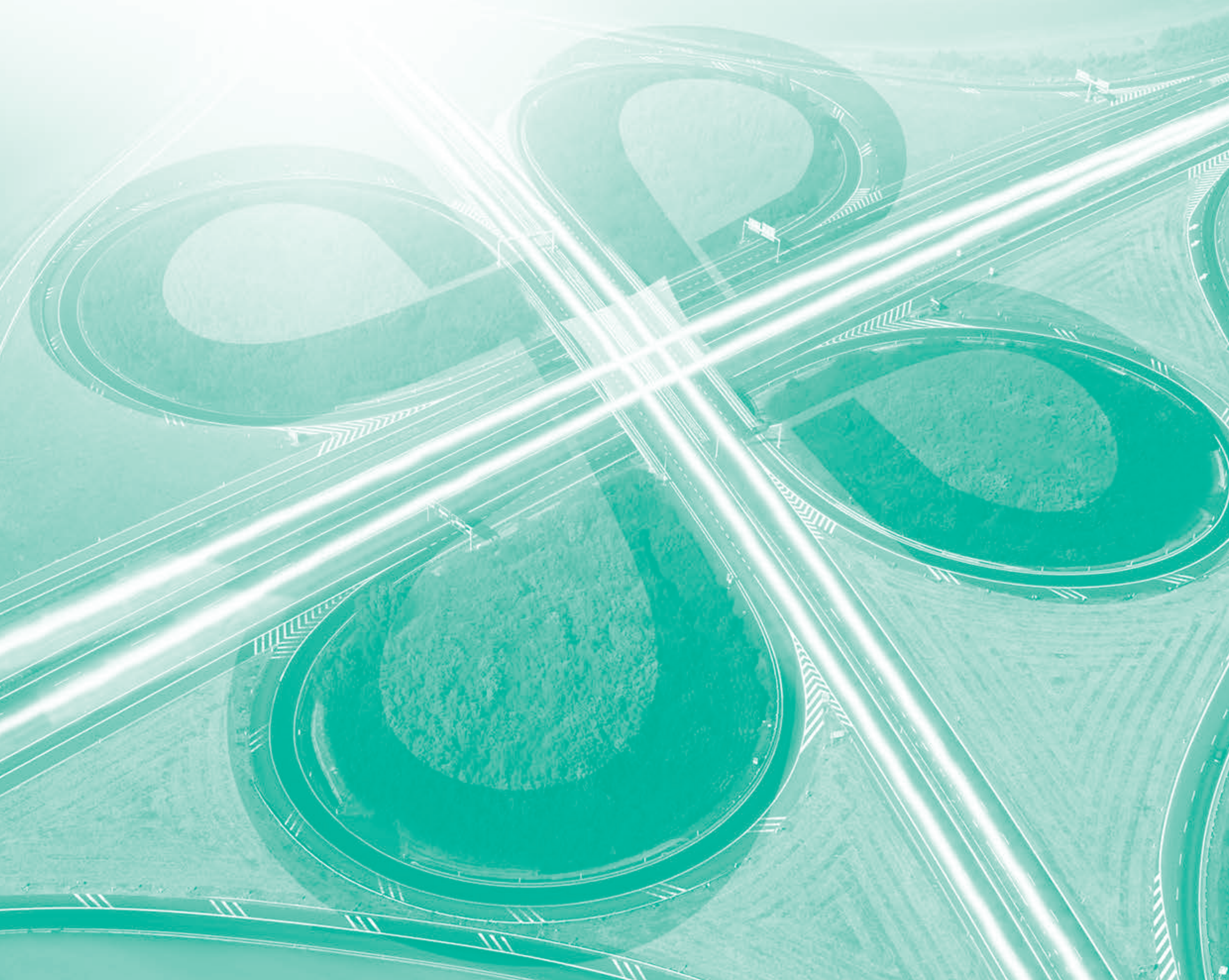
SUNWAY INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00058

Annual Report 2019

Contents



Corporate Information

DIRECTORS

Executive Directors:

Chim Sai Yau, Oscar *(Chairman)*
(appointed on 28 May 2019)
Li Chongyang *(Managing Director)*
Law Chun Choi (appointed on 28 May 2019)
Qi Jiao (resigned on 22 May 2019)
Lam Kai Yeung (resigned on 6 June 2019)
Leung Chi Fai (resigned on 22 May 2019)

Non-executive Directors:

Lum Pak Sum (appointed on 28 May 2019)
Huang Weidong *(Chairman)* (retired on 24 May 2019)

Independent non-executive Directors:

Chan Sung Wai (appointed on 6 June 2019)
Choi Pun Lap (appointed on 28 May 2019)
Tong Leung Sang (appointed on 6 June 2019)
Cong Yongjian (resigned on 6 June 2019)
Lam Huen Sum (resigned on 6 June 2019)
Ng Yuk Lam (resigned on 22 May 2019)

COMPANY SECRETARY

Law Chun Choi (appointed on 6 June 2019)
Lam Kai Yeung (resigned on 6 June 2019)

AUTHORISED REPRESENTATIVES

Law Chun Choi (appointed on 6 June 2019)
Li Chongyang
Lam Kai Yeung (resigned on 6 June 2019)

AUDIT COMMITTEE

Choi Pun Lap *(Chairman)* (appointed on 28 May 2019)
Tong Leung Sang (appointed on 6 June 2019)
Chan Sung Wai (appointed on 6 June 2019)
Ng Yuk Lam *(Chairman)* (resigned on 22 May 2019)
Cong Yongjian (resigned on 6 June 2019)
Lam Huen Sum (resigned on 6 June 2019)

NOMINATION COMMITTEE

Chim Sai Yau, Oscar *(Chairman)*
(appointed on 28 May 2019)
Lum Pak Sum (appointed on 28 May 2019)
Choi Pun Lap (appointed on 28 May 2019)
Tong Leung Sang (appointed on 6 June 2019)
Chan Sung Wai (appointed on 6 June 2019)
Huang Weidong *(Chairman)* (retired on 24 May 2019)
Cong Yongjian (resigned on 6 June 2019)
Lam Kai Yeung (resigned on 6 June 2019)
Lam Huen Sum (resigned on 6 June 2019)
Ng Yuk Lam (resigned on 22 May 2019)

REMUNERATION COMMITTEE

Chan Sung Wai *(Chairman)* (appointed on 6 June 2019)
Choi Pun Lap (appointed on 28 May 2019)
Chim Sai Yau, Oscar
(appointed on 28 May 2019)
Law Chun Choi (appointed on 28 May 2019)
Tong Leung Sang (appointed on 6 June 2019)
Ng Yuk Lam *(Chairman)* (resigned on 22 May 2019)
Huang Weidong (retired on 24 May 2019)
Cong Yongjian (resigned on 6 June 2019)
Lam Huen Sum (resigned on 6 June 2019)
Lam Kai Yeung (resigned on 6 June 2019)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

3/F., Mandarin Commercial House
38 Morrison Hill Road
Wanchai, Hong Kong

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Unit 701, 7/F., Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

LEGAL ADVISERS

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

As to Hong Kong law:
Gallant Solicitors & Notaries
5/F., Jardine House
1 Connaught Place
Central,
Hong Kong

PRINCIPAL BANKERS

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

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

WEBSITE

http://www.hk0058.com

STOCK CODE

The Stock Exchange of Hong Kong Limited: 58

Chairman's Statement

The significant increase in provision for impairment loss of trade receivables, prepayment, deposits and other receivables net of reversal for the year ended 31 December 2019 was mainly due to the default of the relevant loan agreements and guarantee contract by the counterparties. In addition, the loss for the year was also due to the decrease in demand on construction materials resulting from the several weather disruptions to construction sites in Yangjiang City and the decrease in gross profit margin resulting from the increase in cost of raw materials.

Having considered the "One Belt One Road" policy and according to the press release published by Guangdong Provincial Development and Reform Commission of the PRC dated 5 March 2020 highlighting a new round of investment stemming from the construction of new infrastructure. Hence, the development in the domestic infrastructure market in the next few years will continue to provide more market opportunities for related companies. Therefore, despite the adverse impact to the financial position of the Group resulted from the non-recurring impairment loss during the past year, there would be demand and prospects for concrete products.

The recent outbreak of COVID-19 in the PRC had a certain impact on the operations of the Group since early 2020 but the effects on the businesses of the Group would be temporary. The local businesses started to resume in late February 2020 and the Group's operations will gradually restore to normal level in the near future. The Group will continue to pay close attention to the COVID-19 and to evaluate its impact on the financial position, cash flows and operating results of the Group.

Chim Sai Yau, Oscar
Chairman

Hong Kong
27 May 2020

Management Discussion and Analysis

REVIEW OF RESULTS AND OPERATIONS

Construction Materials Business

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

PHC Pile and Others Business

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

Revenue from external customers for FY2019 was HK$356,409,000 compared with HK$403,343,000 reported last year, which decreased by approximately 11.6%. The decrease in revenue for the period was mainly attributable to the down turn on infrastructure market after the completion of relevant governmental projects.

The operations of the PHC Pile and Others Business for FY2019 incurred a segment loss of HK$8,498,000 as compared with a segment profit of HK$27,061,000 reported last year due to the decrease in demand on construction material resulting from the several weather disruption to construction sites in Yangjiang City, the decrease in gross profit margin resulting from increase in cost of raw materials and impairments have been made against long outstanding items in accordance with the valuation report.

PC Steel Bar Business

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

PC Steel Bar Business did not generate revenue during the FY2019. Expenses incurred during the year were mainly staff costs and legal fees for the Zhuhai Factory. Segment loss for FY2019 was HK$358,000 as compared with HK$299,000 reported last year.

Financial Services Business

Financial services business consisted of money lending business in Hong Kong.

Money lending business contributed HK$543,000 to the revenue of the Group during FY2019 (FY2018: HK$11,375,000) which decreased by 95.2% compared with last year and represented interest income from loans granted to customers.

Segment profit for FY2019 was HK$357,000 as compared with segment profit of HK$4,531,000 reported last year.

Reference was made to the announcement of the Company dated 11 February 2020 in relation to the non-renewal of money lenders licence upon its expiry on 11 February 2020.

LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its operations with equity fund raising activities, internally generated cash flow and banking facilities provided by its principal bankers in the PRC. As at 31 December 2019, the total shareholders' equity of the Group was HK$245,778,000, representing a decrease of approximately 54% over last year. As at 31 December 2019, the Group's cash and cash equivalents stood at HK$29,049,000 whereas interest-bearing borrowings were HK$48,790,000. The annual interest rates of the borrowings for FY2019 ranged from 4.2% to 8.12% per annum. The above borrowings were denominated in Hong Kong Dollar and Renminbi. During the year, the Group did not use any financial instruments for any hedging purposes. The gearing ratio, which was computed by dividing the current liabilities and non-current liabilities by equity, was approximately 71.1% as at 31 December 2019.

SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSAL

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

CAPITAL STRUCTURE

Convertible notes

As at 31 December 2019, the Company had convertible notes with principal amount of HK$30,000,000. Based on the opinion obtained from the legal adviser of the Company, the Company maintains the position that all remaining convertible notes of the Company are void and are not capable of converting into shares of the Company.

Share Allotments

On 13 March 2019, the Company entered into a subscription agreement with a subscriber to allot and issue 124,800,000 ordinary shares of HK$0.1 each to the subscriber at a price of HK$0.136 per share. The share allotment was completed on 27 March 2019. The proceeds from the share subscription would be used for general working capital purposes.

On 29 November 2019, the Company entered into a subscription agreement with Wealthy Port Holdings Limited ("**Wealthy Port**"), a substantial shareholder of the Company, which is beneficially owned by Mr. Chim Sai Yau, Oscar, an executive Director of the Company, pursuant to which the Company has conditionally agreed to allot and issue 149,063,676 ordinary shares of HK$0.1 each to Wealthy Port at a price of HK$0.1 per share. The share allotment was completed on 30 March 2020. The proceeds from the share subscription would be used for general working capital purposes.

Share options

As at 12 February 2019, the number of outstanding share options which have not been exercised was 23,880,000, each of which is exercisable at the exercise price of HK$1.682 per share.

As the exercise price of the outstanding share options are comparatively high when compared with the market prices of the shares, which deters the grantees from exercising the outstanding share options to subscribe for the shares, on 12 February 2019, the Company has cancelled all the outstanding share options.

Save as disclosed above, no share options were granted, exercised or lapsed during the year ended 31 December 2019.

* *For identification purposes only*

PLEDGE OF ASSETS

As at 31 December 2019, the Group's certain buildings of HK$43,794,000, certain right-of-use assets of HK$21,441,000 and certain plant and machinery of HK$26,592,000 were used to secure banking facilities for the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had approximately 420 full-time management, administrative, technical and production staff in the PRC and Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group's Directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme.

FOREIGN EXCHANGE AND CURRENCY RISKS

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

COMMITMENT

Save as disclosed in note 37 to the Consolidated Financial Statements, the Group did not have material commitments as at 31 December 2019 and 31 December 2018.

CONTINGENT LIABILITIES

Save as disclosed in note 43 to the Consolidated Financial Statements, the Group did not have material contingent liabilities as at 31 December 2019 and 31 December 2018.

LEGAL PROCEEDINGS

Save as disclosed in note 42 to the Consolidated Financial Statements, the Group did not have material legal proceedings as at 31 December 2019.

