**由卓佳秘書商務有限公司轉交**
**香港**
**皇后大道東183號**
**合和中心**
**54樓**

***請只在指示回條中一個方格內劃上✓號***

**1. 印刷形式**

*(a) 完整財務報告及其他公司通訊(英文、中文或中英文)*

於將來，

☐ 本人╱吾等願意僅收取完整財務報告及其他的公司通訊之英文印刷版本；或

☐ 本人╱吾等願意僅收取完整財務報告及其他的公司通訊之中文印刷版本；或

☐ 本人╱吾等願意收取完整財務報告及其他的公司通訊之中英文印刷版本。

*(b) 財務摘要報告及其他公司通訊(英文、中文或中英文)*

於將來，

☐ 本人╱吾等願意僅收取財務摘要報告(如有)及其他的公司通訊之英文印刷版本；或

☐ 本人╱吾等願意僅收取財務摘要報告(如有)及其他的公司通訊之中文印刷版本；或

☐ 本人╱吾等願意收取財務摘要報告(如有)及其他的公司通訊之中英文印刷版本。

**2. 電子形式**

☐ 於將來，本人╱吾等願意以電子形式收取公司通訊以代替上文1(a)及(b)段所述之任何或所有印刷文本：

本人╱吾等之電郵地址：______________________________

*(通知發佈公司通訊適用)*

☐ 本人╱吾等願意更改本人╱吾等之電郵地址如下：

本人╱吾等之新電郵地址：______________________________

*(通知發佈公司通訊適用)*

生效日期：______________________________

簽署：______________________ 日期：______________________

股東姓名：______________________________

地址：______________________________

聯絡電話號碼：______________________________

*附註：*

1. 上述指示適用於將來寄發予本公司股東(「股東」)之所有公司通訊，直至 閣下於合理時間以書面通知本公司另作選擇為止。

2. 將來所有公司通訊之中英文版本均在本公司或本公司之股份過戶登記處香港分處卓佳秘書商務有限公司可供索閱。

3. 股東有權於任何時間填妥及簽署本指示回條並以郵寄方式或電郵至*greatwallbr524-ecom@hk.tricorglobal.com*，將其交回本公司或本公司之股份過戶登記處香港分處卓佳秘書商務有限公司，要求更改收取公司通訊之語言版本及形式。

4. 本指示回條之電子格式檔於本公司網頁登載。

長城一帶一路
Great Wall Belt & Road

**Great Wall Belt & Road Holdings Limited**
**長城一帶一路控股有限公司**

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Web: www.gwbrhk.com

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