PROSPECT

Although the Sino-US trade war has been ongoing since 2018, the dispute has no material impact on the Group's operations. The construction of the new economic belt in PRC will continue to heat up, and there will still be room for development in the domestic infrastructure market in the next few years, providing more market opportunities for related companies. According to the press release published by Guangdong Provincial Development and Reform Commission of the PRC dated 5 March 2020, the province plans to set up 1,230 key projects with a total investment of RMB5.9 trillion, highlighting a new round of investment stemming from the construction of new infrastructure. In addition, according to a guideline jointly issued by the General Office of the Communist Party of China Central Committee of the PRC and the General Office of the State Council of the PRC dated 25 December 2019, restrictions on residence registration will be lifted or relaxed for cities with a residential population of less than five million in urban areas and the settlement policies for mega cities with a residential population of above five million in urban areas will also be improved. The Directors consider that such policies will have positive effects to the construction material industry in PRC and thus can benefit the Group.

The Group will continue to focus its business in the building materials industry. The Group has been committed to expand the business scale by exploring new business, bringing new growth and momentum to the Group.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Chim Sai Yau, Oscar, aged 24, was appointed as an executive Director and the chairman of the Board on 28 May 2019. Mr. Chim has working experience in cross-border investment, private equities and financial products. Mr. Chim has previously worked as an analyst at Widus Partners, a cross-border strategic advisory and investment firm with presence in Seoul, Hong Kong, Singapore and San Francisco, during 2018 and 2019. His duties included conducting research on different investment tools in various region and assisting to provide investment strategies to clients. As a fluent Arabic speaker, Mr. Chim has served as a transformation associate consultant at Americana Group, a UAE-based F&B company operating more than 1,800 restaurants across 13 markets of the Middle East, North Africa (MENA) and Kazakhstan, during 2017 and 2018. Prior to graduating from the University of Pennsylvania in Modern Middle East Studies, Mr. Chim received training at Monitor Deloitte in Dubai, the National Bank of Abu Dhabi in Abu Dhabi, International New York Times and Meitu in Hong Kong during 2014 and 2015.

Mr. Li Chongyang, aged 48, joined the Company in 2015. Mr. Li graduated from Shanghai Maritime University (formerly known as 上海海運學院 (Shanghai Maritime Institute*)) majoring in International Maritime and International Economics Law. Mr. Li has over 20 years of experience in corporate management and logistics management.

Mr. Law Chun Choi, aged 59, is an executive Director. He is a practising and fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He was also awarded the Chartered Governance Professional by the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries in 2018. Mr. Law graduated from The Hong Kong Polytechnic University with a Postgraduate Diploma in Corporate Administration and Professional Diploma in Accountancy in 2000 and 1984 respectively.

Mr. Law has been the chief financial officer and company secretary of Pearl Oriental Oil Limited (stock code: 0632) from January 2019 to June 2019. He was the chief financial officer of Netel Technology (Holdings) Limited (stock code: 8256) from July 2018 to January 2019. Mr. Law was the chief financial officer of Aoxin Tianli Group, Inc. (stock symbol: ABAC), a company listed in the Nasdaq, from June 2016 to June 2017. He was the chief financial officer, financial controller and company secretary of China Infrastructure Investment Limited (stock code: 0600) from April 2005 to November 2012. He was the independent non-executive director of Karce International Holdings Company Limited (stock code: 1159) from April 2010 to September 2012.

Mr. Law is also the company secretary of the Company.

Non-executive Director

Mr. Lum Pak Sum, aged 58, possesses over 20 years of working experience in the money market and capital market. He has been a fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants UK since 1996 and 1993 respectively. He obtained a master's degree in business administration from The University of Warwick in 1994 and a bachelor's degree in laws from University of Wolverhampton in 2002.

Mr. Lum has been the independent non-executive director of China Graphene Group Limited (stock code: 0063) since September 2019, independent non-executive director of Great China Properties Holdings Limited (formerly known as Wayfung Global Group Limited and Beauforte Investors Corporation Limited) (stock code: 0021) since August 2007; independent non-executive director of i-Control Holdings Limited (stock code: 1402) since May 2015; independent non-executive director of Kwan On Holdings Limited (stock code: 1559) since August 2016; independent non-executive director of Anxian Yuan China Holdings Limited (stock code: 0922) since May 2017; and independent non-executive director of S. Culture International Holdings Limited (stock code: 1255) since June 2017.

* *For identification purposes only*

Mr. Lum was an independent non-executive director of Yuhua Energy Holdings Limited (stock code: 2728) from December 2014 to April 2019; independent non-executive director of Beautiful China Holdings Company Limited (stock code: 0706) from January 2014 to August 2018; independent non-executive director of Pearl Oriental Oil Limited (stock code: 0632) from December 2017 to June 2018.

Independent non-executive Directors

Mr. Choi Pun Lap, aged 42, is a valuation practitioner of International Association of Certified Valuation Specialists since 2019. He is a member of Hong Kong Institute of Certified Public Accountants, a member of Certified Practising Accountants Australia and a member of Chartered Global Management Accountant. Mr. Choi graduated from Open University of Hong Kong with a Master of Law (Chinese Business Law) in Hong Kong in 2017. He obtained a Bachelor of Business (Accounting) from Central Queensland University in Australia in 2003 and further studied Postgraduate Diploma of Accounting in Monash University in Australia in 2005.

Mr. Choi was a principal of Absolute Value Business & Asset Valuation Limited from December 2019 to present. He was a financial controller of China Trustful Group Limited (stock code: 8265) from March 2019 to November 2019. Mr. Choi was a senior audit manager in the audit department of HLB Hodgson Impey Cheng Limited (the "**HLB**") in Hong Kong. He has worked in HLB for more than ten years from February 2007 to December 2017.

Mr. Tong Leung Sang, aged 70, had been the manager of Business Development Department of Bank of China, Hong Kong, and Economic Researcher (Assistant General Manager Grade) before 1989. He was transferred to Bank of China Group Securities Limited and Bank of China Group Commodities and Futures Limited (known as BOCI from 1998) as a director and deputy general manager in the same year. He was subsequently appointed as an executive director and promoted to managing director.

Mr. Tong joined Luen Fat Securities Company Limited in 2003 as a consultant, director and a responsible officer until October 2015. He had been an executive director and the chief executive officer of Luen Fat Futures Company Limited from 2010 to 2013. From October 2015 to October 2016, Mr. Tong worked as the marketing manager of Christfund Securities Limited. From November 2016 to September 2018, he had been the director and responsible officer (from April 2017) of Acer King Securities International Limited. Since December 2018, he has been the managing director and responsible officer of Alpine Securities Limited.

Mr. Tong was an alternate committee member of the Listing Committee of the Stock Exchange from 1996 to 1997, and was a committee member of The Hong Kong Stock Broker Association from 2001 to 2002. He had been a full member of the Hong Kong Securities Institute ("**HKSI**") from its establishment in 1999 to 2014, and he had been a committee member of the membership Committee of HKSI from 2000 to 2004. He was a committee member of the Hong Kong Securities Professional Association ("**HKSPA**") when it was established in 1990 and had been the Chairman of the Association for five years from 1996 to 2001. Mr. Tong has been the Permanent Honorable Chairman of the HKSPA since 2004.

Biographical Details of Directors and Senior Management

Mr. Tong had been a non-executive director of Asia Resources Holdings Limited (stock code: 899) from November 2010 to February 2015.

Mr. Chan Sung Wai, aged 72, has been a non-executive director of Champion Technology Holdings Limited (stock code: 92) since November 2017. Mr. Chan has extensive experience in the trading, real estate and shipping industries. He also has extensive experience in financial and media business. He has been working for a number of years in major media companies in Hong Kong, and responsible for covering, editing and writing commentaries. Mr. Chan has also been a chief editor of the petroleum magazine and has profound knowledge in the oil and media industry in Asia.

Mr. Chan was an executive director of Grand Field Group Holdings Limited (stock code: 115) during the period from November 2007 to June 2008, Energy International Investments Holdings Limited (stock code: 353) during the period from November 2008 to April 2011, Asia Resources Holdings Limited (stock code: 899) for the period from October 2008 to September 2012 and Karce International Holdings Company Limited (now known as Starlight Culture Entertainment Group Limited) (stock code: 1159) during the period from April 2009 to June 2014, all of which are listed on Main Board of the Stock Exchange. He was the deputy chairman of Asia Resources Holdings Limited (stock code: 899) for the period from January 2009 to September 2012. He was also an independent non-executive director of Pearl Oriental Oil Limited (stock code: 632) for the period from December 2017 to June 2018.

SENIOR MANAGEMENT

Mr. Lin Yepan, aged 46, was graduated from the Renmin University of China. He joined Guangdong Hengjia as the general manager and since 2011 has been appointed as the director of Guangdong Hengjia. He is responsible for directing business development and overseeing daily operations of the PHC piles and other businesses. He was an executive director of the Company from 2 May 2014 to 19 May 2015.

Mr. Lin Zhenjun, aged 46, has been the Chairman of Guangdong Hengjia since 2007. Mr. Lin has over 12 years of supervisory experience.

Mr. Tan Jin, aged 51, joined Guangdong Hengjia since 2009 and acted as legal representative and director of Zhuhai Hoston since May 2015. Mr. Tan has substantial management experience and is responsible for Zhuhai Hoston's daily management.

Mr. Xu Dun, aged 55, was graduated from the Open University of China. Mr. Xu held the position of the director Guangdong Hengjia since 2011.

Report of the Directors

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

PRINCIPAL ACTIVITIES

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

SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2019 are set out in note 41 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group as at 31 December 2019 are set out under the section headed "Management Discussion and Analysis" of this report on pages 5 to 7.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

During the Reporting Period, the Group has maintained a good relationship with its stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2019 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 32 to 106 of this report.

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL, SHARE OPTION SCHEME AND CONVERTIBLE NOTES

Movements in the Company's share capital during the year are set out in note 32 to the consolidated financial statements.

Details of the convertible notes and share option scheme are set out in note 33 and note 35 to the consolidated financial statements, respectively.

DIVIDEND POLICY

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

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

Factors to be considered

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

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

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

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

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity and note 34 to the consolidated financial statements.

Distributable reserves of the Company as at 31 December 2019 amounted to HK$93,540,000 (2018: HK$378,755,000).

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period of the Group are set out in note 45 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SUMMARY OF FINANCIAL INFORMATION

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

	Year ended 31 December				
RESULTS	**2019 HK$'000**	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
CONTINUING OPERATIONS					
LOSS BEFORE TAX	**(288,912)**	(37,466)	(3,827)	(179,071)	(74,061)
Income tax expense	**(5,106)**	(6,160)	(539)	(1,541)	(9,325)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	**(294,018)**	(43,626)	(4,366)	(180,612)	(83,386)
DISCONTINUED OPERATIONS					
Profit for the year from discontinued operations	**–**	–	–	–	484,073
(LOSS)/PROFIT FOR THE YEAR	**(294,018)**	(43,626)	(4,366)	(180,612)	400,687
Attributable to:					
Owners of the Company	**(283,995)**	(50,501)	(7,784)	(183,049)	390,554
Non-controlling interests	**(10,023)**	6,875	3,418	2,437	10,133
	(294,018)	(43,626)	(4,366)	(180,612)	400,687

	As at 31 December				
ASSETS AND LIABILITIES	**2019 HK$'000**	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Non-current assets	**172,719**	165,764	178,394	171,191	268,491
Current assets	**247,184**	517,797	543,601	379,436	285,485
TOTAL ASSETS	**419,903**	683,561	721,995	550,627	553,976
Current liabilities	**159,299**	123,683	109,303	123,727	118,072
Non-current liabilities	**14,826**	26,114	25,513	22,322	25,154
TOTAL LIABILITIES	**174,125**	149,797	134,816	146,049	143,226
NET ASSETS	**245,778**	533,764	587,179	404,578	410,750
NON-CONTROLLING INTERESTS	**64,744**	79,995	73,254	62,221	60,552

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 30% of the Group's total sales for the year. Purchases from the Group's five largest suppliers accounted for 53% of the Group's total purchases for the year and purchases from the Group's largest supplier accounted for 17% of the Group's total purchases for the year.

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

EMOLUMENT POLICY

As at 31 December 2019, the Group had approximately 420 full time management, administrative, technical and production staff (including the directors of the Group) in the PRC and Hong Kong. Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practice. The Group's Directors and employees in Hong Kong joined the Mandatory Provident Fund Scheme.

COMPLIANCE WITH LAWS AND REGULATIONS

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

During the year ended 31 December 2019 and up to the date of this annual report, the Group has been involved in certain legal proceedings as set in the note 42 to the consolidated financial statements. Save as disclosed in other part of this report, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

Report of the Directors

DIRECTORS

The Directors during the year ended 31 December 2019 and up to the date of this report were:

Executive Directors:

Mr. Chim Sai Yau, Oscar *(Chairman)* (appointed on 28 May 2019)
Mr. Li Chongyang *(Managing Director)*
Mr. Law Chun Choi (appointed on 28 May 2019)
Ms. Qi Jiao (resigned on 22 May 2019)
Mr. Lam Kai Yeung (resigned on 6 June 2019)
Mr. Leung Chi Fai (resigned on 22 May 2019)

Non-executive Directors:

Mr. Lum Pak Sum (appointed on 28 May 2019)
Mr. Huang Weidong *(Chairman)* (retired on 24 May 2019)

Independent non-executive Directors:

Mr. Chan Sung Wai (appointed on 6 June 2019)
Mr. Choi Pun Lap (appointed on 28 May 2019)
Mr. Tong Leung Sang (appointed on 6 June 2019)
Mr. Cong Yongjian (resigned on 6 June 2019)
Dr. Lam Huen Sum (resigned on 6 June 2019)
Mr. Ng Yuk Lam (resigned on 22 May 2019)

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management of the Group are set out on pages 8 to 10 of this report.

DIRECTORS' SERVICE CONTRACTS

Mr. Chim Sai Yau, Oscar, Mr. Li Chongyang and Mr. Law Chun Choi had entered into service contracts with the Company for an initial term of three years commencing from 28 May 2019, 23 October 2015 and 28 May 2019, respectively, which had continued after their expiration until terminated by not less than three months' notice in writing served by either party on the other.

Mr. Lum Pak Sum, Mr. Chan Sung Wai, Mr. Choi Pun Lap and Mr. Tong Leung Sang had entered into letter of appointments with the Company on 28 May 2019, 6 June 2019, 28 May 2019 and 6 June 2019, respectively, and were appointed for an initial term of three years. Each of their appointments is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the memorandum of association and the bye-laws of the Company.

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

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as the related party transactions set out in note 38 to the consolidated financial statements, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

UPDATES ON DIRECTOR'S INFORMATION

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

Mr. Lum Pak Sum was appointed as an independent non-executive Director by China Graphene Group Limited (stock Code: 0063), listed on the Main Board of the Stock Exchange of Hong Kong Limited, on 30 September 2019.

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

As at 31 December 2019, the interests of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**"), were as follows:

Long positions in ordinary shares of the Company:

Name of Director	Capacity	Number of shares or underlying shares held	Approximate percentage of interest held
Mr. Chim Sai Yau, Oscar *(Note 1)*	Interest in controlled corporation	219,404,855	29.30%
Mr. Li Chongyang	Beneficial owner	4,610,000	0.62%

Notes:

1. These 219,404,855 Shares are beneficially held by Wealthy Port Holdings Limited ("**Wealthy Port**"). The issued capital of Wealthy Port is held by Mr. Chim Sai Yau, Oscar. Under the SFO, Mr. Chim Sai Yau, Oscar is deemed to be interested in all the Shares held by Wealthy Port.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares and underlying shares" above and in the share option scheme disclosures in note 35 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors, chief executive or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and chief executive to acquire such rights in any other body corporate.

CONTRACTS OF SIGNIFICANCE

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

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

At 31 December 2019, so far as is known to the Directors, the interests or short positions of the persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register maintained by the Company required to be kept under Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company:

Name	Capacity	Number of shares or underlying shares held	Approximate percentage of interest held
Wealthy Port Holdings Limited ("**Wealthy Port**") *(Note 1)*	Beneficial owner	219,404,855	29.30%
Mr. Chim Sai Yau, Oscar *(Note 1)*	Interest in controlled corporation	219,404,855	29.30%
Business Century Investments Limited ("**Business Century**") *(Note 2)*	Beneficial owner	74,964,833	10.01%
Xie Guilin *(Note 2)*	Interest in controlled corporation	74,964,833	10.01%
Everun Oil Co., Limited ("**Everun Oil**") *(Note 3)*	Beneficial owner	86,581,000	11.56%
Chen Jingan *(Note 3)*	Interest in controlled corporation	86,581,000	11.56%

Notes:

1. These 219,404,855 Shares are beneficially held by Wealthy Port. The issued capital of Wealthy Port is held by Mr. Chim Sai Yau, Oscar. Under the SFO, Mr. Chim Sai Yau, Oscar is deemed to be interested in all the Shares held by Wealthy Port.

2. These 74,964,833 Shares are beneficially held by Business Century. The issued capital of Business Century is held by Ms. Xie Guilin. Under the SFO, Ms. Xie Guilin is deemed to be interested in all the Shares held by Business Century.

3. These 86,581,000 Shares are beneficially held by Everun Oil. The issued capital of Everun Oil is held by Mr. Chen Jingan. Under the SFO, Mr. Chen Jingan is deemed to be interested in all the Shares held by Everun Oil.

Save as disclosed above, as at 31 December 2019, the Company had not been notified of any persons (other than the Directors and chief executive of the Company) having any interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

Save as disclosed in note 38 to the consolidated financial statements, the Group has not entered into any other connected transaction or continuing connected transaction for the year which should be disclosed pursuant to the requirements of Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 19 to 27 of this report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISION

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

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the financial reporting, risk management and internal controls of the Group. Members of the Audit Committee at the date of this report comprised all three Independent Non-executive Directors, namely, Mr. Choi Pun Lap, Mr. Tong Leung Sang and Mr. Chan Sung Wai.

The Group's financial statements for the year ended 31 December 2019 have been reviewed by the Audit Committee, who are of the opinion that such statements comply with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

AUDITORS

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

ON BEHALF OF THE BOARD

Law Chun Choi
Executive Director

Hong Kong
27 May 2020

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

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

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

BOARD OF DIRECTORS

(1) Responsibilities

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

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

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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

BOARD OF DIRECTORS *(Continued)*

(1) Responsibilities *(Continued)*

Details of Directors' attendance at the Board meetings, Audit Committee meetings, Remuneration Committee meeting, Nomination Committee meeting and general meetings held for the year ended 31 December 2019 are set out in the table below:

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
	No. of meetings attended/entitled to attend				
Executive Directors					
Mr. Chim Sai Yau, Oscar (appointed on 28 May 2019)	8/10	N/A	N/A	N/A	N/A
Mr. Li Chongyang	12/14	N/A	N/A	N/A	1/1
Mr. Law Chun Choi (appointed on 28 May 2019)	10/10	N/A	N/A	N/A	N/A
Ms. Qi Jiao (resigned on 22 May 2019)	2/4	N/A	N/A	N/A	N/A
Mr. Lam Kai Yeung (resigned on 6 June 2019)	4/6	N/A	1/1	1/1	1/1
Mr. Leung Chi Fai (resigned on 22 May 2019)	1/4	N/A	N/A	N/A	N/A
Non-executive Directors					
Mr. Lum Pak Sum (appointed on 28 May 2019)	9/10	N/A	N/A	N/A	N/A
Mr. Huang Weidong (retired on 24 May 2019)	1/4	N/A	0/1	0/1	0/1
Independent non-executive Directors					
Mr. Chan Sung Wai (appointed on 6 June 2019)	7/9	1/1	N/A	N/A	N/A
Mr. Choi Pun Lap (appointed on 28 May 2019)	9/10	1/1	N/A	N/A	N/A
Mr. Tong Leung Sang (appointed on 6 June 2019)	9/9	1/1	N/A	N/A	N/A
Mr. Cong Yongjian (resigned on 6 June 2019)	4/6	1/1	1/1	1/1	0/1
Dr. Lam Huen Sum (resigned on 6 June 2019)	6/6	1/1	1/1	1/1	0/1
Mr. Ng Yuk Lam (resigned on 22 May 2019)	4/4	1/1	1/1	1/1	N/A

BOARD OF DIRECTORS *(Continued)*

(2) Board Composition

The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors. The Board members during the year ended 31 December 2019 were:

Executive Directors:
Mr. Chim Sai Yau, Oscar *(Chairman)* (appointed on 28 May 2019)
Mr. Li Chongyang *(Managing Director)*
Mr. Law Chun Choi (appointed on 28 May 2019)
Ms. Qi Jiao (resigned on 22 May 2019)
Mr. Lam Kai Yeung (resigned on 6 June 2019)
Mr. Leung Chi Fai (resigned on 22 May 2019)

Non-executive Directors:
Mr. Lum Pak Sum (appointed on 28 May 2019)
Mr. Huang Weidong *(Chairman)* (retired on 24 May 2019)

Independent non-executive Directors:
Mr. Chan Sung Wai (appointed on 6 June 2019)
Mr. Choi Pun Lap (appointed on 28 May 2019)
Mr. Tong Leung Sang (appointed on 6 June 2019)
Mr. Cong Yongjian (resigned on 6 June 2019)
Dr. Lam Huen Sum (resigned on 6 June 2019)
Mr. Ng Yuk Lam (resigned on 22 May 2019)

Mr. Lum Pak Sum, Mr. Chan Sung Wai, Mr. Choi Pun Lap and Mr. Tong Leung Sang had entered into letter of appointments with the Company on 28 May 2019, 6 June 2019, 28 May 2019 and 6 June 2019, respectively, for an initial term of three years. Each of their appointments is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the memorandum of association and the bye-laws of the Company.

The biographies of the Directors are set out on pages 8 to 10 of this annual report.

BOARD OF DIRECTORS *(Continued)*

(2) Board Composition *(Continued)*

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

During the year ended 31 December 2019, the Company has received a written confirmation of independence from the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the independent non-executive Directors are independent in accordance with the Listing Rules. All the independent non-executive Directors have appropriate professional qualifications or accounting or related financial management expertise.

Under the Code Provision E.1.2, the Chairman of the Board should attend the annual general meeting. Mr. Huang Weidong, the chairman of the Board was unable to attend the annual general meeting held on 24 May 2019. Mr. Li Chongyang, the executive Director, attended the said annual general meeting to respond to queries from shareholders.

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

(3) Directors' Training

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

During the year under review, the Company provided training materials to all Directors to keep them abreast of the latest development of legal, regulatory and corporate governance. The Company has received the records of training from all Directors.

COMPANY SECRETARY

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

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Choi Pun Lap (chairman of the Audit Committee), Mr. Tong Leung Sang and Mr. Chan Sung Wai. They together have substantial experience in the fields of accounting, business, corporate governance and regulatory affairs. The Committee is responsible for reviewing the Company's financial information, financial and accounting policies and practices adopted by the Group, compliance of Listing Rules and statutory requirements, risk management, internal control and financial reporting matters of the Group. The Committee also monitors the appointment, remuneration and function of the Group's external auditor.

The Audit Committee had reviewed the annual report for the year ended 31 December 2019 and the interim report for the six months ended 30 June 2019 which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. The Audit Committee also monitored the Company's progress in implementing the Code as required under the Listing Rules.

AUDITOR'S REMUNERATION

The statement of the Group's external auditor, ZHONGHUI ANDA CPA Limited (2018: ZHONGHUI ANDA CPA Limited), about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 28 to 31.

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

	2019 **HK$'000**	2018 HK$'000
Audit services	**1,400**	1,080
Non-audit services[1]	**–**	649
Total	**1,400**	1,729

Note:

(1) Fees for non-audit services in 2018 consisted of fee incurred to ZHONGHUI ANDA CPA Limited in connection with preliminary work on acceptance of the engagement in relation to the Group's acquisition of Sino New Energy and the issuance of audited financial statements of the Group's two subsidiaries.

REMUNERATION COMMITTEE

The Remuneration Committee, currently comprises two of the executive Directors, namely Mr. Chim Sai Yau, Oscar and Mr. Law Chun Choi, and three independent non-executive Directors, namely, Mr. Chan Sung Wai (chairman of the Remuneration Committee), Mr. Choi Pun Lap and Mr. Tong Leung Sang, is responsible for determining, reviewing and evaluating the remuneration packages of the executive Directors and making recommendations to the Board from time to time.

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

Details of remuneration paid to each of the Directors during the year are set out in note 12 to the consolidated financial statements. Under the Code Provision B.1.5, the remuneration paid/payable to the 1 individual of the senior management during the year was within the remuneration band from nil to HK$1,000,000.

NOMINATION COMMITTEE

The Nomination Committee currently comprises one executive Director, namely, Mr. Chim Sai Yau, Oscar (chairman of the Nomination Committee), one non-executive Director, namely, Mr. Lum Pak Sum and the three independent non-executive Directors namely, Mr. Choi Pun Lap, Mr. Tong Leung Sang and Mr. Chan Sung Wai. It is responsible for the appointment of new Directors. To maintain the quality of the Board with a balance of skills and experience, the Committee will identify individuals suitably qualified to become Directors when necessary. In evaluating whether an appointee is suitable to act as a Director, the Committee will consider the experience, qualification and other relevant factors.

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

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

DIVERSITY OF THE BOARD

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

The Nomination Committee is responsible for the review of the Board's diversity policy and review the measurable objectives that the Board has set for implementing the Board's diversity policy, and monitor the progress on achieving the measurable objectives.

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

Main Features of the Risk Management and Internal Control Systems

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

INTERNAL CONTROL AND RISK MANAGEMENT *(Continued)*

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

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

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

Internal Audit

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

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

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

Inside Information

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

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in the Code. The corporate governance duties performed by the Board for the year ended 31 December 2019 are summarized below:

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

SHAREHOLDERS' RIGHTS

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

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

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

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

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

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the shareholders' meeting. It must also be signed by all of the shareholders concerned and be deposited at the Company's office in Hong Kong at 3/F., Mandarin Commercial House, 38 Morrison Hill Road, Wanchai, Hong Kong, for the attention of the Company Secretary not less than six weeks before the shareholders' meeting in case of a requisition requiring notice of a resolution.

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

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

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

(4) Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar. Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publicly available. Shareholders and the investment community may make enquiries to the Board by addressing them to the Company Secretary by post to the head office of the Company at 3/F., Mandarin Commercial House, 38 Morrison Hill Road, Wanchai, Hong Kong.

CONSTITUTIONAL DOCUMENTS

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

Independent Auditor's Report

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

QUALIFIED OPINION

We have audited the consolidated financial statements of Sunway International Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 32 to 106, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR QUALIFIED OPINION

Loan receivables

Due to the uncertainty of the final recoverable amount arising from the default loan receivables, we have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to (i) the carrying amount of loan receivables of approximately HK$741,000 as at 31 December 2019; and (ii) whether the impairment loss of loan receivables of approximately HK$117,178,000 for the year ended 31 December 2019 should be recognised in current year.

Prepayments, deposits and other receivables

Due to the uncertainty of the final recoverable amount arising from the relevant ongoing legal proceedings, we have not yet obtained sufficient and appropriate audit evidence to satisfy ourselves as to (i) the carrying amount of refundable deposits paid for acquisition of subsidiaries of approximately HK$Nil in relation to Sunway New Energy Industry Group Limited as at 31 December 2019; and (ii) whether the impairment loss of deposits paid for acquisition of subsidiaries of approximately HK$100,000,000 for the year ended 31 December 2019 should be recognised in current year.

Any adjustments to the figures mentioned above might have consequential effects on the Group's results for the year ended 31 December 2019, the financial position of the Group as at 31 December 2019, and the related disclosures thereof 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.

KEY AUDIT MATTERS

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

Property, plant and equipment, right-of-use assets and goodwill

Refer to notes 16, 18 and 20 to the consolidated financial statements

The Group tested the amounts of property, plant and equipment, right-of-use assets and goodwill for impairment. This impairment test is significant to our audit because the balances of property, plant and equipment, right-of-use assets and goodwill of approximately HK$101,858,000, HK$43,717,000 and HK$19,941,000, respectively, as at 31 December 2019 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

– Assessing the identification of the related cash generating units;

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

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

– Checking input data to supporting evidence;

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

– Checking arithmetical accuracy of the valuation model; and

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

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

Trade and bill receivables and prepayments, deposits and other receivables

Refer to notes 22 and 23 to the consolidated financial statements

The Group tested the amounts of trade and bill receivables and prepayments, deposits and other receivables for impairment. This impairment test is significant to our audit because the balances of trade and bill receivables and prepayments, deposits and other receivables of approximately HK$95,396,000 and HK$89,764,000, respectively, as at 31 December 2019 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

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

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

– Evaluating the Group's impairment assessment;

– Assessing ageing of the debts;

– Assessing creditworthiness of the customers and debtors;

– Checking subsequent settlements from the customers and debtors;

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

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

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

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion Section above, we were unable to obtain sufficient appropriate evidence about the carrying amounts and impairment losses of loan receivables and prepayments, deposits and other receivables. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

This description forms part of our auditor’s report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Audit Engagement Director
Practising Certificate Number P03614
Hong Kong, 27 May 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Interest revenue		**543**	11,374
Other revenue		**356,409**	403,343
Total revenue	7	**356,952**	414,717
Cost of sales		**(285,139)**	(295,358)
Gross profit		**71,813**	119,359
Other income	8	**3,608**	7,079
Other losses, net	9	**(244,850)**	(33,819)
Selling and distribution expenses		**(69,235)**	(75,215)
Administrative expenses		**(45,583)**	(48,248)
Other expenses		**(657)**	(3,449)
Finance costs	10	**(4,008)**	(3,173)
Loss before tax		**(288,912)**	(37,466)
Income tax expense	13	**(5,106)**	(6,160)
Loss for the year	11	**(294,018)**	(43,626)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(283,995)**	(50,501)
Non-controlling interests		**(10,023)**	6,875
		(294,018)	(43,626)
Loss per share	15		
Basic and diluted (HK cents per share)		**(39.45)**	(8.07)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Loss for the year	**(294,018)**	(43,626)
Other comprehensive (loss)/income:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(2,292)**	(7,740)
Items that will not be reclassified to profit or loss:		
Revaluation of items of property, plant and equipment	**(11,532)**	10,618
Tax effect of revaluation of items of property, plant and equipment	**2,883**	(2,654)
Other comprehensive (loss)/income for the year, net of tax	**(10,941)**	224
Total comprehensive loss for the year	**(304,959)**	(43,402)
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	**(289,708)**	(50,143)
Non-controlling interests	**(15,251)**	6,741
	(304,959)	(43,402)

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	16	**101,858**	96,380
Right-of-use assets	18	**43,717**	–
Prepaid land lease payments	19	**–**	37,738
Goodwill	20	**19,941**	19,941
Deferred tax assets	30	**7,203**	11,705
		172,719	165,764
Current assets			
Inventories	21	**32,971**	25,822
Trade and bill receivables	22	**95,396**	184,584
Prepayments, deposits and other receivables	23	**89,764**	284,186
Restricted bank deposits	24	**4**	49
Cash and cash equivalents	24	**29,049**	23,156
		247,184	517,797
Current liabilities			
Trade payables	25	**70,439**	61,890
Contract liabilities		**4,760**	3,422
Accruals and other payables	26	**28,741**	41,189
Lease liabilities	27	**4,739**	–
Amount due to a non-controlling shareholder	28	**483**	494
Amount due to a shareholder	28	**2,702**	–
Interest-bearing borrowings	29	**40,376**	10,530
Tax payable		**7,059**	6,158
		159,299	123,683
Net current assets		**87,885**	394,114
Total assets less current liabilities		**260,604**	559,878

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Deferred tax liabilities	30	**3,931**	8,639
Lease liabilities	27	**2,466**	–
Provision for long service payment	31	**15**	17
Interest-bearing borrowings	29	**8,414**	17,458
		14,826	26,114
NET ASSETS		**245,778**	533,764
Capital and reserves			
Share capital	32	**74,894**	62,414
Convertible notes	33	**12,600**	12,600
Reserves	34	**93,540**	378,755
Equity attributable to owners of the Company		**181,034**	453,769
Non-controlling interests		**64,744**	79,995
TOTAL EQUITY		**245,778**	533,764

Approved by:

Li Chongyang
Director

Law Chun Choi
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium account HK$'000	Convertible notes HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC statutory reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018	64,271	606,927	12,600	157,118	509	24,159	11,179	(1,688)	8,282	(369,432)	513,925	73,254	587,179
(Loss)/profit for the year	–	–	–	–	–	–	–	–	–	(50,501)	(50,501)	6,875	(43,626)
Other comprehensive income/(loss):													
Surplus on revaluation of items of property, plant and equipment, net of tax	–	–	–	–	–	–	4,439	–	–	–	4,439	3,525	7,964
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(4,081)	–	–	(4,081)	(3,659)	(7,740)
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	4,439	(4,081)	–	(50,501)	(50,143)	6,741	(43,402)
Share options lapsed	–	–	–	–	–	(2,635)	–	–	–	2,635	–	–	–
Repurchase of shares (note 32(a))	(1,857)	(8,156)	–	–	–	–	–	–	–	–	(10,013)	–	(10,013)
Disposal of property, plant and equipment	–	–	–	–	–	–	606	–	–	(606)	–	–	–
Transfer to PRC statutory reserve	–	–	–	–	–	–	–	–	1,364	(1,364)	–	–	–
At 31 December 2018	62,414	598,771	12,600	157,118	509	21,524	16,224	(5,769)	9,646	(419,268)	453,769	79,995	533,764

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium account HK$'000	Convertible notes HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC statutory reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2019	62,414	598,771	12,600	157,118	509	21,524	16,224	(5,769)	9,646	(419,268)	453,769	79,995	533,764
Loss for the year	–	–	–	–	–	–	–	–	–	(283,995)	(283,995)	(10,023)	(294,018)
Other comprehensive loss:													
Deficit on revaluation of items of property, plant and equipment, net of tax	–	–	–	–	–	–	(4,796)	–	–	–	(4,796)	(3,853)	(8,649)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	(917)	–	–	(917)	(1,375)	(2,292)
Total comprehensive income/(loss) for the year	–	–	–	–	–	–	(4,796)	(917)	–	(283,995)	(289,708)	(15,251)	(304,959)
Cancellation of share options	–	–	–	–	–	(21,524)	–	–	–	21,524	–	–	–
Share allotment (note 32(c))	12,480	4,493	–	–	–	–	–	–	–	–	16,973	–	16,973
Disposal of property, plant and equipment	–	–	–	–	–	–	(3,248)	–	–	3,248	–	–	–
Transfer to PRC statutory reserve	–	–	–	–	–	–	–	–	232	(232)	–	–	–
At 31 December 2019	74,894	603,264	12,600	157,118	509	–	8,180	(6,686)	9,878	(678,723)	181,034	64,744	245,778

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Loss before tax		**(288,912)**	(37,466)
Adjustments for:			
Amortisation of prepaid land lease payments		–	704
Bank interest income		**(49)**	(58)
Depreciation		**29,395**	19,692
Dividend income		–	(3)
Loss/(gain) on disposal of property, plant and equipment		**6,470**	(439)
Net loss arising on investments at fair value through profit or loss		–	457
Finance costs		**4,008**	3,173
Provision for impairment loss of intangible assets		–	11,786
Provision for impairment loss of goodwill		–	1,041
Provision for impairment loss of trade receivables, net		**122,796**	12,479
Provision/(reversal of provision) for impairment loss of prepayments, deposits and other receivables, net		**111,438**	(64)
Provision for compensation and cost for legal cases		**1,527**	1,638
Reversal of provision for long service payment		**(2)**	(3)
Write-off of trade receivables		–	289
Write-off of prepayments, deposits and other receivables		–	132
Operating cash flows before working capital changes		**(13,329)**	13,358
Change in inventories		**(7,149)**	(14,243)
Change in trade and bill receivables		**(33,608)**	32,571
Change in prepayments, deposits and other receivables		**82,984**	(68,764)
Change in restricted bank deposits		**45**	17
Change in trade payables		**8,549**	36,323
Change in contract liabilities		**1,338**	(4,426)
Change in accruals and other payables		**(13,975)**	(464)
Cash generated from/(used in) operations		**24,855**	(5,628)
Bank interest received		**49**	58
Income tax paid		**(1,219)**	(8,677)
Net cash generated from/(used in) operating activities		**23,685**	(14,247)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(51,580)**	(1,581)
Payment for prepaid land lease		**–**	(16,507)
Acquisition of investments at fair value through profit or loss		**–**	(9,184)
Dividend income		**–**	3
Proceeds from disposal of property, plant and equipment		**2,256**	475
Proceeds from disposal of investments at fair value through profit or loss		**–**	18,124
Net cash used in investing activities		**(49,324)**	(8,670)
Cash flows from financing activities			
Proceeds from new borrowings	36	**48,016**	13,979
Repayment of borrowings	36	**(26,262)**	(28,545)
Repayment of lease liabilities	36	**(4,330)**	–
Proceeds from issue of shares		**16,973**	–
Repurchase of shares		**–**	(10,013)
Change in amount due to a shareholder	36	**2,702**	–
Interest paid		**(3,299)**	(3,173)
Lease interests paid		**(709)**	–
Net cash generated from/(used in) financing activities		**33,091**	(27,752)
Net increase/(decrease) in cash and cash equivalents		**7,452**	(50,669)
Effect of foreign exchange rate changes		**(1,559)**	(3,321)
Cash and cash equivalents at beginning of year		**23,156**	77,146
Cash and cash equivalents at end of year		**29,049**	23,156
Analysis of cash and cash equivalents			
Bank and cash balances		**29,049**	23,156

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda and the issued shares of which are listed on Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is situated at 3/F, Mandarin Commercial House, 38 Morrison Hill Road, Wanchai, Hong Kong.

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

2. BASIS OF PREPARATION

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

HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations.

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

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires the management of the Group to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

Adoption of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years except as stated below.

2. BASIS OF PREPARATION *(Continued)*

Adoption of new and revised HKFRSs *(Continued)*

HKFRS 16 "Leases"

The Group has adopted HKFRS 16 from 1 January 2019 without restating comparative information for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the adoption of HKFRS 16 are therefore recognised in the opening statement of financial position on 1 January 2019 as follows:

	As at 1 January 2019 HK$'000
Increase in right-of-use assets	49,623
Increase in lease liabilities	(11,090)
Decrease in prepaid land lease payments	(37,738)
Decrease in prepayments, deposits and other receivables	(795)

The incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7.5%. The reconciliation of operating lease commitment to lease liabilities as at 1 January 2019 is set out below:

	HK$'000
Operating lease commitment at 31 December 2018:	12,352
Less: Commitment relating to leases with a remaining lease term ending on or before 31 December 2019 and low-value assets	(155)
Discounting	(1,107)
Lease liabilities	11,090

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Consolidation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

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

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

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

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

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

Business combination and goodwill

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination and goodwill *(Continued)*

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

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

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in HK$, which is the Company's functional and presentation currency. The functional currency of the principal operating subsidiaries of the Group is Renminbi. The directors consider that choosing HK$ as the presentation currency best suits the needs of the shareholders and investors.

(b) Transactions and balances in financial statements

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

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

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

(c) Translation on consolidation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency translation *(Continued)*

(c) Translation on consolidation *(Continued)*

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

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

Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

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

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

Buildings	2% – 5%
Plant, machinery and office equipment	10% – 33%
Motor vehicles	20%
Furniture and fixtures	10% – 33%

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

The Group as lessee

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

Land use rights	2%
Land and buildings	40% – 50%

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

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

Intangible assets

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

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

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Recognition and derecognition of financial instruments

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

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

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

Financial assets

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

Financial assets of the Group are classified at amortised cost.

Financial assets (including trade and other receivables) are classified at amortised cost if they satisfy both of the following conditions:

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

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

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

Loss allowances for expected credit losses

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Loss allowances for expected credit losses *(Continued)*

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

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

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Trade and other payables

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

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers

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

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

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

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

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

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

Other revenue

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

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

Employee benefits

(a) Employee leave entitlements

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

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

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme ("**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on 5% of the employees' relevant income, subject to a ceiling of monthly relevant income of HK$30,000 and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

(b) Pension obligations *(Continued)*

The Group also participates in a defined contribution retirement scheme organised by the government in the People's Republic of China (the "**PRC**"). The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Employee long service payment

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

Share-based payments

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

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

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

Taxation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets

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

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

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

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

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

Provisions and contingent liabilities

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non–occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

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

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

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

Key sources of estimation uncertainty

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

(a) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This required an estimation of the recoverable amount (determined based on either fair value less costs of disposal or value in use) of the cash-generating units ("**CGU**") to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The estimated fair value less costs of disposal is assumed to have no significant difference on the price determined in an arm's length transaction. The carrying amount of goodwill at 31 December 2019 was HK$19,941,000 (2018: HK$19,941,000). Further details are set out in note 20.

(b) Useful lives of property, plant and equipment and land use rights

The Group determines the estimated useful lives and related depreciation charges and amortisation of its property, plant and equipment and land use rights. These estimated useful lives and/or residual values are based on the historical experience of the actual useful lives of property, plant and equipment and land use rights of similar assets and taking into account anticipated technological changes. The Group will increase the depreciation charge and amortisation where useful lives are less than previously estimated lives, and will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisable lives and thereafter depreciation charge and amortisation in the future period. Further details are disclosed in notes 16 and 19.

(c) Impairment of property, plant and equipment and land use rights

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

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

Key sources of estimation uncertainty *(Continued)*

(d) Impairment of receivables

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

(e) Current and deferred income tax

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

(f) Allowance for slow-moving inventories

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

5. FAIR VALUE MEASUREMENTS

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

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

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

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

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

5. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Disclosures of level in fair value hierarchy:

	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2019 HK$'000
Recurring fair value measurements:				
Property, plant and equipment				
Buildings	**–**	**–**	**43,794**	**43,794**
Plant, machinery and office equipment	**–**	**–**	**55,151**	**55,151**
Motor vehicles	**–**	**–**	**2,070**	**2,070**
	–	**–**	**101,015**	**101,015**

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

5. FAIR VALUE MEASUREMENTS *(Continued)*

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

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

	Buildings HK$'000	Plant, machinery and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 1 January 2019	**35,973**	**57,237**	**2,181**	**95,391**
Additions	**1,160**	**49,258**	**1,144**	**51,562**
Disposals	**–**	**(8,607)**	**(119)**	**(8,726)**
Surplus/(deficit) on revaluation	**9,490**	**(20,656)**	**(366)**	**(11,532)**
Depreciation provided during the year	**(1,850)**	**(21,059)**	**(741)**	**(23,650)**
Exchange realignment	**(979)**	**(1,022)**	**(29)**	**(2,030)**
As at 31 December 2019	**43,794**	**55,151**	**2,070**	**101,015**

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

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

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

5. FAIR VALUE MEASUREMENTS *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2019:

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

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

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

As at 31 December 2019 and 2018

Property, plant and equipment	Location	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Buildings in the PRC	Yangjiang	Depreciation replacement cost method	Average construction cost	RMB1,200 to 1,840 (2018: RMB1,850) per square meter	The higher the average construction cost, the higher the fair value
			Replacement cost rates	71% to 88% (2018: 70% to 75%)	The higher the replacement cost rates, the higher the fair value
Plant, machinery and office equipment	Yangjiang	Depreciation replacement cost method	Replacement cost rates	4% to 94% (2018: 1% to 99%)	The higher the replacement cost rates, the higher the fair value
Office equipment	Hong Kong	Depreciation replacement cost method	Replacement cost rates	10% to 90% (2018: 1% to 98%)	The higher the replacement cost rates, the higher the fair value
Motor vehicles	Yangjiang and Hong Kong	Comparison method	Second hand market price	HK$3,800 to HK$742,000 (2018: HK$250,000 to HK$588,000)	The higher the second hand market price, the higher the fair value

During the two years, there were no changes in the valuation techniques used.

6. OPERATING SEGMENT INFORMATION

The Group has three reportable segments as follows:

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

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

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

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

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

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

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

6. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Segment results, segment assets and liabilities

	PC steel bar HK$'000	PHC piles and others HK$'000	Financial services HK$'000	Total HK$'000
For the year ended 31 December 2019				
Segment revenue				
Revenue from external customers	–	356,409	543	356,952
Segment results	(358)	(8,498)	357	(8,499)
Reconciliation:				
Bank interest income				49
Other losses, net				(244,850)
Finance costs				(4,008)
Unallocated head office and corporate expenses				(31,604)
Loss before tax				(288,912)
Income tax expense				(5,106)
Loss for the year				(294,018)
As at 31 December 2019				
Segment assets	889	349,019	742	350,650
Unallocated assets				69,253
				419,903
Segment liabilities	(21,434)	(73,913)	–	(95,347)
Unallocated liabilities				(78,778)
				(174,125)

6. OPERATING SEGMENT INFORMATION *(Continued)*

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

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

6. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Other segment information

	PC steel bar HK$'000	PHC piles and others HK$'000	Financial services HK$'000	Corporate/ unallocated HK$'000	Total HK$'000
For the year ended 31 December 2019					
Other segment information:					
Capital expenditure	**–**	**51,497**	**–**	**83**	**51,580**
Depreciation	**–**	**(23,699)**	**–**	**(5,696)**	**(29,395)**
Provision for impairment loss of trade receivables, net	**–**	**(5,618)**	**(117,178)**	**–**	**(122,796)**
Provision for impairment loss of prepayments, deposits and other receivables, net	**(10)**	**(7,616)**	**–**	**(103,812)**	**(111,438)**

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

6. OPERATING SEGMENT INFORMATION *(Continued)*

(c) Geographical information

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

	Non-current assets As at 31 December		Revenue Year ended 31 December	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**8,521**	2,718	**543**	11,375
The PRC (excluding Hong Kong for the purposes of this report)	**156,995**	151,341	**356,409**	403,342
	165,516	154,059	**356,952**	414,717

(d) Information about major customer

The Group had no transactions with customer which contributed over 10% of its total revenue for the year ended 31 December 2019 (2018: Nil).

7. REVENUE

	2019	2018
	HK$'000	HK$'000
Sales of PHC piles and others	**356,409**	403,342
Brokerage income	**–**	1
Revenue from contracts with customers	**356,409**	403,343
Loan interest income	**543**	11,374
Total revenue	**356,952**	414,717

7. REVENUE *(Continued)*

Disaggregation of revenue from contracts with customers:

	2019 Sales of PHC piles and others HK$'000
Geographical markets	
The PRC	**356,409**

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

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

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

Sales of PHC piles and others

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

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

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

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

8. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Bank interest income	**49**	58
Dividend income	**–**	3
Compensation income	**1,381**	–
Government subsidy	**1,578**	5,945
Sundry income	**600**	1,073
	3,608	7,079

9. OTHER LOSSES, NET

	2019 HK$'000	2018 HK$'000
Exchange difference, net	**(2,619)**	(6,500)
Net loss arising on investments at FVTPL	**–**	(457)
Provision for impairment loss of goodwill	**–**	(1,041)
Provision for impairment loss of trade receivables, net (Note 22)	**(122,796)**	(12,479)
(Provision)/reversal of provision for impairment loss of prepayments, deposits and other receivables, net (Note 23)	**(111,438)**	64
(Loss)/gain on disposal of property, plant and equipment	**(6,470)**	439
Write-off of trade receivables	**–**	(289)
Write-off of prepayments, deposits and other receivables	**–**	(132)
Provision for compensation and cost for legal cases	**(1,527)**	(1,638)
Provision for impairment loss of intangible assets	**–**	(11,786)
	(244,850)	(33,819)

10. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Leases interests	**709**	–
Interest on interest-bearing borrowings	**3,299**	3,173
	4,008	3,173

11. LOSS FOR THE YEAR

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

	2019 **HK$'000**	2018 HK$'000
Cost of inventories sold	**205,738**	214,532
Depreciation	**29,395**	19,692
Amortisation of prepaid land lease payments	**–**	704
Auditor's remuneration	**2,150**	1,080
Expenses related to short-term leases/operating lease payments in respect of land and buildings	**140**	4,635
Provision of compensation and cost for legal cases	**1,527**	1,638
Staff costs (including directors' remuneration):		
– salaries, bonuses and allowances	**14,901**	33,974
– reversal of provision for long service payment	**(2)**	(3)
– retirement benefits scheme contributions	**1,697**	1,898
	16,596	35,869

12. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2019 **HK$'000**	2018 HK$'000
Fees	**687**	711
Other emoluments:		
Salaries, allowances and benefits in kind	**4,629**	4,565
Pension scheme contributions	**73**	80
	4,702	4,645
	5,389	5,356

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

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

	2019			
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors				
Mr. Chim Sai Yau, Oscar (Chairman) (appointed on 28 May 2019)	–	386	11	397
Mr. Li Chongyang	–	1,368	18	1,386
Mr. Law Chun Choi (appointed on 28 May 2019)	–	464	11	475
Ms. Qi Jiao (resigned on 22 May 2019)	–	418	8	426
Mr. Lam Kai Yeung (resigned on 6 June 2019)	–	919	9	928
Mr. Leung Chi Fai (resigned on 22 May 2019)	–	355	8	363
	–	3,910	65	3,975
Non-executive directors				
Mr. Lum Pak Sum (appointed on 28 May 2019)	193	–	–	193
Mr. Huang Weidong (resigned on 25 May 2019)	–	719	8	727
	193	719	8	920
Independent non-executive directors				
Mr. Choi Pun Lap (appointed on 28 May 2019)	107	–	–	107
Mr. Tong Leung Sang (appointed on 6 June 2019)	103	–	–	103
Mr. Chan Sung Wai (appointed on 6 June 2019)	103	–	–	103
Mr. Cong Yongjian (resigned on 6 June 2019)	62	–	–	62
Dr. Lam Huen Sum (resigned on 6 June 2019)	62	–	–	62
Mr. Ng Yuk Lam (resigned on 22 May 2019)	57	–	–	57
	494	–	–	494
	687	4,629	73	5,389

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

	2018			
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total HK$'000
Executive directors				
Mr. Li Chongyang	–	1,212	18	1,230
Ms. Qi Jiao (resigned on 22 May 2019)	–	576	18	594
Mr. Lam Kai Yeung (re-designated to executive director on 31 July 2018 and resigned on 6 June 2019)	–	443	8	451
Mr. Leung Chi Fai (executive duties were suspended on 27 July 2018 and resigned on 22 May 2019)	–	1,090	18	1,108
	–	3,321	62	3,383
Non-executive directors				
Mr. Huang Weidong (resigned on 25 May 2019)	–	1,244	18	1,262
Mr. Liu Chenli (resigned on 3 August 2018)	141	–	–	141
	141	1,244	18	1,403
Independent non-executive directors				
Mr. Cong Yongjian (resigned on 6 June 2019)	190	–	–	190
Dr. Lam Huen Sum (resigned on 6 June 2019)	190	–	–	190
Mr. Lam Kai Yeung (re-designated to executive director on 31 July 2018) and resigned on 6 June 2019)	140	–	–	140
Mr. Ng Yuk Lam (appointed on 31 July 2018 and resigned on 22 May 2019)	50	–	–	50
	570	–	–	570
	711	4,565	80	5,356

There was no arrangement under which a director waived or agreed to waive any remuneration in respect of the years ended 31 December 2019 and 2018.

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

Five highest paid individuals

The five highest paid employees in the Group during the year included four (2018: three) directors, details of whose remuneration are set out above. Details of remuneration of the remaining one (2018: two) highest paid employee(s) who are not a director of the Company are as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and benefits in kind	**525**	1,382
Pension scheme contributions	**15**	30
	540	1,412

The remuneration of the employees fell within the band of below HK$1,000,000 (2018: HK$1,000,000).

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

13. INCOME TAX EXPENSE

The subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 8.25% for the first HK$2,000,000 of the estimated assessable profits and 16.5% of the remaining estimated assessable profits arising in Hong Kong for the year ended 31 December 2019 (2018: 16.5% on the estimated assessable profits). No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2019 as the Group did not generate any assessable profits arising in Hong Kong during that year. Subsidiaries established in the PRC are subject to the PRC Enterprise Income Tax at the standard rate of 25% (2018: 25%). No provision for overseas taxation is required since the Group has no assessable profit arisen from its operations outside Hong Kong and the PRC during the year (2018: Nil).

	2019 HK$'000	2018 HK$'000
Current tax – PRC Enterprise Income Tax		
– Provision for the year	**1,162**	6,591
– Under/(over)-provision in prior years	**1,442**	(992)
	2,604	5,599
Current tax – Hong Kong Profits Tax		
– Provision for the year	**–**	930
Deferred tax (note 30)	**2,502**	(369)
	5,106	6,160

13. INCOME TAX EXPENSE *(Continued)*

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

	2019 **HK$'000**	2018 HK$'000
Loss before tax	**(288,912)**	(37,466)
Notional tax on loss before tax, calculated at the applicable tax rates in respective jurisdictions	**(50,496)**	(4,401)
Tax effect of expenses not deductible for tax purpose	**33,176**	8,437
Tax effect of income not taxable for tax purpose	**(5)**	(783)
Tax effect of tax losses and other temporary differences not recognised	**20,989**	4,072
Tax effect of utilisation of tax losses not previously recognised	**–**	(8)
Tax reduction	**–**	(165)
Under/(over)-provision in prior years	**1,442**	(992)
Income tax expense	**5,106**	6,160

14. DIVIDENDS

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

15. LOSS PER SHARE

Loss per share

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

	2019 **HK$'000**	2018 HK$'000
Loss:		
Loss for the year attributable to owners of the Company used in the basic loss per share calculation	**(283,995)**	(50,501)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basis loss per share	**719,873,310**	625,487,645

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

Diluted loss per share

No diluted loss per share for the years ended 31 December 2019 and 2018 is presented as the effects of all convertible notes and options are anti-dilutive for the years.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant, machinery and office equipment HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Construction in progress HK$'000	Total HK$'000
As at 1 January 2019						
Cost or valuation	44,216	131,428	3,829	1,368	298	181,139
Accumulated depreciation and impairment loss	(8,243)	(74,191)	(1,648)	(379)	(298)	(84,759)
Carrying amount	35,973	57,237	2,181	989	–	96,380
Opening net carrying amount	35,973	57,237	2,181	989	–	96,380
Additions	1,160	49,258	1,144	18	–	51,580
Disposals	–	(8,607)	(119)	–	–	(8,726)
Surplus/(deficit) on revaluation	9,490	(20,656)	(366)	–	–	(11,532)
Depreciation provided during the year	(1,850)	(21,059)	(741)	(164)	–	(23,814)
Exchange realignment	(979)	(1,022)	(29)	–	–	(2,030)
As at 31 December 2019, net of accumulated depreciation and impairment loss	43,794	55,151	2,070	843	–	101,858
As at 31 December 2019						
Cost or valuation	53,645	136,367	3,605	1,386	298	195,301
Accumulated depreciation and impairment loss	(9,851)	(81,216)	(1,535)	(543)	(298)	(93,443)
Carrying amount	43,794	55,151	2,070	843	–	101,858

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

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

As at 31 December 2019 and 2018, the Group's buildings, plant, machinery and office equipment and motor vehicles were valued by an independent professionally qualified valuer, LCH (Asia-Pacific) Surveyors Limited ("**LCH**") (2018: Roma Appraisals Limited), which has appropriate qualifications and recent experience in the valuation of similar assets.

The carrying amount of the Group's buildings, plant, machinery and office equipment and motor vehicles would have been HK$53,778,000, HK$38,474,000, HK$2,073,000 (2018: HK$57,332,000, HK$16,656,000, HK$1,263,000), respectively, had they been stated at cost less accumulated depreciation and impairment losses.

As at 31 December 2019, certain buildings and plant and machinery of the Group with carrying amounts of HK$43,813,000 (2018: HK$35,973,000) and HK$26,592,000 (2018: HK$Nil) were pledged to secure banking facilities granted to the Group (note 29).

17. INTANGIBLE ASSETS

	Financial services licences (note) HK$'000
Cost	
As at 1 January 2018, 31 December 2018 and 31 December 2019	11,786
Accumulated amortisation and impairment losses	
As at 1 January 2018	–
Impairment loss recognised for the year (Note 9)	(11,786)
As at 31 December 2018 and 31 December 2019	(11,786)
Net carrying amount	
As at 31 December 2019	**–**
As at 31 December 2018	–

Note:

The licences were used in the Group's financial services segment. Full impairment loss has been recognised during the year ended 31 December 2018 as the Group had decided to revoke the licences under Securities and Futures Ordinance and cease the brokerage and asset management business pursuant to the directors' resolutions of Big Bay Asset Management (HK) Limited and Big Bay Securities (HK) Limited, two indirectly wholly-owned subsidiaries of the Company, dated 31 December 2018.

18. RIGHT-OF-USE ASSETS

	2019 HK$'000
At 31 December:	
Right-of-use assets	
– Land use rights	**6,951**
– Land and buildings	**36,766**
	43,717
Lease commitments of short-term leases	**–**
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:	
– Less than 1 year	**5,119**
– Between 1 and 2 years	**2,519**
	7,638
Depreciation charge of right-of-use assets	
– Land use rights	**997**
– Land and buildings	**4,584**
	5,581
Lease interests	**709**
Expenses related to short-term leases	**140**
Total cash outflow for leases	**5,039**
Additions to right-of-use assets	**444**

The Group leases various land use rights and land and buildings. Lease agreements are typically made for fixed periods of 2 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

As at 31 December 2019, leasehold lands with a carrying amount of HK$21,441,000 (2018: HK$22,833,000) were pledged to secure banking facilities granted to the Group (note 29).

19. PREPAID LAND LEASE PAYMENTS

	2019 HK$'000	2018 HK$'000
Carrying amount at beginning of year	**38,533**	24,486
Transfer to right-of-use assets (Note 18)	**(38,533)**	–
Balance as at 1 January 2019 after reclassification and adjustment arising from the adoption of HKFRS 16	**–**	24,486
Additions	**–**	16,507
Amortisation during the year	**–**	(704)
Exchange realignment	**–**	(1,756)
Carrying amount at end of year	**–**	38,533
Current portion included in prepayments, deposits and other receivables	**–**	(795)
	–	37,738

As at 31 December 2018, prepaid land lease payments of the Group with a carrying amount of HK$22,833,000 were pledged to secure banking facilities granted to the Group.

20. GOODWILL

For the purpose of impairment testing, goodwill has been allocated to two CGUs, comprising a subsidiary in financial services and a subsidiary in PHC piles and others businesses. The carrying amount of goodwill as at 31 December 2019 and 2018 allocated to these units are as follows:

	Financial services HK$'000	PHC piles and others HK$'000	Total HK$'000
Cost			
As at 1 January 2018, 31 December 2018 and 31 December 2019	1,041	84,421	85,462
Accumulated impairment losses			
As at 1 January 2018	–	(64,480)	(64,480)
Recognised for the year	(1,041)	–	(1,041)
As at 31 December 2018 and 31 December 2019	(1,041)	(64,480)	(65,521)
Net carrying amount			
As at 31 December 2019	**–**	**19,941**	**19,941**
As at 31 December 2018	–	19,941	19,941

20. GOODWILL *(Continued)*

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

Financial services

The licences were used in the Group's financial services segment. Full impairment loss has been recognised during the year ended 31 December 2018 as the Group had decided to revoke the licences under Securities and Futures Ordinance and cease the brokerage and asset management business pursuant to the directors' resolutions of Big Bay Asset Management (HK) Limited and Big Bay Securities (HK) Limited, two indirectly wholly-owned subsidiaries of the Company, dated 31 December 2018.

PHC piles and others

The recoverable amount of this CGU has been determined, including working capital, based on a value-in-use calculation determined by income approach using discounted cash flow projections with reference to valuation performed by an independent professional valuer, LCH. The calculation covered a period estimated by the Group to be indefinite as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a three-year period. Cash flow beyond the projection period is extrapolated using an estimated growth rate of 3% (2018: 3%). The pre-tax rate used to discount the forecast cash flows is 20% (2018: 17.93%).

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

21. INVENTORIES

	2019 **HK$'000**	2018 HK$'000
Raw materials	**19,952**	16,518
Finished goods	**13,019**	9,304
	32,971	25,822

22. TRADE AND BILL RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables, gross	**143,282**	101,280
Less: provision for impairment loss	**(48,957)**	(44,433)
Trade receivables, net	**94,325**	56,847
Bill receivables, gross	**334**	–
Less: provision for impairment loss	**(4)**	–
	94,655	56,847
Loan receivables, gross	**130,882**	140,700
Less: provision for impairment loss	**(130,141)**	(12,963)
Loan receivables, net	**741**	127,737

The Group's trading terms with its customers are mainly on credit except for new customers, where payment in advance is normally required. For trade receivables resulted from sales of goods and services, the credit period is generally one to three (2018: one to three) months from the date of billing, except for certain well-established customers, where the term is extended to six months. For loan receivables, the loan period is generally twelve (2018: three to eighteen) months from the date of inception or renewal. The Group seeks to maintain strict control over its receivables to minimise credit risk.

As at 31 December 2019, except for the gross loan receivables of HK$130,882,000 (2018: HK$140,700,000) which bore fixed interest rates ranging from 8% to 10% (2018: 8% to 10%) per annum and, of which HK$130,141,000 (2018: HK$132,129,000) were secured with charges over the assets owned by the borrowers and/or personal guarantees, trade receivables are non-interest bearing and unsecured.

(a) Ageing analysis

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

	2019 HK$'000	2018 HK$'000
Within 3 months	**–**	28,791
4 to 6 months	**–**	45,433
7 to 12 months	**741**	53,513
	741	127,737

22. TRADE AND BILL RECEIVABLES *(Continued)*

(a) Ageing analysis *(Continued)*

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

	2019 HK$'000	2018 HK$'000
Within 3 months	**78,966**	44,182
4 to 6 months	**6,325**	1,339
7 to 12 months	**6,964**	3,267
Over 12 months	**2,400**	8,059
	94,655	56,847

(b) Impairment of loan and trade receivables

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

	2019 HK$'000	2018 HK$'000
Balance at beginning of year	**44,433**	53,868
Impairment loss recognised	**11,296**	4,168
Impairment loss reversed	**(5,678)**	(4,652)
Amounts written off	**–**	(6,426)
Exchange realignment	**(1,090)**	(2,525)
Balance at end of year	**48,961**	44,433

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

	2019 HK$'000	2018 HK$'000
Balance at beginning of year	**12,963**	–
Impairment loss recognised	**117,178**	12,963
Balance at end of year	**130,141**	12,963

Included in the above provision for impairment loss was a full provision for individually impaired loan and trade receivables of HK$128,474,000 (2018: HK$17,131,000) that are considered irrecoverable by management after consideration of the credit quality of those individual customers, their ongoing relationship with the Group and the ageing of those receivables. The Group does not hold any collateral over these balances.

22. TRADE AND BILL RECEIVABLES *(Continued)*

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

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

	Current HK$'000	Within 3 months past due HK$'000	Over 3 months past due HK$'000	Over 6 months past due HK$'000	Over 12 months past due HK$'000	Total HK$'000
At 31 December 2019						
Loan receivables						
Weighted average expected loss rate	**96%**	**100%**	**100%**	**100%**	**100%**	
Receivable amount	**19,948**	**23,502**	**45,000**	**31,068**	**11,364**	**130,882**
Loss allowance	**(19,207)**	**(23,502)**	**(45,000)**	**(31,068)**	**(11,364)**	**(130,141)**
Trade receivables						
Weighted average expected loss rate	**1%**	**3%**	**5%**	**22%**	**95%**	
Receivable amount	**66,580**	**17,139**	**6,354**	**4,724**	**48,819**	**143,616**
Loss allowance	**(710)**	**(473)**	**(330)**	**(1,029)**	**(46,419)**	**(48,961)**
At 31 December 2018						
Loan receivables						
Weighted average expected loss rate	0%	31%	32%	47%	100%	
Receivable amount	126,057	651	635	1,506	11,851	140,700
Loss allowance	–	(202)	(202)	(708)	(11,851)	(12,963)
Trade receivables						
Weighted average expected loss rate	0%	0%	0%	0%	85%	
Receivable amount	37,207	3,941	2,649	4,991	52,492	101,280
Loss allowance	–	–	–	–	(44,433)	(44,433)

22. TRADE AND BILL RECEIVABLES *(Continued)*

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

Included in the balance of impairment of loan and trade receivables of HK$179,102,000 represented an amount of HK$130,141,000 (2018: HK$11,184,000) which is impairment of loan receivables.

The Group had followed its own credit assessment policies and procedures which were the same as prior year. The management assessed the recoverability of each application before approving the grant.

The management took into account various factors in credit analysis, which mainly included the financial capability as well as the repayment history and recent market information (for renewal) of the borrowers. The responsible team for money lending business had to obtain and check the relevant documents including financial information, latest audited financial statements if available, identity proof and registration documents etc. for each borrower, as well as the guarantor. The team would perform due diligence as appropriate in each case which might include litigation search, credit search, company search and internet search for each borrower if considered necessary. Those searches would be done by the team or external independent professionals. In addition, all borrowers had to confirm independence to the Group by signing an independence confirmation. All loans granted had to be approved in a board meeting.

The Group has noticed that 6 borrowers (and their guarantors, if any) (together known as the "**Loan Debtors**") failed to repay any outstanding principals and interest during the year ended 31 December 2019.

According to the loan agreements, the Loan Debtors had been in default for loans repayment for which the enforceability of the collaterals, if any, was quite difficult. Accordingly, base on a valuation report as prepared by an independent valuer, a full provision of impairment for loan receivables from the Loan Debtors amounted to HK$117,178,000 (2018: HK$12,963,000) had been recognised in the consolidated statement of profit or loss for the year ended 31 December 2019.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Prepayments, deposits paid and other receivables	**175,036**	257,980
Refundable deposits paid for acquisition of subsidiaries (note (a))	**106,637**	106,637
	281,673	364,617
Less: provision for impairment loss of Prepayments, deposits paid and other receivables (note (b))	**(88,120)**	(80,431)
Less: provision for impairment loss of refundable deposits paid for acquisition of subsidiaries (note (a))	**(103,789)**	–
Total provision for impairment loss (note (b))	**(191,909)**	(80,431)
	89,764	284,186

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

Notes:

(a) References are made to the Company's announcements dated 12 September 2017 and 10 October 2017. During the year ended 31 December 2017, the Group paid refundable earnest money of HK$100,000,000 to acquire certain equity interests of a target group. As security for the repayment of the refundable earnest money of HK$100,000,000, the entire issued share capital of the holding company of the target group held by the vendor was charged in favour of the Group, and the performance of all the obligations of the vendor was guaranteed by the shareholder of the vendor (the "**Guarantor**"). Further reference is made to the Company's announcement dated 2 July 2019, the Group decided not to proceed with the acquisition. However, the vendor failed to return the earnest money of HK$100,000,000. Legal actions have been taken against the vendor and the Guarantor. Further details are set out in note 42. In the opinion of the directors, as the recovery of the refundable deposits is remote, the refundable deposit of HK$100,000,000 was fully impaired during the year ended 31 December 2019.

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

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

	2019 HK$'000	2018 HK$'000
Balance at beginning of year	**80,431**	84,918
Impairment loss recognised	**114,329**	66
Impairment loss reversed	**(2,891)**	(130)
Exchange realignment	**40**	(4,423)
Balance at end of year	**191,909**	80,431

As at 31 December 2019, the Group's other receivables with a carrying amount before provision of HK$114,329,000 (2018: HK$66,000) were individually determined to be fully impaired. The individually impaired receivables related to debtors that were in financial difficulties and overdue for more than one year and management assessed that the recovery of these receivables is in doubt.

During the year ended 31 December 2015, the Group appointed an independent professional advisor to perform an investigation on certain prepayments, deposits and other receivables of a subsidiary of the Group. Based on the findings of the investigation, certain prepayments may involve the possible commercial crime committed by two former directors of a subsidiary of the Group. The management assessed and considered the recoverability of these receivables is in doubt. As at 31 December 2019 and 2018, certain prepayments, deposits and other receivables with a carrying amount before provision of HK$57,138,000 were individually determined to be fully impaired.

24. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

	2019 HK$'000	2018 HK$'000
Bank and cash balances	**29,049**	23,156

As at 31 December 2019, bank and cash balances of HK$9,608,000 (2018: HK$3,665,000) are denominated in Renminbi ("**RMB**"). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

(b) Restricted bank deposits

As at 31 December 2019, bank balance of HK$4,000 (2018: HK$49,000) is frozen in relation to the legal proceedings.

25. TRADE PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**70,439**	61,890

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

	2019 HK$'000	2018 HK$'000
Within 3 months	**51,735**	47,131
4 to 6 months	**14,322**	10,010
7 to 12 months	**–**	14
Over 1 year	**4,382**	4,735
	70,439	61,890

Trade payables are non-interest bearing and the average credit terms received from suppliers of the Group is 30 (2018: 30) days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

26. ACCRUALS AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Accruals and other payables	**13,737**	27,416
Provision of compensation and cost for legal cases	**15,004**	13,773
	28,741	41,189

27. LEASE LIABILITIES

	Lease payments 2019 HK$'000	Present value of lease payments 2019 HK$'000
Within one year	**5,119**	**4,739**
In the second to fifth years, inclusive	**2,519**	**2,466**
	7,638	**7,205**
Less: Future finance charges	**(433)**	
Present value of lease obligations	**7,205**	
Less: Amount due for settlement within 12 months (shown under current liabilities)		**(4,739)**
Amount due for settlement after 12 months		**2,466**

At 31 December 2019, the average effective borrowing rate was 7.5%. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

28. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER/AMOUNT DUE TO A SHAREHOLDER

The balances are unsecured, interest-free and repayable on demand.

29. INTEREST-BEARING BORROWINGS

	2019		2018	
	Maturity	**HK$'000**	Maturity	HK$'000
Bank borrowings, secured	**2020 – 2021**	**45,790**	2019 – 2020	24,988
Bond, unsecured	**2025**	**3,000**	2025	3,000
		48,790		27,988

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

	2019	2018
	HK$'000	HK$'000
Analysed into:		
On demand or within one year	**40,376**	10,530
Between one and two years	**5,414**	14,458
More than three years	**3,000**	3,000
	48,790	27,988

As at 31 December 2019 and 2018, the Group's bank borrowings carried variable interest rates set by The People's Bank of China plus certain basis points and thus were subject to cash flow interest risk.

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

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

	2019	2018
	%	%
Variable-rate bank borrowings	**4.20 – 8.12**	5.00 – 8.12

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

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

		2019	2018
	Notes	**HK$'000**	HK$'000
Buildings	16	**43,794**	35,973
Plant and machinery	16	**26,592**	–
Prepaid land lease payments	19	**–**	22,833
Right-of-use assets	18	**21,441**	–

30. DEFERRED TAX

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

Deferred tax assets	Provision for impairment loss of trade receivables HK$'000	Provision for impairment loss of inventories HK$'000	Provision for impairment loss of other receivables HK$'000	Provision for impairment loss of property, plant and equipment HK$'000	Total HK$'000
As at 1 January 2018	8,033	175	4,443	1,405	14,056
Charged to profit or loss	(1,727)	–	(30)	–	(1,757)
Exchange realignment	(348)	(9)	(230)	(7)	(594)
As at 31 December 2018 and 1 January 2019	**5,958**	**166**	**4,183**	**1,398**	**11,705**
Charged to profit or loss	**1,404**	**(165)**	**(4,169)**	**(1,397)**	**(4,327)**
Exchange realignment	**(159)**	**(1)**	**(14)**	**(1)**	**(175)**
As at 31 December 2019	**7,203**	**–**	**–**	**–**	**7,203**

Deferred tax liabilities	Revaluation of property, plant and equipment HK$'000
As at 1 January 2018	8,078
Credited to profit or loss	(2,126)
Charged to other comprehensive income	2,654
Exchange realignment	33
As at 31 December 2018 and 1 January 2019	**8,639**
Charged to profit or loss	**(1,825)**
Credited to other comprehensive income	**(2,883)**
As at 31 December 2019	**3,931**

As at 31 December 2019, the Group has unused tax losses of HK$59,337,000 (2018: HK$57,873,000) that are available indefinitely for offsetting against future taxable profits of the group entities in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

30. DEFERRED TAX *(Continued)*

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

As at 31 December 2019, there was no significant unrecognised deferred tax liabilities (2018: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group controls the dividend policy of these subsidiaries and it has been determined that no dividend will be distributed by these subsidiaries in the foreseeable future.

31. PROVISION FOR LONG SERVICE PAYMENT

	2019 **HK$'000**	2018 HK$'000
Balance at beginning of year	**17**	20
Reversal of provision for the year	**(2)**	(3)
Balance at end of year	**15**	17

32. SHARE CAPITAL

	Number of ordinary shares	**Share capital** HK$'000
Authorised:		
As 1 January 2018, ordinary shares of HK$0.01 each	100,000,000,000	1,000,000
Share consolidation (note (b))	(90,000,000,000)	–
At 31 December 2018 and 31 December 2019, ordinary shares of HK$0.1 each	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 January 2018, ordinary shares of HK$0.01 each	6,427,083,246	64,271
Repurchase of shares (note (a))	(185,720,000)	(1,857)
Share consolidation (note (b))	(5,617,226,922)	–
At 31 December 2018, ordinary shares of HK$0.1 each	624,136,324	62,414
Share allotment (note (c))	124,800,000	12,480
At 31 December 2019, ordinary shares of HK$0.1 each	748,936,324	74,894

32. SHARE CAPITAL *(Continued)*

Notes:

(a) Repurchase of shares

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

(b) Share consolidation

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

(c) Share allotment

On 13 March 2019, the Company entered into a subscription agreement with a subscriber to issue and allot 124,800,000 ordinary shares of HK$0.1 each to the subscriber at a price of HK$0.136 per share. The share allotment was completed on 27 March 2019 and the premium on the issue of shares amounting to approximately HK$4,493,000 was credited to the Company's share premium account.

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets. Details of the Company's share option scheme and the share options issued under the scheme are disclosed in note 35.

33. CONVERTIBLE NOTES

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

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

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

33. CONVERTIBLE NOTES *(Continued)*

During the year ended 31 December 2016, the Company redeemed convertible notes with an aggregate principal amount of HK$100,000,000 at its fair value of approximately HK$89,155,000 to settle the profit guarantee compensation receivables. No redemption was made during the years ended 31 December 2018 and 2017. As at 31 December 2018 and 2017, the unconverted convertible notes were under dispute with a third party and litigation is in progress as disclosed in note 43.

As at 31 December 2019, the convertible notes of the Company with an aggregate principal amount of HK$30,000,000 (2018: HK$30,000,000) were still outstanding and are convertible into 16,393,442 shares with conversion price of HK$1.83.

Based on the opinions obtained from the legal advisers of the Company, in view of the ongoing legal proceedings, the Company maintains the position that all remaining convertible notes of the Company are void and are not capable of converting into shares of the Company.

34. RESERVES

(a) Share premium account and capital redemption reserve

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

(b) Contributed surplus

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

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

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

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

(c) Share option reserve

Share option reserve comprises the fair value of the actual or estimated number of shares issuable under unexercised share options granted to participants recognised in accordance with accounting policy set out in note 3.

34. RESERVES *(Continued)*

(d) Asset revaluation reserve

Asset revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for property, plant and equipment set out in note 3.

(e) Exchange fluctuation reserve

Exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3.

(f) PRC statutory reserve

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

35. SHARE OPTION SCHEME

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

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

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

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

35. SHARE OPTION SCHEME *(Continued)*

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

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

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

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

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

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

35. SHARE OPTION SCHEME *(Continued)*

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

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

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

	Outstanding as at 1 January 2019	Cancelled during the year (note (a))	Outstanding as at 31 December 2019
Executive directors			
Li Chongyang	**1,000,000**	**(1,000,000)**	**–**
Qi Jiao (resigned on 22 May 2019)	**4,360,000**	**(4,360,000)**	**–**
Lam Kai Yeung (re-designated to executive director on 31 July 2018 and resigned on 6 June 2019)	**1,000,000**	**(1,000,000)**	**–**
Leung Chi Fai (executive duties suspended on 27 July 2018 and resigned on 22 May 2019)	**1,000,000**	**(1,000,000)**	**–**
Non-executive directors			
Huang Weidong (resigned on 25 May 2019)	**4,360,000**	**(4,360,000)**	**–**
Independence non-executive directors			
Cong Yongjian (resigned on 6 June 2019)	**1,000,000**	**(1,000,000)**	**–**
Substantial shareholders			
Business Century Investments Limited	**2,900,000**	**(2,900,000)**	**–**
Everun Oil Co., Limited	**2,900,000**	**(2,900,000)**	**–**
Employees			
in aggregate	**1,000,000**	**(1,000,000)**	**–**
Consultants			
in aggregate	**4,360,000**	**(4,360,000)**	**–**
	23,880,000	**(23,880,000)**	**–**

35. SHARE OPTION SCHEME *(Continued)*

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

	Outstanding as at 1 January 2018	Adjustment for share consolidation (note (b))	Lapsed during the year	Outstanding as at 31 December 2018
Executive directors				
Li Chongyang	10,000,000	(9,000,000)	–	1,000,000
Qi Jiao (resigned on 22 May 2019)	43,600,000	(39,240,000)	–	4,360,000
Lam Kai Yeung (re-designated to executive director on 31 July 2018 and resigned on 6 June 2019)	10,000,000	(9,000,000)	–	1,000,000
Leung Chi Fai (executive duties suspended on 27 July 2018 and resigned on 22 May 2019)	10,000,000	(9,000,000)	–	1,000,000
Non-executive directors				
Huang Weidong (resigned on 25 May 2019)	43,600,000	(39,240,000)	–	4,360,000
Liu Chenli (resigned on 3 August 2018)	29,000,000	(26,100,000)	(2,900,000)	–
Independence non-executive directors				
Cong Yongjian (resigned on 6 June 2019)	10,000,000	(9,000,000)	–	1,000,000
Substantial shareholders				
Business Century Investments Limited	29,000,000	(26,100,000)	–	2,900,000
Everun Oil Co., Limited	29,000,000	(26,100,000)	–	2,900,000
Employees				
in aggregate	10,000,000	(9,000,000)	–	1,000,000
Consultants				
in aggregate	43,600,000	(39,240,000)	–	4,360,000
	267,800,000	(241,020,000)	(2,900,000)	23,880,000

Notes:

(a) Reference is made to the Company's announcement dated 12 February 2019. As the exercise price of the outstanding share options are comparatively high when compared with the market prices of the shares, which deters the grantees from exercising the outstanding share options to subscribe for the shares, on 12 February 2019, the Company has cancelled all the outstanding share options.

(b) Reference is made to the Company's announcement dated 1 June 2018. On 4 June 2018, the exercise price and number of share options have been adjusted from HK$0.1682 to HK$1.682, and from 267,800,000 shares to 26,780,000 shares, respectively, as a result of the share consolidation. Details are set out in note 32(b).

As at the date of this report, there are no ordinary shares available for issue under the Option Scheme. As at 31 December 2018, there are 23,880,000 ordinary shares available for issue under the Option Scheme, representing approximately 3.83% of the issued share capital of the Company.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

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

	Interest-bearing borrowings HK$'000	Lease liabilities HK$'000	Amount due to a non-controlling shareholder HK$'000	Amount due to a shareholder HK$'000	Total liabilities from financing activities HK$'000
At 1 January 2018	44,137	–	521	–	44,658
Changes in cash flows	(17,739)	–	–	–	(17,739)
Non-cash changes					
– interest charged	3,173	–	–	–	3,173
– exchange differences	(1,583)	–	(27)	–	(1,610)
At 31 December 2018 and 1 January 2019	**27,988**	**–**	**494**	**–**	**28,482**
Changes in cash flows	**18,455**	**(5,039)**	**–**	**2,702**	**16,118**
Non-cash changes					
– recognition upon initial application of HKFRS 16	**–**	**11,535**	**–**	**–**	**11,535**
– interest charged	**3,299**	**709**	**–**	**–**	**4,008**
– exchange differences	**(952)**	**–**	**(11)**	**–**	**(963)**
At 31 December 2019	**48,790**	**7,205**	**483**	**2,702**	**59,180**

37. COMMITMENTS

Lease commitments

During the year ended 31 December 2018, the Group leases certain of its office premises under operating lease arrangements. Leases for the office premises are negotiated for two to three years.

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

	2019 HK$'000	2018 HK$'000
– Within one year	**–**	5,034
– In the second to fifth years inclusive	**–**	7,318
	–	12,352

38. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, during the year, the Group has no other related party transactions (2018: Nil).

39. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts (which include trade payables, accruals, other payables, contract liabilities, lease liabilities, amounts due to a non-controlling shareholder and a shareholder, interest-bearing borrowings and tax payable) and equity attributable to owners of the Company, comprising issued share capital, convertible notes and reserves. The Group monitors capital using a gearing ratio. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2019 and 2018 are as follows:

	2019 **HK$'000**	2018 HK$'000
Debt	**170,179**	141,141
Equity	**245,778**	533,764
Debt to equity ratio	**69%**	26%

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Categories of financial instruments:

	2019 **HK$'000**	2018 HK$'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)		
Trade and bill receivables	**95,396**	184,584
Deposits and other receivables	**48,985**	106,685
Restricted bank deposits	**4**	49
Cash and cash equivalents	**29,049**	23,156
	173,434	314,474
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade payables	**70,439**	61,890
Accruals and other payables	**28,741**	41,189
Amount due to a non-controlling shareholder	**483**	494
Amount due to a shareholder	**2,702**	–
Lease liabilities	**7,205**	–
Interest-bearing borrowings	**48,790**	27,988
Provision for long service payment	**15**	17
	158,375	131,578

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

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

(a) Market risk

Foreign exchange risk

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

Interest rate risk

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

(b) Credit risk

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

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

In respect of trade and bills receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. Concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2019, 18% (2018: 14%) of the total trade and bills receivables was due from the Group's largest customer.

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

(b) Credit risk *(Continued)*

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

– internal credit rating;

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

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

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

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

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

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

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

(b) Credit risk *(Continued)*

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

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

As at 31 December	Other receivables	
	2019	2018
	HK$'000	HK$'000
Balance at beginning of year	**130,919**	76,919
Provision for loss allowance	**(74,044)**	(76,604)
Balance at end of year	**56,875**	315

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables and deposits and other receivables are set out in note 22 and note 23, respectively.

Weighted average expected credit loss rate	
2019	57%
2018	100%

	HK$'000
Loss allowance at 1 January 2018	77,665
Decrease in provision in 2018	(1,061)
Loss allowance at 31 December 2018 and 1 January 2019	**76,604**
Increase in provision in 2018	**(2,560)**
Loss allowance at 31 December 2019	**74,044**

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

(c) Liquidity risk

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

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

At 31 December 2019	On demand or within 1 year HK$'000	1-2 years HK$'000	Over 2 years HK$'000	Total HK$'000
Trade payables	**70,439**	**–**	**–**	**70,439**
Accruals and other payables	**28,741**	**–**	**–**	**28,741**
Amount due to a non-controlling shareholder	**483**	**–**	**–**	**483**
Amount due to a shareholder	**2,702**	**–**	**–**	**2,702**
Lease liabilities	**5,119**	**2,519**	**–**	**7,638**
Interest-bearing borrowings	**42,266**	**5,767**	**3,732**	**51,765**
	149,750	**8,286**	**3,732**	**161,768**

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

41. SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2019 are as follows:

Name	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Company		Principal activities
			2019	2018	
Direct subsidiaries:					
First Billion Global Limited	The British Virgin Islands ("**BVI**")	US$1	**100%**	100%	Investment holding
Palestine Global Limited	BVI	US$1	**100%**	100%	Investment holding
Grand Insight Global Limited	BVI	US$50,000	**100%**	100%	Investment holding
Sunway International Group Limited	BVI	US$50,000	**100%**	100%	Investment holding
Top Margin Group Limited	BVI	US$1	**100%**	100%	Investment holding
Sunway New Energy Industry Group Limited	BVI	US$50,000	**100%**	100%	Investment holding
Lucky Digit Holdings Limited	BVI	US$1	**100%**	100%	Investment holding
Insight City Investments Limited	BVI	US$50,000	**100%**	100%	Investment holding
Golden Elements Limited	BVI	US$50,000	**100%**	100%	Real estate development
Baicui Investments Limited	BVI	US$50,000	**100%**	100%	Dormant
Ever Vision Enterprises Limited	Hong Kong	HK$1	**100%**	100%	Property development
Kirin Lane Limited	BVI	US$50,000	**100%**	100%	Dormant
Nordic Lane Limited	BVI	US$50,000	**100%**	100%	Investment holding
Australia Real Estate Fund Parent	Cayman Islands	US$1	**100%**	100%	Investment holding
Big Bay SLP Limited	Cayman Islands	US$1	**100%**	100%	Dormant

41. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Company 2019	2018	Principal activities
Indirect subsidiaries:					
Joint Expert Global Limited	BVI	US$1	**100%**	100%	Investment holding
Royal Asia International Limited	Hong Kong	HK$1,000,000	**100%**	100%	Investment holding
Zhuhai Hoston Special Materials Co., Ltd. ("**Zhuhai Hoston**")*	PRC	RMB56,000,000	**95%**	95%	Manufacturing and sales of PC steel bars
Guangdong Hengjia Building Materials Co., Ltd. ("**Guangdong Hengjia**")#	PRC	RMB50,000,000	**66.5%**	66.5%	Manufacturing and trading of PHC plies, bricks, aerated concrete products and eco-permeable concrete products
Topping Gain International Limited	Hong Kong	HK$1	**100%**	100%	Dormant
Sunway Financial Management Limited	Hong Kong	HK$2,000,000	**100%**	100%	Money lending
Sunway International Management Limited	Hong Kong	HK$2,000,000	**100%**	100%	Providing management services
Sunway New Energy Industry Investment Limited	Hong Kong	HK$10,000,000	**100%**	100%	Dormant
Big Bay Asset Management (HK) Limited	Hong Kong	HK$500,000	**100%**	100%	Providing assets management services
Big Bay Securities (HK) Limited	Hong Kong	HK$30,000,000	**100%**	100%	Providing securities brokerage services

41. SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operation	Paid-up capital	Percentage of equity attributable to the Company 2019	2018	Principal activities
中國大灣投資(香港)有限公司	Hong Kong	HK$10,000	**100%**	100%	Investment holding
深圳市大灣投資諮詢有限公司	PRC	Nil	**100%**	100%	Dormant
Big Bay Balanced Fund	Cayman Islands	US$1	**100%**	100%	Dormant
深圳大灣股權投資基金管理有限公司	PRC	Nil	**100%**	100%	Assets management
Sunway Management Company Limited	Cayman Islands	US$100	**100%**	100%	Dormant
United Education Fund Parent	Cayman Islands	US$1	**100%**	100%	Investment holding
United Education Fund General Partner	Cayman Islands	US$1	**100%**	100%	Dormant
Big Bay Investment Fund SPC	Cayman Islands	US$1	**100%**	100%	Dormant
Australia Real Estate Fund GP	Cayman Islands	US$100	**70%**	70%	Dormant

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

The Group's equity interest of Guangdong Hengjia was frozen in relation to the litigation proceedings as mentioned in note 42.

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

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

41. SUBSIDIARIES *(Continued)*

	2019 HK$'000	2018 HK$'000
At 31 December		
Non-current assets	**144,335**	142,835
Current assets	**258,349**	297,481
Current liabilities	**(212,472)**	(187,535)
Non-current liabilities	**(9,345)**	(23,096)
Net assets	**180,867**	229,685
Accumulated NCI	**60,590**	76,944
Year ended 31 December:		
Revenue	**356,409**	403,342
(Loss)/profit for the year	**(24,773)**	20,147
Total comprehensive income	**(37,667)**	16,683
(Loss)/profit allocated to NCI	**(8,299)**	6,821
Dividends paid to NCI	**–**	–
Net cash generated from operating activities	**38,204**	9,030
Net cash (used in)/generated from investing activities	**(51,100)**	(17,525)
Net cash generated from/(used in) financing activities	**18,680**	(17,566)
Net increase/(decrease) in cash and cash equivalents	**5,784**	(26,061)

42. LEGAL PROCEEDINGS

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

1. **Sunway Financial Management Limited**

   Reference is made to the Company's announcement dated 20 January 2020 in relation to provision of financial assistance, despite the issue of legal demand letters in August 2019, the six borrowers who are independent third parties have failed to settle any outstanding loans and interests. As a result, Sunway Financial Management Limited has taken the following legal proceedings:

   (a) Instruction has been given to British Virgin Island ("**BVI**") counsel to issue statutory demands and to commence the winding-up application against those borrowers and guarantor which are incorporated in BVI;

   (b) PRC counsel has been engaged to take appropriate legal proceedings in the PRC courts against those borrowers and guarantor that are PRC citizens or PRC incorporated companies; and

   (c) Writ of summons and statement of claim against the borrower which is incorporated in Hong Kong has already been sent and currently awaiting response from the borrower.

42. LEGAL PROCEEDINGS *(Continued)*

2. Sunway New Energy Industry Group Limited

References are made to the announcements of the Company dated 12 September 2017, 10 October 2017 and 25 April 2018 in relation to the memorandum of understanding dated 12 September 2017 (as supplemented on 10 October 2017 and 25 April 2018) (the "**MOU**") entered into among Sunway New Energy Industry Group Limited (新威新能源產業集團有限公司) (a wholly-owned subsidiary of the Company) ("**Sunway New Energy**"), Divine Lands International Gas Holdings Group Limited (神州國際燃氣控股集團有限公司) (the "**Vendor**") and Deng Chao (鄧超) (the "**Guarantor**") in relation to the possible acquisition of the entire issued share capital of Sino New Energy International Limited (中國超燃能源國際有限公司) (the "**Possible Acquisition**").

Pursuant to the MOU, Sunway New Energy had paid in cash an earnest money in the sum of HK$100,000,000 (the "**Refundable Earnest Money**") to the Vendor. The Refundable Earnest Money shall be applied as part payment of the consideration for the Possible Acquisition upon signing of the formal agreement. Should Sunway New Energy decide not to proceed with the Possible Acquisition or Sunway New Energy and the Vendor fail to enter into the formal agreement within the exclusivity period, the Vendor shall refund the Refundable Earnest Money together with interest accrued thereon to Sunway New Energy.

Since Sunway New Energy decides not to proceed with the Possible Acquisition and no formal agreement was entered into between Sunway New Energy and the Vendor within the exclusivity period, Sunway New Energy had requested the Vendor to return the Refundable Earnest Money. However, the Vendor fails to return the Refundable Earnest Money to Sunway New Energy.

Reference is made to the announcement of the Company dated 2 July 2019 on which Sunway New Energy had filed a writ with the Sichuan Le Shan Intermediate People's Court* (四川省樂山市中級人民法院) (the "**Court**") for the commencement of legal proceedings against, among others, the Vendor and the Guarantor for the return of the Refundable Earnest Money. On the same day, the Court had accepted the writ filed by Sunway New Energy.

According to the civil ruling by the Court on 16 July 2019, the Guarantor's assets with value within RMB100,000,000 were suspended for a period of three years. However, impairment has been made against the Refundable Earnest Money during the year ended 31 December 2019 in accordance with the valuation report.

3. The Company/its subsidiary as the plaintiff

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

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

42. LEGAL PROCEEDINGS *(Continued)*

3. The Company/its subsidiary as the plaintiff *(Continued)*

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

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

4. The Company/its subsidiary as the defendant

References are made to the announcements of the Company dated 11 November 2016 and the Annual Report 2018 in relation to the civil complaints involving Zhuhai Hoston, an indirectly owned (95%) subsidiary of the Company.

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

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

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

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

On 16 August 2018, Zhuhai Hoston filed an appeal at the Zhuhai Xiangzhou People's Court for the ruling. On 4 March 2019, the Zhuhai Intermediate People's Court rejected the appeal of Zhuhai Hoston and the original judgment was upheld. Accordingly, Zhuhai Hoston applied to the Higher People's Court of Guangdong Province for retrial which was rejected on 29 May 2019. As at the date of this report, the share freeze is still in force pending the repayment of the judgment sum by Zhuhai Hoston to Zhuhai Hechuan and Kou Jinshui that will be handled as soon as possible.

42. LEGAL PROCEEDINGS *(Continued)*

4. The Company/its subsidiary as the defendant *(Continued)*

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

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

43 CONTINGENT LIABILITIES

References are made to the Company's announcements dated 5 February 2016, 14 March 2017 and 4 September 2017 in relation to an action commenced by Liu Qian (劉倩) ("**Ms. Liu**") as the plaintiff against the Company as the defendant.

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

The amount of the claims by Ms. Liu, in relation to the convertible notes with a face value of HK$15 million, was about HK$40 million as per the Statement of Claim dated 29 January 2016. The convertible notes were issued in favour of the vendor as part of the consideration of the sale and purchase agreement dated 3 October 2013 ("**SPA**"). According to a legal opinion dated 2 December 2019 given by the Company's solicitors, upon the fundamental breach of the SPA, it is open for the Company to argue that the terms and conditions under the SPA has failed and the outstanding convertible notes are void and have no effect.

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	2019 HK$'000	2018 HK$'000
Non-current assets		
Right-of-use assets	**6,654**	–
Investments in subsidiaries	**3,120**	3,120
	9,774	3,120
Current assets		
Amounts due from subsidiaries	**171,851**	413,135
Prepayments and other receivables	**1,480**	1,752
Cash and cash equivalents	**2,804**	2,698
	176,135	417,585
Current liabilities		
Accruals and other payables	**6,204**	5,224
Lease liabilities	**4,514**	–
Amounts due to subsidiaries	**10,950**	5,150
Amount due to a shareholder	**2,702**	–
	24,370	10,374
Net current assets	**151,765**	407,211
Total assets less current liabilities	**161,539**	410,331
Non-current liabilities		
Provision for long service payment	**15**	17
Lease liabilities	**2,387**	–
Interest-bearing borrowing	**3,000**	3,000
	5,402	3,017
NET ASSETS	**156,137**	407,314
Capital and reserves		
Share capital	**74,894**	62,414
Convertible notes	**12,600**	12,600
Reserves	**68,643**	332,300
TOTAL EQUITY	**156,137**	407,314

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

(b) Reserves of the Company

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

	Share premium account HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2018	606,927	157,118	509	24,159	(421,773)	366,940
Loss for the year	–	–	–	–	(26,484)	(26,484)
Total comprehensive loss for the year	–	–	–	–	(26,484)	(26,484)
Lapsed of share options	–	–	–	(2,635)	2,635	–
Repurchase of shares	(8,156)	–	–	–	–	(8,156)
At 31 December 2018	598,771	157,118	509	21,524	(445,622)	332,300
At 1 January 2019	**598,771**	**157,118**	**509**	**21,524**	**(445,622)**	**332,300**
Loss for the year	**–**	**–**	**–**	**–**	**(268,150)**	**(268,150)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(268,150)**	**(268,150)**
Cancellation of share options	**–**	**–**	**–**	**(21,524)**	**21,524**	**–**
Share allotment (note 32(c))	**4,493**	**–**	**–**	**–**	**–**	**4,493**
At 31 December 2019	**603,264**	**157,118**	**509**	**–**	**(692,248)**	**68,643**

45. EVENTS AFTER THE REPORTING PERIOD

The Group has no significant event subsequent to the year ended 31 December 2019.

46. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 May 2020.